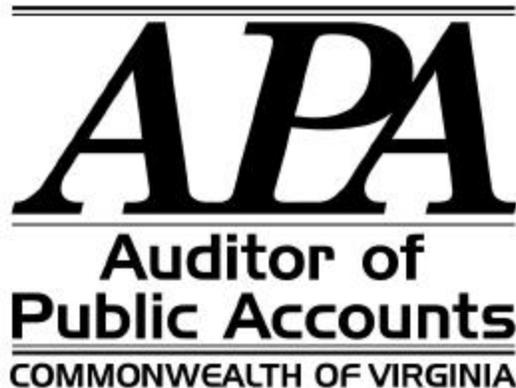


**DEPARTMENT OF RAIL AND
PUBLIC TRANSPORTATION
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Department of Rail and Public Transportation for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls;
- no instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards; and
- adequate corrective action with respect to the audit finding reported in the prior year.

TABLE OF CONTENTS

	<u>Pages</u>
AUDIT SUMMARY	
INDEPENDENT AUDITOR'S REPORT	1-2
AGENCY BACKGROUND AND FINANCIAL HIGHLIGHTS	3-4
AGENCY OFFICIALS	5

January 16, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Rail and Public Transportation** for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

- Expenditures
- Revenues
- Allocations

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's 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.

The Department's 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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to the audit finding reported in the prior year.

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

We discussed this report with management on January 30, 2002.

AUDITOR OF PUBLIC ACCOUNTS

DBC:whb
whb: 37

AGENCY BACKGROUND AND FINANCIAL HIGHLIGHTS

The Department of Rail and Public Transportation reports to the Secretary of Transportation and the Commonwealth Transportation Board, which provides policy oversight. Rail and Public Transportation seeks to establish, maintain, improve, and promote public transportation services and passenger and freight rail transportation systems.

Funding Sources

Rail and Public Transportation had five primary sources of revenue during fiscal year 2001:

Highway Maintenance and Operating Fund

Rail and Public Transportation received \$4,027,381 from the Highway Maintenance and Operating (HMO) Fund in fiscal year 2001. HMO funds pay for a portion of Rail and Public Transportation's administrative costs, an annual payment to Washington Metropolitan Area Transportation Commission, and matching funds for Section Eight Federal grants.

Mass Transit Fund

Rail and Public Transportation received \$97,949,606 from the Transportation Trust Fund (TTF) in fiscal year 2001. The Commonwealth uses TTF funds for highway and port construction and maintenance, mass transit, and air travel. Rail and Public Transportation receives 14.7 percent of the TTF funds for mass transit with the remainder going to the Departments of Transportation and Aviation and the Virginia Port Authority. Rail and Public Transportation uses its portion of the TTF as follows:

- 73.5 percent for urban and non-urban areas that fund public transportation systems for operating expenses such as administration, fuels, lubricants, tires, maintenance parts, and supplies under a distribution formula using total operating expenses. Areas receive payments in advance either quarterly or monthly.
- 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.
- 1.5 percent for special projects such as ridesharing, experimental transit, and technical assistance.

Federal Highway, Railroad, and Transit Administration Funds

Rail and Public Transportation also received \$15,518,813 in funding from the Federal Highway, Railroad, and Transit Administrations during fiscal year 2001. Rail and Public Transportation uses the federal revenues to support localities' and transportation organizations' mass transportation programs, freight rail programs, and special transportation need programs for the elderly and disabled.

General Funds

Rail and Public Transportation also received \$20,585,000 in funding from the General Fund during fiscal year 2001. General Funds support the mass transit assistance program. These funds are for a statewide transit vehicle and equipment program administered by Rail and Public Transportation.

Virginia Transportation Act of 2000

The Virginia Transportation Act (VTA) created the Priority Transportation Fund, a special non-reverting fund and a component of the Transportation Trust Fund. Any monies remaining in the Fund at the end of each fiscal year will not revert to the general fund but will remain in the Fund. Rail and Public Transportation, along with the Department of Transportation, shall use the monies in the Fund solely to facilitate the financing of priority transportation projects throughout the Commonwealth. Rail and Public Transportation received \$10,601,947 in funding from the Priority Transportation Fund.

The following table shows the rail and public transportation projects included in the listing of Priority Transportation Projects under VTA 2000.

<u>District</u>	<u>VTA Projects Administered by DRPT</u>	<u>Total Cost</u>
Bristol District	Bristol Rail Capital Costs	\$ 9,339,000
Fredericksburg District	High Speed Rail Capital Costs	18,225,000
Hampton Roads District	Eastern Shore Railroad	6,600,000
NOVA District	Dulles BRT/Rail Capital Costs	75,000,000
	High Speed Rail Capital Costs	29,225,00
	VRE Express Service Capital	10,000,000
	Metrorail Rolling Stock Replacement	45,000,000
	Metrorail Parking Expansion	26,000,000
Richmond District	Metrorail Ballston Station Improvements	5,000,000
	High Speed Rail Capital Costs	<u>18,225,000</u>
	Statewide Totals	<u>\$242,614,000</u>

DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION
Richmond, Virginia
As of June 30, 2001

Shirley J. Ybarra, Secretary of Transportation

Leo J. Bevon, Director of Rail and Public Transportation

COMMONWEALTH TRANSPORTATION BOARD

Shirley J. Ybarra, Chairman
Charles D. Nottingham, Vice Chairman

Leo Bevon	L. C. 'Sonny' Martin
Roy Parrish Byrd	Leonard S. 'Hobie' Mitchell
S. Grey Folkes, Jr.	H. Carter Myers, III
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Bryan E. Kornblau	Ulysses X. White
Lorinda G. Lionberger	

