

**AGENCIES OF THE SECRETARY  
OF TRANSPORTATION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2007**

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

This report discusses the financial activities of the Commonwealth Transportation Fund which support land, air, and water transportation in the Commonwealth. The report includes all agencies reporting to the Secretary of Transportation. These agencies are the Departments of Motor Vehicles, Transportation, Rail and Public Transportation, Aviation, the Motor Vehicle Dealer Board, the Board of Towing and Recovery Operators, and the Virginia Port Authority.

The transportation agencies oversee land, air, and water transportation in the Commonwealth. Responsibilities include collecting revenues from taxes, licenses, and vehicle registrations to fund operations; developing and maintaining highways, ports, and airports; and assisting in the development of private and local rail and mass transportation, highways, ports, and airports.

Our audit of these agencies for the year ended June 30, 2007, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- instances of noncompliance with applicable laws and regulations tested required to be reported under Government Auditing Standards; and
- internal control matters that require management's attention and corrective action included in the section entitled "Internal Control and Compliance." Recommendations include the items listed below, which are the more significant issues.
  - the Department of Motor Vehicles should properly complete employment eligibility verification forms; and
  - the Department of Transportation should properly complete employment eligibility verification forms.
- risk alerts are issues beyond the corrective action of management and require the action of either another agency, outside party, or the method by which the Commonwealth conducts its operations. The following matter, included in the section entitled "Comments to Management", represents a risk to the Department, but the Department must rely on Virginia Information Technologies Agency (VITA) to address the risk.
  - Department of Motor Vehicles assurance of infrastructure security; and
  - Department of Transportation assurance of infrastructure security.

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## COMMENTS TO MANAGEMENT

### Risk Alert

During the course of our audits, we encounter issues which are beyond the corrective action of management and require the action of either another agency, outside party, or the method by which the Commonwealth conducts its operations. The following matter represents a risk to the Department of Transportation (VDOT) and Department of Motor Vehicles (DMV), but the Departments must rely on Virginia Information Technologies Agency (VITA) to address the risk.

### DEPARTMENT OF MOTOR VEHICLES

#### Security Risk Assurance for Infrastructure

The Commissioner of the Department of Motor Vehicles (DMV) has responsibility for the security and safeguarding of all of DMV's information technology systems and information. Over the past four years, the Commonwealth has moved the information technology infrastructure supporting these databases to VITA, who has an Information Technology Partnership (IT Partnership) with Northrop Grumman. In this environment, VITA and the Board clearly share responsibility for the security of DMV's information technology assets, systems, and information and must provide mutual assurance of this safeguarding.

DMV has provided VITA with all the documentation required to make this assessment and VITA should provide assurance that the IT Partnership will practice proper policies and procedures as outlined by DMV. VITA has a special audit done of the IT Partnership and communicates any findings and corrective action to DMV.

The special audit has identified that the IT Partnership staff did not have formal documented policies and procedures for system and network monitoring, physical security, MS Windows security administration and configuration, UNIX administration and configuration, network security administration and configuration, router/switch administration, and backup operations for operating systems environments. Additionally, there was evidence of insufficient MS Windows administrative controls, insufficient logical access controls for administrator accounts and for operating systems accounts, data storage media not being sent off-site and inconsistent adherence to the Agency's change control process for approval of infrastructure changes. Formal documented and implemented policies and procedures as well as strong logical access controls are critical in order to minimize the security risks relating to the confidentiality, integrity, and availability of DMV's data stored on the IT Partnership's hardware and infrastructure.

Although DMV is not responsible for correcting these findings, they should receive regular status reports from VITA on the progress the IT Partnership is making to correct the issues. As part of the progress reporting, VITA should provide DMV with any interim steps they should take if the IT Partnership must delay addressing this issue. We bring this matter to the attention of the Commissioner, so that he can properly manage the risk and monitor corrective action.

### DEPARTMENT OF TRANSPORTATION

#### Security Risk Assurance for Infrastructure

The Commissioner of the Department of Transportation (VDOT) has responsibility for the security and safeguarding of all of VDOT's information technology systems and information. Over the past four

years, the Commonwealth has moved the information technology infrastructure supporting these databases to VITA, who has an Information Technology Partnership (IT Partnership) with Northrop Grumman. In this environment, VITA and the Board clearly share responsibility for the security of VDOT's information technology assets, systems, and information and must provide mutual assurance of this safeguarding.

VDOT has provided VITA with all the documentation required to make this assessment and VITA should provide assurance that the IT Partnership will practice proper policies and procedures as outlined by VDOT. VITA has a special audit done of the IT Partnership and communicates any findings and corrective action to VDOT.

The special audit has identified that the IT Partnership has not complied with VITA and Center for Internet Security (CIS) standards for UNIX server administration and UNIX security policies are inadequate. Compliance with Commonwealth information security standards is critical in order to minimize the security risks relating to the confidentiality, integrity, and availability of VDOT's information stored on the IT Partnership's hardware and infrastructure.

Although VDOT is not responsible for correcting these findings, they should receive regular status reports from VITA on the progress the IT Partnership is making to correct the issues. As part of the progress reporting, VITA should provide VDOT with any interim steps they should take if the IT Partnership must delay addressing this issue. We bring this matter to the attention of the Commissioner, so that he can properly manage the risk and monitor corrective action.

## INTERNAL CONTROL AND COMPLIANCE

### DEPARTMENT OF MOTOR VEHICLES

#### Properly Complete Employment Eligibility Verification Forms

DMV is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the U.S. Department of Homeland Security. Our review of 40 I-9 forms completed in fiscal year 2007, found 39 I-9 forms incorrectly completed. We found the following errors in our review: failure to sign and date certain sections of the form as required, failure to complete section 1 on or before the first date of employment as documented on the form, incomplete documentation of employee identification in section 2, and failure to complete the employer section of the I-9 form within three days of employee's first day of work.

U.S. Department of Homeland Security regulates the process for completing the I-9 forms and failure to complete the forms properly can result in significant penalties to both the employee and employer. Because of the potential sanctions, we recommend that the Human Resources Division train human resource employees on the requirements of completing I-9s and then develop a process for continuously reviewing DMV's I-9 process.

The federal government has increased its enforcement efforts related to hiring illegal immigrants, which makes having a good I-9 process in place more important than ever before. Although we did not find this particular issue at DMV, we recommend that DMV be cautious in the amount of documents it requests from each employee because employers requesting more than the minimum amount of documentation from employees could be subject to fines and penalties, as the Department of Homeland Security considers it a form of harassment.

Additionally, the Departments of Accounts and Human Resource Management, which help regulate and coordinate the Commonwealth's efforts in obtaining I-9 form information, provide training, and we recommend DMV take advantage of this effort.

### DEPARTMENT OF TRANSPORTATION

#### Properly Complete Employment Eligibility Verification Forms

VDOT is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the U.S. Department of Homeland Security. We found 52 in a sample of 193 I-9 forms to be incorrectly completed. We found the following errors in our review: failure to sign and date certain sections of the form as required, failure to complete section 1 on or before the first date of employment as documented on the form, incomplete documentation of employee identification in section 2, and failure to complete the employer section of the I-9 form within three days of employee's first day of work.

U.S. Department of Homeland Security regulates the process for completing the I-9 forms and failure to complete the forms properly can result in significant penalties to both the employee and employer. Because of the potential sanctions, we recommend that the Human Resources Division train human resource employees on the requirements of completing I-9s and then develop a process for continuously reviewing VDOT's I-9 process.

The federal government has increased its enforcement efforts related to hiring illegal immigrants, which makes having a good I-9 process in place more important than ever before. Although we did not find this particular issue at VDOT, we recommend that VDOT be cautious in the amount of documents it requests from each employee because employers requesting more than the minimum amount of documentation from employees could be subject to fines and penalties, as the Department of Homeland Security considers it a form of harassment.

Additionally, the Departments of Accounts and Human Resource Management, which help regulate and coordinate the Commonwealth's efforts in obtaining I-9 form information, provides training and we recommend VDOT take advantage of this effort.

## **COMMONWEALTH TRANSPORTATION FUND**

This report includes the financial activities of the Commonwealth Transportation Fund which support land, air, and water transportation in the Commonwealth. The report includes all agencies reporting to the Secretary of Transportation: the Departments of Transportation (VDOT), Motor Vehicles (DMV), Rail and Public Transportation (DRPT), Aviation (DOAV), the Motor Vehicle Dealer Board (MVDB), and the Virginia Port Authority (VPA). These six agencies employ over 12,000 people and spent a combined \$3.4 billion in the period ending June 30, 2007.

The Agencies of the Secretary of Transportation oversee land, air, and water transportation in the Commonwealth. Their responsibilities include collecting revenues from taxes, licenses, and vehicle registrations to fund operations; developing and maintaining highways, ports, and airports; and assisting in the development of private and local rail, mass transportation, highways, airports, and ports. In addition to reporting to the Secretary of Transportation, Transportation and DRPT also report to the Commonwealth Transportation Board (the Board) who provides direction and review of statewide transportation projects.

This report presents highlights of current subject matter for each of the transportation agencies during fiscal year 2007 and a summary of financial information.

### **AGENCY HIGHLIGHTS**

#### **DEPARTMENT OF MOTOR VEHICLES**

DMV's mission is to promote security, safety, and service through the administration of motor vehicle and tax-related laws. Administration of motor vehicles includes but is not limited to driver licensing services; vehicle registration services; disabled parking placards; hauling permits; motor carrier permit and inspections; and record services. Tax-related issues include administration of the Personal Property Tax Relief Act and commercial fuels tax collection. To perform these and other services, Motor Vehicles provides numerous customer service centers throughout the Commonwealth and Internet web site services; all supported by over 2200 employees with an annual operating budget of \$261.3 million.

#### **Activity Based Costing**

While DMV is not a project-oriented agency, its operational costs have an impact on the funds available for transportation projects. In October, 2003, the Auditor of Public Accounts, as directed by Chapter 1042 of the Acts of Assembly of 2003 developed a cost accounting model designed to accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by DMV. In our report, we recommended that DMV continue to refine the cost model annually and continually monitor its various costs.

DMV completed an Activity Based Costing (ABC) report for fiscal years 2005 and 2006. Since the completion of the 2006 report DMV lost its ABC staff and does not have the resources to complete the 2007 report. DMV is considering contracting with the former ABC staff to complete the 2007 report as a short-term solution. DMV does not have the necessary funding to procure an automated real-time ABC system.

#### **Integrated Systems Redesign**

DMV remains in the initiation phase of a project to replace and reengineer their Customer Service System (CSS). This new system will transform three major business areas; driver services, vehicle services, and motor carrier, into a more modern and user-friendly system. DMV is currently defining the scope, goals,

objectives and vision of the system, as well as performing a business process analysis, identifying communications channels and securing funding for the duration of the project.

The new system will be more flexible and secure to allow for easier changes to accommodate legislation, new technology and customer demands. Project planning costs through June 30, 2007 total \$2.7 million, with a total project budget of \$32.6 million, and will take approximately 5 to 6 years to complete.

#### Traffic Records Electronic Data System (TREDS)

DMV has a joint project with VDOT and the Virginia State Police (VSP) to implement an electronic system to record all reportable vehicle crashes in the Commonwealth. The current process primarily uses paper to record accidents from the time the law enforcement officer writes the report until DMV images the report onto microfilm. The data resides in a mainframe system and requires data entry by DMV staff. Law enforcement personnel and agencies handle paper copies of some critical reports multiple times and do redundant data entry.

The focus in the design of TREDS is the creation of an automated process and application available to all local, state, and federal agencies in Virginia. This system will support collection of information, a central data repository and offer a set of flexible analytical and reporting tools.

The project is currently in the development phase with a projected state wide implementation date of December 2009. The project is currently on schedule to meet this implementation date, has incurred \$1.4 million in expense through June 30, 2007, and has a total budget of \$5.8 million.

#### REAL ID

In May 2005, Congress passed the REAL ID Act that creates national standards for the issuance of state driver's licenses (DL) and identification cards (IDC). The Act, which becomes effective May 11, 2008, requires motor vehicle agencies to verify source documents before issuing a DL/IDC. Additionally, motor vehicle agencies can accept only certain documents and facilities must meet security standards established by the U. S. Department of Homeland Security (DHS), and employees who issue the DL/IDC credentials must undergo criminal background checks and receive intensive fraudulent document training.

On March 1, 2007, the US Department of Homeland Security (DHS) released a Notice of Proposed Rulemaking (NPRM) for the REAL ID act, which is a major step towards advancing the general requirements of the law into actionable plans for DHS and the States. The text of the NPRM is not the final rule, but rather a draft of the rule submitted for public comment. Public comments will help DHS determine the final rule.

The Governor created a REAL ID taskforce, chaired by the Commissioner of Motor Vehicles, which studied the costs and service impacts of REAL ID. They issued a report in December, 2005 which identified the issues that the Commonwealth and Motor Vehicles would have to address while implementing the program. The biggest issue identified was the cost of implementation, which ranges from \$35 million to \$169 million of up front costs, and between \$1 and \$63 million for reoccurring annual costs.

DMV currently does not have a plan in place to implement a new system because of the lack of final regulations by DHS. DHS expects to issue final regulations in January or February of 2008. Based on the delayed issuance of regulations from DHS and the stringent requirements DMV anticipates, the agency will have difficulties in meeting the federal deadline of May 2008. An extension, due by February 1, 2008, is available to all States which extends the deadline for compliance with the Act to December 31, 2009. However, DMV will not file for the available extension until DHS published the final regulations.

## Centralized Licensing

The Centralized Licensing program will change the process in which DMV issues driver's licenses and state ID cards. A private company will process all licenses at a centralized location and mail them to customers within a DMV predetermined timeframe. Centralizing this process will allow DMV to compare photographs of applicant's to photographs the agency has on record along with other added security controls. This process will help reduce the risk of someone obtaining a false ID.

DMV is currently evaluating proposals and negotiating with vendors for centralized licensing services. DMV expects making an award in December 2007.

## DEPARTMENT OF TRANSPORTATION

The Virginia Department of Transportation (VDOT) builds, maintains, and operates the Commonwealth's roads, bridges, and tunnels. Virginia has the third largest state-maintained highway system in the United States with an annual budget of approximately \$4.8 billion. VDOT maintains over 57,000 miles of interstate, primary, and secondary roads and distributes state funds to help maintain over 10,000 miles of urban streets. VDOT not only maintains roads, but also maintains more than 12,600 bridges, 4 underwater tunnels, 2 mountain tunnels, 2 toll roads, 1 toll bridge, 4 ferry services, and a number of rest areas and commuter parking lots. VDOT has over 9,000 employees, making it one of the largest agencies in the Commonwealth.

### Roadway Network System

The Roadway Network System (RNS) project creates a replacement system for the aging Highway Traffic Records Information System (HTRIS). The new system incorporates a relational database, links geo-spatial data and business attributes to the roadways, and provides web accessibility to users to retrieve roadway data.

The RNS Steering Committee recently decided to accommodate in their project schedule the new road inventory business process re-engineering effort and a transition time for shutting down HTRIS following a successful pilot of RNS. This decision will result in an extension of the project schedule from June 2008 to July 2009, but will have very little impact on the overall cost at completion which VDOT estimates at \$7.3 million. Total cost through June 30, 2007, for the RNS project is \$3.9 million.

### Camp 30 Acquisition

In April 2006, VDOT entered into several agreements with Fairfax County and the Fairfax County Economic Development Authority to plan, design, finance, and construct several joint public use facilities on adjoining land owned by the Commonwealth of Virginia and Fairfax County commonly referred to as Camp 30, which is bounded by Interstate Route 66, West Ox Road, and the Fairfax County Parkway in Fairfax County. These facilities will include a Public Safety and Transportation operations center, a forensic facility, a bus operations facility, a Commonwealth of Virginia administration building, and a Transportation road maintenance facility.

The Fairfax County Economic Development Authority issued bonds totaling \$96.5 million to fund the Transportation's portion of the construction costs. VDOT will make payments to the Authority to cover the debt service of the bonds through 2026.

## Dashboard

VDOT continues to monitor and modify the Dashboard system as a way to increase transparency of VDOT's performance. The website tracks all active contracts under construction or ready to advertise for construction, with daily updates. It displays contract status in one of four phases: advertisement, construction contract deadlines, construction contract award amount, or construction contract work orders. Each phase shows status via a stoplight-style system of green, yellow, and red lights. Green stands for on time and on budget, yellow for in risk of falling behind in one or both, and red for critically behind schedule or over budget.

Dashboard receives its information from VDOT's Data Warehouse, most of which comes from the PPMS, Trns\*Port, and Cost Estimating systems. These are systems used by project managers to assist in estimating costs and managing individual projects.

The Construction module of the Dashboard allows users, internal and external, to look up particular construction contracts that may relate to a construction project. The performance of individual contracts measures the original contract amount against engineering estimates to complete the work within the scope of that contract. When the inspector's estimate to complete, current contract amount, or cost of work to complete exceeds the award amount by less than three percent, the contract has a GREEN status. If any of those three criteria exceeds the award amount by three percent - 9 percent, contracts has a YELLOW status. A contract exceeding the award amount by ten percent or more has a RED status.

VDOT typically uses a project number or UPC to identify projects from cradle to grave. This UPC is the constant identifier from the projects inception in the Six Year Improvement Plan until project's completion. There are large projects, which VDOT divides into several UPC's in order to more effectively manage individual phases or portions of phases. It is important to note that the Dashboard reflects only contractor payments and not the total cost of any particular project.

## DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

The Department of Rail and Public Transportation (DRPT) is primarily responsible for determining the present and future needs for rail and public transportation throughout the Commonwealth. This task also includes: economic feasibility of providing public transportation, transportation demand management; ridesharing facilities and services; and the retention, improvement, and addition of passenger and freight rail transportation in the Commonwealth. They accomplish this by developing and implementing programs; coordinating research, planning, and policy analysis efforts with Transportation, and developing standards to evaluate all public transportation activities in the Commonwealth.

Additionally, DRPT maintains liaisons with state, local, district, and federal agencies or other entities, private and public, having comparable responsibilities for passenger and freight rail, transportation demand management, ridesharing, and public transportation programs at various service levels. This includes coordinating efforts with other entities and managing public, freight rail, and passenger transportation grant programs.

## Dulles Metrorail Project

On June 28, 2007, the Commonwealth signed a Memorandum of Agreement with the Metropolitan Washington Airports Authority (MWAA) to complete the Dulles Corridor Metrorail Project. The agreement hinges on the Transportations ability to reach an agreement with MWAA on the sale of the Dulles Toll Road.

The two agreements, when completed, will guarantee that all revenues generated by the Dulles Toll Road will support transportation improvements within the corridor, including the Metrorail extension and roadway improvements. Under the agreements, the MWAA will continue to consider private proposals for the operation of the toll road and pursue innovative congestion management strategies, including High Occupancy Toll (HOT) lanes.

#### DEPARTMENT OF AVIATION

Aviation plans and promotes air transportation in the Commonwealth; licenses aircraft and airports; and funds local airport planning, development, and improvements. Aviation consists of the Director's Office and four divisions: Airport Services, Communication and Education, Flight Operations and Safety, and Finance and Administration. Aviation provides financial and technical assistance to eligible sponsors for the planning, development, promotion, construction, and operation of airports and aviation facilities. It administers applicable provisions of the Code of Virginia, plans for the development of a state aviation system – airports and landing areas. Aviation also provides air transportation services to the Governor, the Legislature, and state agencies.

#### MOTOR VEHICLE DEALER BOARD

The Motor Vehicle Dealer Board regulates motor vehicle dealers and salespersons. The Board's regulatory powers and responsibilities include testing, issuing licenses and certificates to dealers and salespersons, developing regulations, conducting inspections, and responding to complaints concerning licensed dealers and salespersons. The Board can invoke disciplinary actions including, but not limited to, revoking licenses or certifications and assessing civil penalties for regulatory violations.

The nineteen member board governs operations and sets dealer and salesperson fees that support daily activities. The DMV Commissioner serves as Chairman and the Commissioner of Agriculture and Consumer Services also serves on the Board. The Governor appoints the remaining members who represent franchised and licensed dealers, the rental and salvage industry, and consumer interests.

DMV provides administrative and fiscal services for the Board. The Board collected nearly \$2 million in the fiscal year ending June 30, 2007; \$1.7 million of which were licensing and certification fees. Operating expenses for the Board totaled \$1.9 million for the period ending June 30, 2007.

#### BOARD OF TOWING AND RECOVERY OPERATORS

The 2006 Virginia Acts of Assembly created the Board of Towing and Recovery Operators to regulate the towing and recovery operation profession in the Commonwealth. The Governor appoints two members, the Speaker of the House of Delegates appoints four members, and the Senate Committee on Rules appoints three members. Additionally the DMV Commissioner, Agriculture and Consumer Services Commissioner, State Police Superintendent, and three at-large citizens appointed by the Governor, Speaker of the House of Delegates, and Senate Committee on Rules respectively serve on the Board.

The Board must establish the qualifications, examine, and grant licensure to individuals to engage in the towing and recovery operation business in the Commonwealth. The Board may also levy and collect fees for licensure and renewal in order to cover their expenses. The Board may also revoke, suspend, or fail to renew a license for violation of regulations. For the year ended June 30, 2007, the Board received \$350,000 in General Fund Appropriations and expended \$102,491 for operations.

## VIRGINIA PORT AUTHORITY

The Port Authority is the Commonwealth's agency for international transportation and maritime commerce. The Port Authority's major activities are developing Virginia's ports through cargo solicitation and promotion throughout the world; developing water transportation facilities; maintaining ports, facilities, and services; providing public relations, and domestic and international advertising; and providing security services. To deliver these services, the Port Authority has offices in five cities in the United States and five foreign countries. A Board of Commissioners composed of 12 members manages the Port Authority. The Commonwealth Transportation Board only oversees the allocations to the Commonwealth Port Fund.

The Port Authority owns four general cargo terminals in Virginia that enables them to foster and stimulate the commerce of the Commonwealth ports. This includes promoting the shipment of goods and cargo through the ports, seeking to secure necessary improvements of navigable tidal waters within the Commonwealth, and performing any act or function that may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of the Commonwealth ports.

The Port Authority does not receive General Fund appropriations, but generates revenue from port operations (i.e., special revenues). In fiscal year 2007, the Port Authority and Virginia International Terminals (VIT) generated \$249 million in operating revenue. Of this special revenue, the Port Authority used \$238.5 million for operations, including general operating expenses, certain debt service expenses, and some acquisition, construction or improvements of major capital facilities. The Port Authority used the remaining revenue to fund required increases in reserve accounts and transferred a portion back to VIT for additional capital needs.

Since the Authority is a component unit of the Commonwealth, the related financial activity is not included in this report. We issue a separate report on the financial statements of the Virginia Port Authority. The report may be accessed through our website, [www.apa.virginia.gov](http://www.apa.virginia.gov).

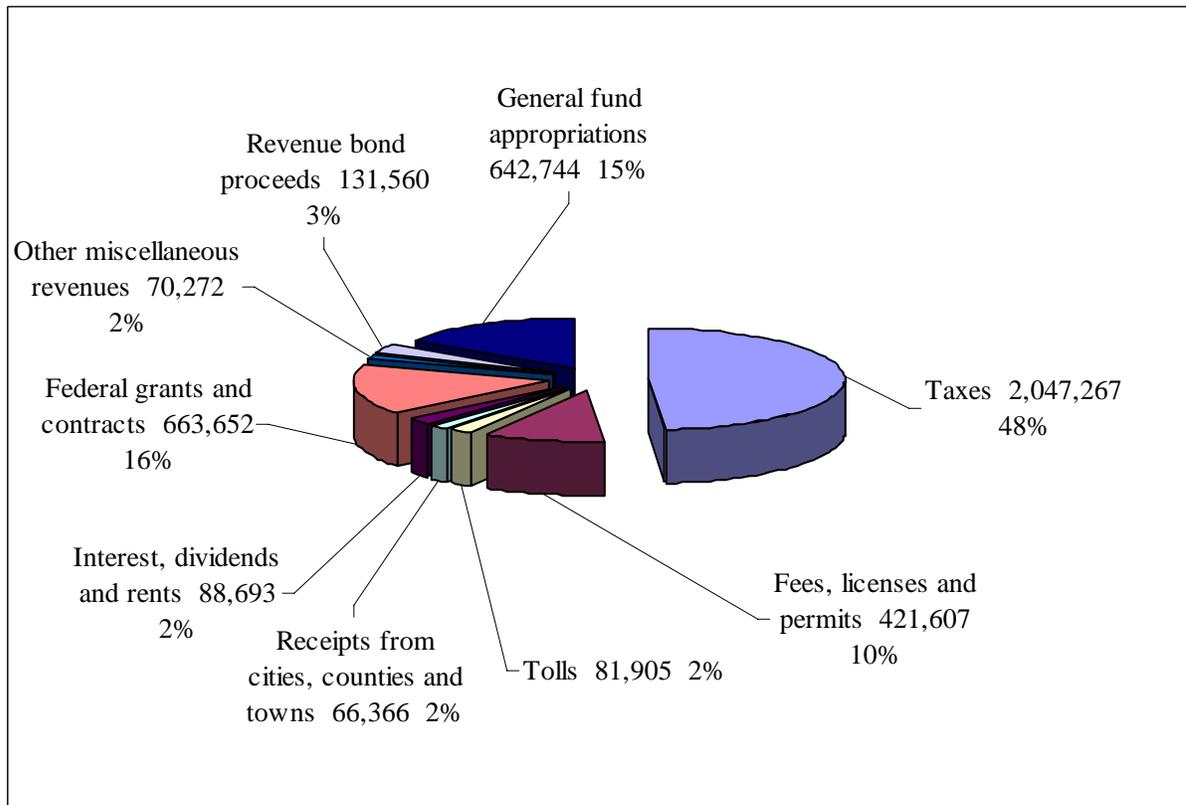
## TRANSPORTATION FINANCE

### Source of Funds

In general, Commonwealth Transportation Fund (CTF) has four primary revenue-funding sources, and the ability to issue debt, that supports the Commonwealth's transportation agencies and their activities. In fiscal year 2007, these sources generated over \$4.2 billion in transportation funding (excluding port authority revenue).

2007 CTF Revenue Sources  
*(dollars in thousands)*

CHART A



\*Other miscellaneous revenues include fines and assessments and sale of service, property, and recycling.  
Source: Commonwealth Accounting and Reporting System

## Taxes and Fees

The revenue sources are specific transportation user fees and taxes, such as fuels tax, motor carrier fees, vehicle titling fees, collected by DMV; a half-cent state sales-and-use tax, which are dedicated to transportation needs and collected by the Department of Taxation. DMV is the primary collector of funding to support transportation programs. DMV funds its operations by retaining a portion of revenues collected and obtaining federal grants for agency-specific programs. The percentage of collections kept by DMV varies by operations and purpose of collections. The Code of Virginia establishes the distribution and use of funds. In addition, the Governor's Budget and actions of the General Assembly may also restrict and limit DMV's use of the collections retained. The amount retained by DMV is approximately nine percent of every dollar collected in each of the past two fiscal years.

The fuels tax collection process at DMV generates over \$873 million in revenues. This money funds Highway, Rail and Transit, Airport, and Port Acquisition and Construction and Maintenance. Motor vehicle registration fees, vehicle title fees, driver license fees, record fees, and reserved license fees are the primary collections, which in turn produce the highest sources of revenue for operations. DMV uses a portion of these resources to administer its programs and to meet statutory requirements.

## Federal Grants and Contracts

Federal Transportation Funds are the second major source of funding for the CTF. These federal funds assist in providing for construction, reconstruction, improvement of highways and bridges on eligible federal highway routes, and for other specific purposes as awarded by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA). In fiscal year 2007, federal transportation revenues were \$663.7 million or 15.7 percent of the total revenues allocated for transportation funding in the Commonwealth compared to \$529.5 million (13.5 percent) in 2006.

The Federal-Aid Highway Program is a reimbursement program, and as such, the federal government only reimburses for costs actually incurred each year. Federal funding consists of two basic types: Highway Trust Funds (HTF) and earmarks. FHWA distributes HTF based on a formula established by the federal government. The HTF also contains other discretionary funds for Transportation and Rail and Public Transportation projects. On the other hand, earmarks are grants for specific amounts dedicated to specific programs or projects, but are still reimbursements of incurred costs. These grants generally require matching contributions by the Commonwealth to receive actual FHWA reimbursement.

FHWA allocates federal funds through apportionments. These apportionments act as lines of credit; and Transportation may draw upon these funds as federally-assisted projects are developed. Assignment of federal funds through apportionment occurs before Transportation submits actual expense reimbursement requests. Apportionments must be obligated to projects within the normal four-year obligation period before they expire. If they expire, Transportation will not be able to use the funds. Historically, Virginia uses all its available apportionments.

The current apportionment of federal transportation dollars are governed by federal legislation known as SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transaction Equity Act - A Legacy for Users), passed in August 2005. New to this legislation are several programs that promote private investment in Transportation. Pilot programs increase state flexibility to use tolls, not only to manage congestion, but to finance infrastructure improvements as well. To help close the gap between highway infrastructure needs and resources available from traditional sources, SAFETEA-LU includes provisions that enhance innovative financing. Private Activity Bonds provide states the opportunity for new sources of investment capital to finance transportation infrastructure system.

The Transportation Infrastructure Finance and Innovative Act (TIFIA) program provides Federal credit assistance to nationally or regionally significant surface transportation projects. TIFIA also expanded the benefits of State-Infrastructure-Bank programs to all states and U.S. territories, allowing all entities to enter into cooperative agreements with the Secretary of Transportation and to establish infrastructure revolving funds eligible to be capitalized with Federal transportation funds authorized for fiscal years 2005 - 2009.

### Bond Proceeds and Interest

VDOT also uses debt to finance roads and issues debt instruments in accordance with the Constitution of Virginia. Most of VDOT's debt has a dedicated revenue stream to pay debt services with a significant portion of debt secured by future federal reimbursements; known as Federal Highway Reimbursement Anticipation Notes (FRANS).

FRANS are secured by and payable solely from funds appropriated for such purpose by the General Assembly, the source of which is expected to be limited to federal highway reimbursements received from time to time by the Commonwealth. This debt does not relate to a specific geographical area. VDOT issues FRANS to finance various capital transportation projects throughout the Commonwealth pursuant to the Virginia Transportation Act of 2000 (VTA). The notes have a ten-year maturity and commit future appropriations of future FHWA reimbursements.

### Toll Revenue

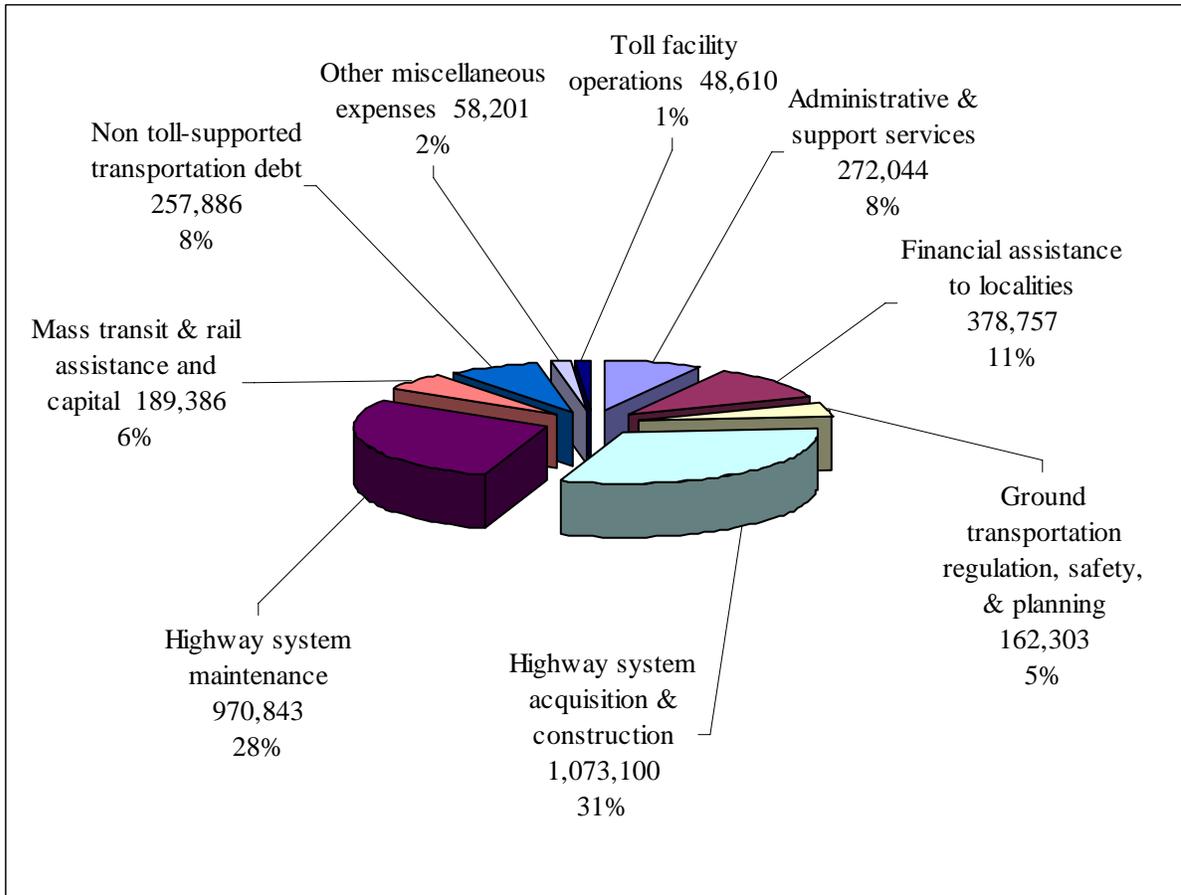
Toll facilities provide a portion of Transportation's revenues and arise from the operation of three major toll facilities located in Northern Virginia, Central Virginia, and Hampton Roads. The facilities are the Omer L. Hirst – Adelard L. Brault Expressway (the Dulles Toll Road), the Powhite Parkway Extension Toll Road, and the George P. Coleman Bridge. These toll revenues pay the debt service on bonds issued to construct the facilities, maintenance and improvements to the facilities, and fund daily operations. Appendix B has a detailed sources and uses information.

### Allocation and Use of Funds

In fiscal year 2007, the agencies under the Secretary of Transportation, excluding the independent Port Authority, spent over \$3.4 billion, or 8.9 percent of the \$38.1 billion statewide annual operating budget. Maintenance and construction of highways were the largest uses of these funds.

2007 CTF Program Uses  
*(dollars in thousands)*

CHART B



\*Other miscellaneous expenses include airport assistance, planning and regulation; capital outlay projects; environmental monitoring; and regulation of professions and occupations.

## Highway Maintenance and Operation

HMO Fund allocations provide road maintenance funding, while Transportation Trust Fund (TTF) allocations primarily support road construction. Transportation receives an allocation of 78.7 percent of the TTF revenues. The remaining 21.3 percent of TTF allocations provide funding for the Mass Transit, Port, and Airport Funds.

The Code of Virginia requires the full funding of highway maintenance before the funding of construction. The Board must allocate reasonable and necessary funding for maintenance of roads within the interstate, primary, and secondary systems, city and town maintenance payments and counties that have withdrawn or elect to withdraw from the secondary system. For fiscal year 2007, the Board approved \$1.7 billion for highway maintenance and operation spending of which Transportation spent only \$1.5 billion.

While the Code of Virginia prioritizes the maintenance of the existing state highway infrastructure over other activities, including construction, it does not establish specific guidelines relating to the condition of the highway system or any funding. VDOT is responsible for determining and allocating funding needs for Highway Maintenance.

## Transportation Trust

After funding maintenance expenses as discussed above, the Code of Virginia requires the allocation of the remaining funds for the administration of Transportation and the construction program. VDOT acts as the fiscal agent of the Transportation Trust Fund (TTF) and allocates the revenues as provided in the Code of Virginia. VDOT allocates these revenues before allocating any funds for the highway system. The process begins with the official revenue forecast for transportation revenues. Once estimated, VDOT determines the allocation amounts to the various modes based upon the following statutory percentages:

- 2.4 percent to fund the Department of Aviation
- 4.2 percent to fund the Port Authority
- 14.7 percent to fund public transportation
- 78.7 percent to fund highway construction and maintenance

## Priority Transportation Fund

The Virginia Transportation Act of 2000 (VTA) established the Priority Transportation Fund (PTF), a component of the TTF. Revenues directed to the PTF come from a variety of new and existing revenue sources, including revenues generated by a change in the Virginia Fuels Tax Act, TTF, select revenues in excess of forecasts, and any other appropriations that the General Assembly and Governor may provide. Required deposits to the PTF include the following:

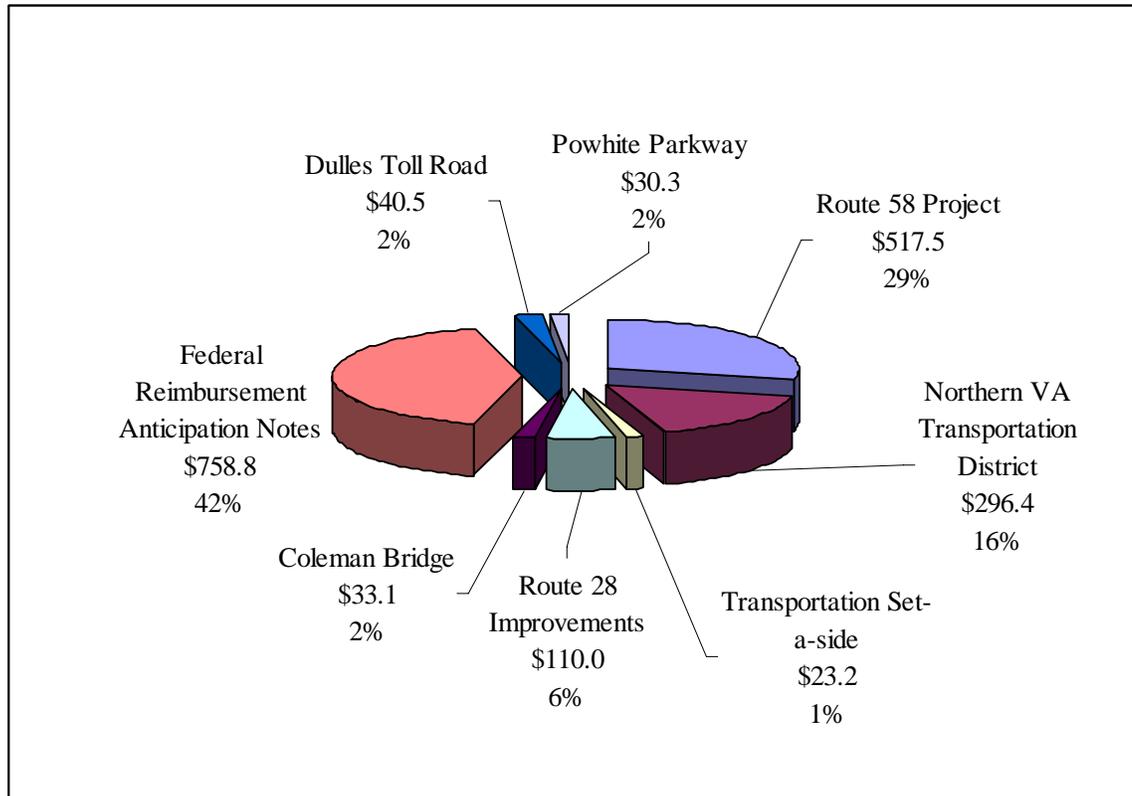
- additional revenues attributable to the Virginia Fuels Tax Act;
- Transportation Trust Fund, construction and mass transit portion, and Highway Maintenance Operating Fund in excess revenues over official estimates; and
- any other appropriations provided by the General Assembly and Governor.

During fiscal year 2007, the PTF received \$31.3 million from the Highway Maintenance and Operating Fund, \$96.1 million from the Highway Construction Fund, earned \$11.4 million of interest revenue, and \$20 million in additional revenues attributable to the Virginia Fuels Tax Act. Transportation spent \$6.7 million on PTF projects in fiscal year 2007 and transferred approximately \$140.5 million to fund FRAN debt service.

Toll and Bond Funds

Transportation has special funds to account for toll operations and special projects that have unique debt service obligations, which we describe below. Appendix E contains an analysis of 2007 activity in these funds and any new bond issues pursuant for these projects which we discuss below. As of the end of year 2007, total bond bonds outstanding for Transportation were \$1.8 billion, allocated as follows:

2007 Transportation Bonds Payable Outstanding  
*(dollars in millions)*



*Route 58 Corridor Development*

The Virginia General Assembly established the Route 58 Corridor Development Program in 1989 to enhance economic development potential across this largely rural portion of the state. Initial work occurred in Henry County and construction improvements will continue to move westward through the Salem and Bristol Districts.

### *Northern Virginia Transportation District*

Section 33.1-221.1:3 of the Code of Virginia established a Program for Northern Virginia Transportation District Projects. The Commonwealth Transportation Board makes annual allocations to this district.

### *Transportation Improvement Program Set-aside*

The Transportation Improvement Program Set-aside Fund (Set-aside Fund) consists of annual collections of state recordation taxes attributable to local jurisdictions who have decided to dedicate and use their share of state recordation tax distributions for transportation purposes. Those funds may be paid to any authority, locality, or commission for the purposes of paying the costs of any Transportation Improvement Program in which the local jurisdiction elects to participate.

### *Route 28 Project*

In 1987, the Virginia General Assembly gave localities the authority to create special tax districts to finance transportation improvements. Fairfax and Loudoun Counties and Route 28 landowners formed the first transportation improvement district in the Commonwealth. The two counties enacted a special levy of twenty cents per one hundred dollar valuation on all commercial and industrial property inside the 10,204-acre district. Bonds funded the construction, and Commonwealth guaranteed the debt service, which the Route 28 tax pays.

In September 2002, under the authority granted by the Public Private Transportation Act, VDOT, The Clark Construction Group, Inc., and Shirley Contracting Company, LLC signed the Route 28 Corridor Improvements Comprehensive Agreement that provides a combined commitment of approximately \$200 million in improvements over the next four years. Construction plans include a total of ten interchanges and widening Route 28 to eight lanes. Funding will come from the district's tax revenues. The revenues will support the sale of tax-exempt bonds, which have the moral obligation of both Fairfax and Loudoun Counties.

### *Coleman Bridge Project*

Completion of the construction and improvements of the Coleman Bridge occurred in 1996. This fund remains to track toll revenue and remaining debt service from the improvements.

### *Federal Highway Reimbursement Anticipation Notes*

FRANS have a dedicated revenue stream to pay debt services and unlike other debt, this debt does not relate to a specific geographical area. Transportation issues FRANS to finance various capital transportation projects throughout the Commonwealth pursuant to the Virginia Transportation Act of 2000 (VTA). The notes have a ten-year maturity and commit future appropriations of future Federal Highway Administration reimbursements.

### *Hirst-Brault (Dulles) Expressway*

The Dulles Toll Road Fund pays the debt service and manages the receipt of toll revenue. On March 27, 2006, Governor Kaine announced an agreement with the Metropolitan Washington Airports Authority to assume responsibility for the Dulles Toll Road as well as completing the Dulles Corridor Metrorail Project.

### *Powhite Parkway Extension*

The Powhite Parkway fund includes toll receipts for the toll road extending through the south side of Richmond. The state portion of toll collections funds the debt service from the original construction of the road. The Richmond Metropolitan Authority (RMA) operates and maintains the road and collects the tolls.

#### Mass Transit Assistance

DRPT receives 14.7 percent of the TTF and allocates this share according to the Code of Virginia, Section 33.1-23.03:2. DRPT transfers these funds to aid the mass transit systems throughout the state using the following allocation:

- 73.5 percent for urban and non-urban areas that fund public transportation systems for operating related expenses such as administration, fuels, lubricants, tires, maintenance parts, and supplies under a distribution formula using total operating expenses;
- 25.0 percent for capital purposes based on eligible capital expenses less any federal assistance received. Capital expenses include items such as replacement buses or rail cars, stop signs, and construction of terminals and stations; and
- 1.5 percent for special projects such as ridesharing, experimental transit, and technical assistance. Ridesharing programs are to support existing or new local and regional Transportation Demand Management programs. Experimental funds assist communities in preserving and revitalizing public or private public transportation service by implementing innovative projects for one year of operation. Technical Assistance supports planning or technical assistance to help improve or initiate public transportation services.

DRPT also receives federal funding from the Federal Transit Administration (FTA) as well as funding from the Highway Construction Fund for mass transit assistance relating to congestion mitigation, and special allocations for assistance in the Priority Transportation Fund. During 2007, DRPT spent \$156 million on mass transit assistance throughout the Commonwealth.

#### Rail Assistance – Rail Enhancement Fund

The Rail Enhancement Fund provides funding for the development of rail infrastructure in the Commonwealth and funds projects found to have a public benefit equal to or greater than the public investment, and which require the use of Rail Enhancement Funds for timely completion.

The Rail Advisory Board and the Director of DRPT develop recommendations for a strategic program of projects, which use the funds to incorporate into a passenger and freight rail improvement program. The Rail Advisory Board reviews the program of projects and may recommend amendments to include additional short and long-range projects.

All projects receiving funds from the Rail Enhancement Fund must include a minimum of 30 percent cash or in-kind matching contribution from a private source, which may include a railroad, a regional authority, a local government source, or a combination of such sources. For fiscal year 2007, DRPT spent \$5.2 million on Rail Enhancement projects.

### Marine Port Operation and Security

The Port Authority receives 4.2 percent of the TTF, which funds the majority of the Port Authority's capital projects. The Port Authority also uses the TTF revenue for operational maintenance, related to capital projects, but not capitalizable; aid to local ports; payments in lieu of taxes to localities; and debt service payments related to capital projects. The Port Authority's capital projects essentially include maintaining and expanding the existing ports, wharfs, and related facilities.

In fiscal year 2007, the Port Authority received revenues of \$36.5 million from the TTF through the Commonwealth Port Fund and generated \$249 million in revenue between Port Operations and Virginia International Terminals, Inc. With this revenue and remaining funds from fiscal year 2006, the Port Authority incurred \$238.5 million in operating expenses. Funds remaining in the Port Fund at the end of each fiscal year do not revert to the Commonwealth, but remain with the Port Fund for future needs. The Port Authority is not included in the financial analysis as a significant portion of their revenue and expenses come from a Component Unit.

Since the Authority is a component unit of the Commonwealth, the related financial activity is not included in this report. We issue a separate report on the financial statements of the Virginia Port Authority. The report may be accessed through our website, [www.apa.virginia.gov](http://www.apa.virginia.gov).

### Airport Assistance

Aviation receives 2.4 percent of the Commonwealth's TTF and follows the statutory requirements for its allocation. By statute, Aviation must commit 40 percent of those funds as entitlement payments to air carrier airports, 40 percent to air carrier and reliever airports on a discretionary basis, and 20 percent to general aviation airports on a discretionary basis.

Air carrier airports, with the exception of those owned or leased by Metropolitan Washington Airport Authority, receive an allocation of funds based upon the percentage of enplanements for each airport to total enplanements at all carrier airports, with a maximum of \$2 million and a minimum of \$50,000 per year. Air carrier, reliever, and general aviation airports must apply for discretionary funds. Aviation evaluates, prioritizes, and submits recommendations for allocation of the discretionary funds to the Virginia Aviation Board for final revision and approval. The Aviation Board allocates the discretionary funds and carries forward any uncommitted funds from the current fiscal year to the next fiscal year for future projects.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

November 30, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Agencies of the Secretary of Transportation** (Agencies) for the year ended June 30 2007. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## Audit Objectives

Our audit's primary objective 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, 2007, and test compliance for the Statewide Single Audit. In support of this objective, we evaluated the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Agencies' accounting records, reviewed the adequacy of Agencies' 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

The Agencies' management 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 and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control 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.

- Federal grant revenues and expenditures
- Contractual services expenditures
- Payroll expenditures
- Small purchase charge card
- Financial assistance and incentives payments
- Appropriations

Cash receipting and collections of accounts receivable  
Fixed assets  
Network Security

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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Agencies' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. We confirmed agency cash balances with outside parties.

### Conclusions

We found that the Agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. 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.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Internal Control and Compliance."

The Agencies have taken adequate corrective action with respect to audit findings reported in the prior year.

### EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management of DOAV on October 24, 2007; DMV and VDOT on December 20, 2007; and DRPT on December 27, 2007. Management's responses have been included at the end of this report.

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



# COMMONWEALTH of VIRGINIA

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

David S. Ekern, P.E.  
COMMISSIONER

DEC 27 '07 AM 11:16

December 20, 2007

Mr. Walker J. Kucharski  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Mr. Kucharski,

I appreciate the opportunity to comment on the Commonwealth Transportation Fund Report for Fiscal Year 2007. With your help, the Virginia Department of Transportation (VDOT) has taken great strides over the past several years to improve and maintain its financial operations and controls. I am very pleased that the report contains no financial internal control findings.

With respect to establishing proper internal controls for Employment Eligibility Verification (I-9), I would like to acknowledge that my staff agrees with and has responded quickly and professionally to your audit finding. This included developing, communicating, and implementing an action plan in August 2007 that established the new internal controls, as well as prepared training tools and a transactional review process for use going forward. The specifics of these actions are included in the enclosed VDOT I-9 Action Plan Status Report.

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

Sincerely,

A handwritten signature in cursive script that reads "David S. Ekern".

David S. Ekern, P.E.  
Commissioner

Enclosure

c: The Honorable Pierce R. Homer  
Chief Deputy Commissioner  
Executive Staff

**Auditor of Public Accounts: MP#1 – Employment Eligibility Verification Audit  
Virginia Department of Transportation - Action Plan (submitted to APA on August 19, 2007)  
Status Report – 12/17/2007**

<b>Action Steps</b>	<b>Status (as of 12/17/07)</b>	<b>Supporting Documentation</b>
Communicate the audit findings and results to our Field Human Resources Managers by no later than August 24, 2007.	<b>Completed.</b> A videoconference meeting between the Human Resources Division Administrator and District / Central Office Human Resources Managers was held on August 23, 2007. Specific findings for each unit were provided by email on August 24, 2007.	Email communication and meeting presentation.
Require that the deficiencies you have identified be corrected by no later than August 31, 2007, if not already corrected.	<b>Completed.</b> Guidance was provided to the Districts / Central Office regarding the appropriate steps that needed to be taken to correct the deficiencies. All Districts / Central Office completed this task in a timely manner.	Guidance Document
Require our Field Human Resources Manager to conduct a full review of all I-9s for FY07 and those completed to-date in FY08. The Field Human Resources Manager will certify that these I-9s are compliant. This will be completed by September 30, 2007.	<b>In-Progress.</b> Eight (8) out of ten (10) organizational units have completed this activity. Two units - Hampton Roads District and Central Office - have been provide additional time (until 12/31/07) to complete the review due to personnel changes.	Completed Certification Forms
Refresher training will be conducted for those organization units with the most significant error rates – VDOT Central Office, Bristol District, Richmond District, Fredericksburg District and Culpeper District. Refresher training will be completed by October 31, 2007.	<b>Completed.</b> Seven (7) training sessions were conducted throughout the Commonwealth. Training was held in Richmond, Culpeper, Fredericksburg, Northern Virginia, Lynchburg, Bristol and Salem. Central Office employees were trained by an attorney on 6/21/07.	VDOT I-9 Training Presentation Jeopardy Game I-9 FAQs Form I-9 VDOT I-9 Quick Reference Guide

	<p>The training materials were provided to the Central Office HR Manager for review with Central Office staff. A total of 95 employees participated in the training sessions. An E-learning training module is currently under development.</p> <p>The VDOT I-9 Quick Reference Guide, the revised Form I-9 and the I-9 FAQ documents have been posted on the VDOT portal. The Human Resources Team Site has a shared folder (I-9 and Immigration) that is used to post new information relating to the Form I-9 and Immigration Services. An email message was sent to the HR Organization on 11/14/07 announcing the release of a revised Form I-9. The email provided an overview of the changes with the revised Form I-9 and Employer Handbook attached.</p> <p>In addition to the training, an I-9 Quick Reference Guide was developed and distributed to each District / Central Office through the respective Human Resources Manager and was included in the training materials.</p>	<p>Email communications including the VDOT I-9 Quick Reference Guide.</p>
<p>The VDOT Human Resources Division is currently implementing a Quality Assurance Review process which will result in a sample audit of each organization unit on an annual basis. The Employment Eligibility Verification (I-9) process, with a 100%</p>	<p><b>Completed.</b> The audit of I-9 completion and accuracy was added to the HRD QAR Transaction Reviews. Four (4) Districts were reviewed during the Fall</p>	<p>HRD QAR Transactions Review methodology and testing protocol document.</p>

<p>accuracy standard, is one of the components of this review. Enclosed is a copy of a presentation given to our Field Human Resources Managers on August 9, 2007.</p>	<p>of 2007 (Bristol, Central Office, Culpeper, and Fredericksburg). The reviews of I-9s were conducted in this round of reviews as the result of the certification process. I-9 reviews will begin as part of the HRD QAR process beginning in January 2008.</p>	
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COMMONWEALTH of VIRGINIA

Department of Motor Vehicles

2300 West Broad Street

Post Office Box 27412  
Richmond, VA 23269-0001  
866-DMV-LINE or  
800-435-5137

D. B. Smit  
Commissioner

DEC 26 '07 AM 11:44

December 20, 2007

Mr. Walter J. Kucharski  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, VA 23219

Dear Walt:

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, 2007. Attached are the corrective actions we have implemented in response to your finding. As you can see, most of the activity is already well underway.

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

Sincerely,

A handwritten signature in black ink, appearing to read "D. B. Smit".

D. B. Smit

Enclosure

**Department of Motor Vehicles  
Response and Corrective Action Plan  
Commonwealth Transportation Fund Agencies of the  
Secretary of Transportation  
For fiscal year ended June 30, 2007**

**APA Finding – Properly Complete Employment Eligibility Verification Forms (I-9)**

***DMV Corrective Action Plan:***

A process has been implemented to ensure that all hiring managers properly complete the I-9 form as follows:

- Human Resource Staff responsible for the review and verification of I-9s have been trained on the requirements for completing the I-9 form.
- Detailed instructions have been developed to assist branch office and weigh station hiring managers comply with the I-9 process. These documents are forwarded to the hiring manager with a copy of the offer letter for each new hire, via email.
- Completed I-9s are faxed to the Human Resource Office within three business days of the employee's hire date where it is reviewed for compliance with the process. Employees who do not complete the I-9 form and/or who do not provide the appropriate documents within the three business day period from date of hire will be terminated.
- HR staff ensure that replacement documents are presented within the 90 day period from date of hire if a receipt for such was presented prior to or on the date of employment.
- HR staff reverify employment eligibility if an employee's employment authorization or evidence of employment authorization has expired.
- HR staff will review personnel files of active employees who were hired on January 1, 2004 to present to ensure that the I-9 form is completed accurately. Employees will be contacted regarding submission of appropriate documents or completion of I-9s if needed in order to comply with the law. This review process started in August and is scheduled to take 6 months.

DMV will continue to review this process and provide training as needed to ensure that this agency is in compliance with the I-9 process.

**Responsible Executive:** David Mitchell, Deputy Commissioner for Administration

**Completion Date:** **August 2007** – Implemented the process detailed here for the agency.  
**February 2008**- Full review of employee files from January 1, 2004 through August 31, 2007.

SECRETARIAT OFFICIALS

Secretary of Transportation  
Pierce R. Homer

Department of Transportation  
David S. Ekern, Commissioner

Department of Motor Vehicles  
Demerst B. Smit, Commissioner

Department of Rail and Public Transportation  
Matthew O. Tucker, Director

Department of Aviation  
Randall P. Burdette, Director

Motor Vehicle Dealer Board  
Bruce Gould, Executive Director

Board of Towing and Recovery Operations  
Ben Foster, Executive Director

Virginia Port Authority  
Jerry A. Bridges, Executive Director

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Thomas M. Wolf

J. Braxton Powell, State Treasurer

AGENCIES OF THE SECRETARY OF TRANSPORTATION  
SUMMARY OF FINANCIAL INFORMATION  
SOURCES AND USES  
For Fiscal Years 2007 and 2006

Sources:	Department of Aviation		Department of Motor Vehicles	
	2007	2006	2007	2006
Revenue (net of refunds):				
Taxes	\$ 31,368,922	\$ 29,828,200	\$ 1,177,673,228	\$ 1,188,159,694
Fees, licenses and permits	594,581	590,540	382,641,377	385,439,170
Tolls	-	-	-	-
Service, property and recycling sales	657,791	672,581	177,561	225,462
Receipts from cities, counties and towns	-	-	-	-
Fines and assessments	1,608	1,351	30,100,789	30,009,134
Interest, dividends and rents	1,121,177	914,150	285,704	264,574
Federal grants and contracts	172,995	24,957	14,260,924	11,222,195
Other miscellaneous revenues	63,513	128,341	871,694	929,925
Revenue bond proceeds	-	-	-	-
General fund appropriations	44,067	44,067	-	-
Appropriations from prior year receipts	227,810	302,660	-	-
<b>Total sources</b>	<b>34,252,464</b>	<b>32,506,847</b>	<b>1,606,011,277</b>	<b>1,616,250,155</b>
Net transfers in/(out)	(57,782)	(1,243,203)	(1,363,215,692)	(1,388,036,734)
<b>Total funds available for use</b>	<b>34,194,682</b>	<b>31,263,644</b>	<b>242,795,585</b>	<b>228,213,421</b>
Uses:				
Expenses (net of refunds):				
Administrative & support services	924,591	810,966	64,891,710	57,797,094
Air transportation planning, regulation & maintenance	4,430,989	4,054,549	-	-
Airport assistance	28,839,102	26,398,129	-	-
Capital outlay projects	-	-	795,385	434,597
Environmental monitoring & evaluation	-	-	-	-
Financial assistance to localities	-	-	36,756,697	35,050,024
Ground transportation regulation	-	-	115,348,000	120,405,115
Ground transportation system planning	-	-	-	-
Ground transportation system safety	-	-	10,939,406	10,713,334
Highway system acquisition & construction	-	-	-	-
Acquisition and construction through bond proceeds	-	-	-	-
Highway system maintenance	-	-	-	-
Land management	-	-	-	324,500
Mass transit assistance	-	-	-	-
Debt service, principal and interest	-	-	-	-
Public transportation acquisition and construction	-	-	-	-
Rail assistance	-	-	-	-
Regulation of professions and occupations	-	-	-	-
Toll facility operations	-	-	-	-
<b>Total uses</b>	<b>34,194,682</b>	<b>31,263,644</b>	<b>228,731,198</b>	<b>224,724,665</b>
Excess/(deficit) sources over uses	\$ -	\$ -	\$ 14,064,387	\$ 3,488,756

Source: Commonwealth Accounting and Reporting System

## APPENDIX A

Department of Rail and Public Transportation		Department of Transportation		Motor Vehicle Dealer Board		Board of Towing and Recovery Operations	
2007	2006	2007	2006	2007	2006	2007	2006
\$ 147,511,088	\$ 141,082,115	\$ 690,479,960	\$ 658,934,619	\$ 234,246	\$ 223,008	\$ -	\$ -
3,105,694	3,079,217	33,567,430	33,517,844	1,697,494	1,729,933	36	-
-	-	81,905,482	82,149,386	-	-	-	-
-	-	12,214,490	16,328,044	-	-	-	-
507,493	149,839	65,858,515	84,846,043	-	-	-	-
9,850	8,274	361,487	200,568	-	-	-	-
7,744,432	4,619,141	79,478,041	61,601,971	64,088	53,769	-	-
36,288,024	42,049,487	612,929,772	476,193,360	-	-	-	-
-	455,979	25,584,602	53,676,432	-	-	-	-
-	-	131,560,053	414,652,146	-	-	-	-
-	200,000	642,700,000	185,002,289	-	-	-	-
-	-	-	-	-	65,216	350,000	-
195,166,581	191,644,052	2,376,639,832	2,067,102,701	1,995,828	2,071,925	350,036	-
80,216,266	111,048,004	1,250,852,060	1,250,344,206	(56,702)	(109,569)	-	-
275,382,847	302,692,056	3,627,491,892	3,317,446,907	1,939,126	1,962,356	350,036	-
4,117,536	3,729,519	201,425,038	254,414,451	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,965,732	22,287,700	-	-	-	-
-	-	14,302,784	11,863,229	-	-	-	-
-	-	342,000,259	360,779,514	-	-	-	-
-	-	-	-	-	-	-	-
2,603,667	37,275	33,411,471	19,499,469	-	-	-	-
-	-	-	21,821,601	-	-	-	-
-	-	1,061,234,948	712,906,656	-	-	-	-
11,869,636	13,899,598	(4,729)	237,805,176	-	-	-	-
-	-	970,842,973	1,018,910,402	-	-	-	-
-	-	-	843,689	-	-	-	-
156,095,966	196,400,579	-	-	-	-	-	-
-	-	257,885,963	235,149,420	-	-	-	-
21,176,469	18,902,854	-	-	-	-	-	-
12,113,419	11,180,476	-	-	-	-	-	-
-	-	-	-	1,866,772	1,962,357	102,491	-
-	-	48,609,853	46,837,887	-	-	-	-
207,976,693	244,150,300	2,937,674,292	2,943,119,194	1,866,772	1,962,357	102,491	-
\$ 67,406,154	\$ 58,541,756	\$ 689,817,600	\$ 374,327,713	\$ 72,354	\$ -	\$ 247,545	\$ -

AGENCIES OF THE SECRETARY OF TRANSPORTATION  
SUMMARY OF FINANCIAL INFORMATION  
SOURCES AND USES  
For Fiscal Years 2007 and 2006

APPENDIX A

Sources:	Secretary of Transportation		Total Commonwealth Transportation	
	2007	2006	2007	2006
Revenue (net of refunds):				
Taxes	\$ -	\$ -	\$ 2,047,267,444	\$ 2,018,227,636
Fees, licenses and permits	-	-	421,606,612	424,356,703
Tolls	-	-	81,905,482	82,149,386
Service, property and recycling sales	-	-	13,049,842	17,226,088
Receipts from cities, counties and towns	-	-	66,366,008	84,995,882
Fines and assessments	-	-	30,473,734	30,219,326
Interest, dividends and rents	-	-	88,693,442	67,453,605
Federal grants and contracts	-	-	663,651,715	529,489,999
Other miscellaneous revenues	-	-	26,519,809	55,190,677
Revenue bond proceeds	-	-	131,560,053	414,652,146
General fund appropriations	-	-	642,744,067	185,246,356
Appropriations from prior year receipts	-	-	577,810	367,876
Total sources	-	-	4,214,416,018	3,909,575,680
Net transfers in/(out)	685,476	622,287	(31,576,374)	(27,375,008)
Total funds available for use	685,476	622,287	4,182,839,644	3,882,200,672
Uses:				
Expenses (net of refunds):				
Administrative & support services	685,476	622,287	272,044,351	317,374,318
Air transportation planning, regulation & maintenance	-	-	4,430,989	4,054,549
Airport assistance	-	-	28,839,102	26,398,129
Capital outlay projects	-	-	8,761,117	22,722,297
Environmental monitoring & evaluation	-	-	14,302,784	11,863,229
Financial assistance to localities	-	-	378,756,956	395,829,538
Ground transportation regulation	-	-	115,348,000	120,405,115
Ground transportation system planning	-	-	36,015,138	19,536,744
Ground transportation system safety	-	-	10,939,406	32,534,935
Highway system acquisition & construction	-	-	1,061,234,948	712,906,656
Acquisition and construction through bond proceeds	-	-	11,864,907	251,704,773
Highway system maintenance	-	-	970,842,973	1,018,910,402
Land management	-	-	-	1,168,189
Mass transit assistance	-	-	156,095,966	196,400,579
Debt service, principal and interest	-	-	257,885,963	235,149,420
Public transportation acquisition and construction	-	-	21,176,469	18,902,854
Rail assistance	-	-	12,113,419	11,180,476
Regulation of professions and occupations	-	-	1,969,263	1,962,357
Toll facility operations	-	-	48,609,853	46,837,887
Total uses	685,476	622,287	3,411,231,604	3,445,842,447
Excess/(deficit) sources over uses	\$ -	\$ -	\$ 771,608,040	\$ 436,358,225

Source: Commonwealth Accounting and Reporting System

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TOLL AND BOND FUND  
SCHEDULE OF SOURCES AND USES  
For Fiscal Years 2007 and 2006 (In thousands)

	Route 58 Project		Northern VA Transportation District	
	2007	2006	2007	2006
<b>Sources:</b>				
Toll revenue	\$ -	\$ -	\$ -	\$ -
Highway permit fees, fines and penalties	-	-	4,165	5,768
Interest revenue	2,517	2,274	6,511	4,922
Receipts from cities, counties, & towns	-	-	816	816
Other miscellaneous revenue	5	17	16	17
Proceeds from sale of bonds	90,898	66,401	40,662	20,797
Receipts from trustees	95,787	72,291	49,090	25,082
Borrowed from other funds	-	-	-	-
Net transfers in/(out)	65,273	52,000	27,987	29,481
<b>Total funds available for use</b>	<b>254,480</b>	<b>192,983</b>	<b>129,247</b>	<b>86,883</b>
<b>Uses:</b>				
Highway Construction	6,213	-	4,380	-
Debt service payments	50,330	54,945	27,950	34,287
Toll facility operations	-	-	-	-
Advanced refunding payment to escrow	90,762	66,248	40,594	20,746
Payments to trustees	91,476	67,274	42,080	22,344
<b>Total uses</b>	<b>238,781</b>	<b>188,467</b>	<b>115,004</b>	<b>77,377</b>
Surplus/(deficit) of sources over uses <sup>(NOTE A)</sup>	\$ 15,699	\$ 4,516	\$ 14,243	\$ 9,506

Source: Commonwealth Accounting and Reporting System

Note A - This reflects only activity for the noted fiscal year, any deficit reflected was absorbed by beginning fund balance and was appropriated through adjustments by Department of Planning and Budget. It is important to note that the Powhite Parkway Fund carries a negative fund balance of \$43.4M and receives cash flow assistance from other funds.

Transportation Set-a-side		Route 28 Improvements		Coleman Bridge Toll		Federal Reimbursement Anticipation Notes	
2007	2006	2007	2006	2007	2006	2007	2006
\$ -	\$ -	\$ -	\$ -	\$ 6,723	\$ 6,378	\$ -	\$ -
-	-	-	-	-	-	-	-
99	75	136	73	261	143	9,650	9,927
1,000	1,500	20,534	33,690	-	-	-	-
-	1	-	-	6	10	-	241
-	24,302	-	-	-	33,314	-	263,476
68	24,246	7,533	7,531	-	-	291,092	228,040
-	-	-	-	40,321	40,321	-	-
1,116	1,042	-	-	(8)	(38,218)	125,753	132,466
2,283	51,166	28,203	41,294	47,303	41,948	426,495	634,150
58	-	13,010	-	-	-	118,406	-
2,236	2,339	7,530	33,696	-	-	149,612	218,948
-	-	-	-	5,464	5,268	-	-
-	24,237	-	-	-	-	-	-
10	24,304	7,532	7,530	-	33,314	158,461	415,622
2,304	50,880	28,072	41,226	5,464	38,582	426,479	634,570
\$ (21)	\$ 286	\$ 131	\$ 68	\$ 41,839	\$ 3,366	\$ 16	\$ (420)

TOLL AND BOND FUND  
SCHEDULE OF SOURCES AND USES  
For Fiscal Years 2007 and 2006 (In thousands)

APPENDIX B

	Dulles Toll Road		Powhite Parkway Toll	
	2007	2006	2007	2006
<b>Sources:</b>				
Toll revenue	\$ 64,931	\$ 65,670	\$ 10,252	\$ 10,102
Highway permit fees, fines and penalties	-	-	-	-
Interest revenue	5,341	3,617	261	221
Receipts from cities, counties, & towns	-	-	-	-
Other miscellaneous revenue	2,269	60	-	-
Proceeds from sale of bonds	-	4,637	-	-
Receipts from trustees	-	-	-	-
Borrowed from other funds	2,000	2,000	46,920	46,820
Net transfers in/(out)	(38,138)	(10,041)	(622)	(609)
<b>Total funds available for use</b>	<b>36,403</b>	<b>65,943</b>	<b>56,811</b>	<b>56,534</b>
<b>Uses:</b>				
Highway Construction	1,672	974	-	-
Debt service payments	-	-	-	-
Toll facility operations	37,929	34,260	10,417	10,874
Advanced refunding payment to escrow	-	-	-	-
Payments to trustees	-	4,637	-	-
<b>Total uses</b>	<b>39,601</b>	<b>39,871</b>	<b>10,417</b>	<b>10,874</b>
Surplus/(deficit) of sources over uses <sup>(NOTE A)</sup>	\$ (3,198)	\$ 26,072	\$ 46,394	\$ 45,660

Source: Commonwealth Accounting and Reporting System

Note A - This reflects only activity for the noted fiscal year, any deficit reflected was absorbed by beginning fund balance and was appropriated through adjustments by Department of Planning and Budget. It is important to note that the Powhite Parkway Fund carries a negative fund balance of \$43.4M and receives cash flow assistance from other funds.

APPENDIX C

MAJOR STATE TRANSPORTATION REVENUE SOURCES

**Gasoline Motor Fuels Taxes**

Highway Maintenance and Operating Fund	\$1.486
Transportation Trust Fund	.0250
Department of Motor Vehicles	<u>.0014</u>
Total (per gallon)	<u>\$1.750</u>

**Motor Vehicle Sales and Use Tax**

Highway Maintenance and Operating Fund	2.00%
Transportation Trust Fund	<u>1.00%</u>
Total	<u>3.00%</u>

**Motor Vehicle License Fee**

Highway Maintenance and Operating Fund	\$16.00
Department of Motor Vehicles	4.00
Transportation Trust Fund	3.00
General Fund/Emergency Management Services/Rescue Squad	4.00
State Police	1.50
Jamestown/Yorktown Foundation	<u>1.00</u>
Total	<u>\$29.50</u>

**State General Sales and Use Tax**

Transportation Trust Fund	.5%
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COMMONWEALTH TRANSPORTATION FUND FLOW OF FUNDS

Highway Maintenance and Transportation Trust Funds

