



Georgia Department of Audits and Accounts State Government Division

Russell W. Hinton, State Auditor
John A. Thornton, Sr., Director

Georgia Department of Transportation Board Presentation November 19, 2008





Request for Special Examination

- Requested by Governor, House and Senate
- OCGA Section 50-6-4
- “I authorize the Office of the State Auditor to conduct a special examination of DOT books, records, accounts, bills, and other papers, records, and financial transactions deemed appropriate for a full forensic audit.” (April 8, 2008 – Gov. Perdue)



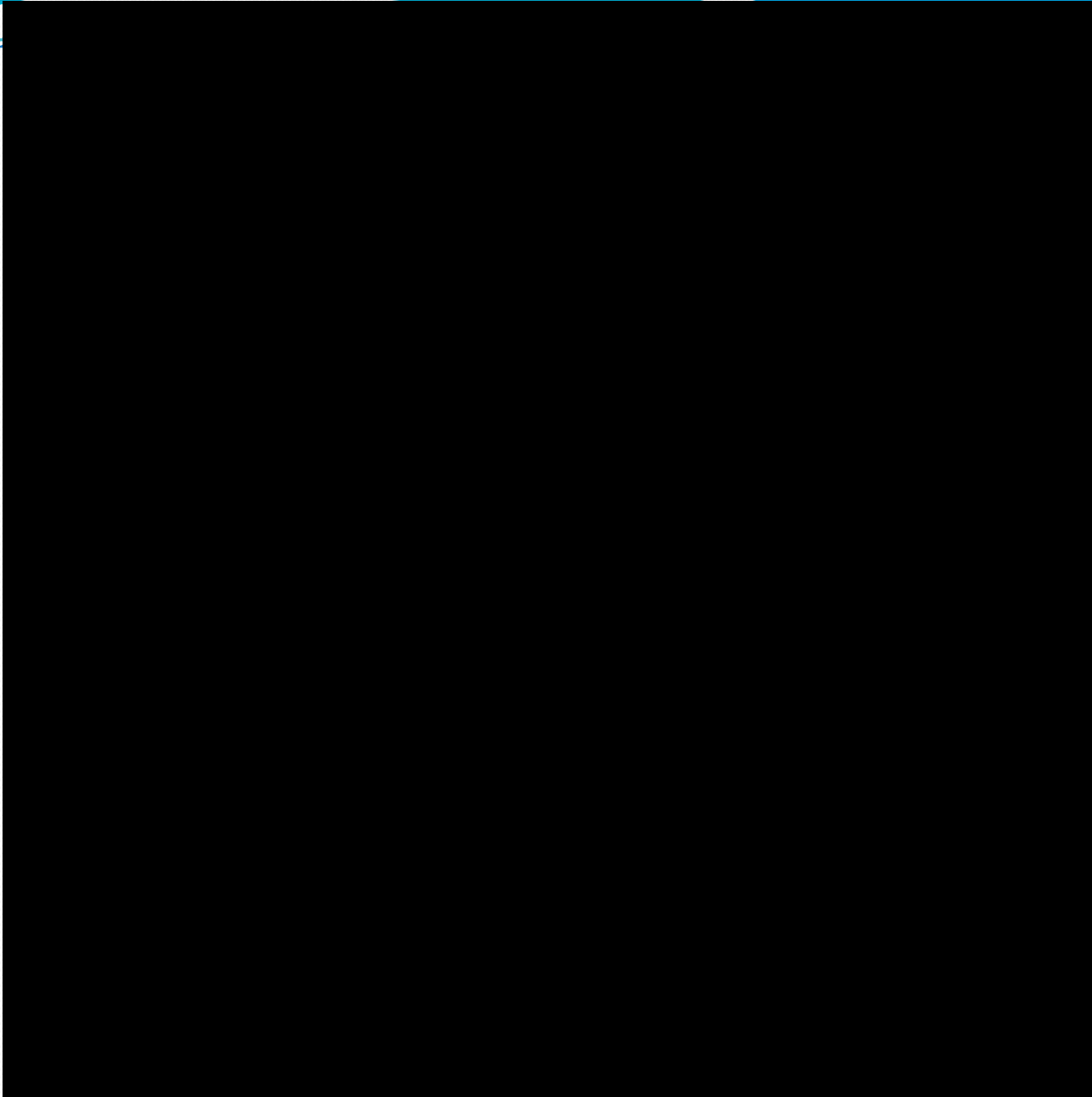
DOAA Response to Audit Request

- Full scope audit of the GDOT Statutory-basis financial statements
- Last similar audit conducted for FY 1996



Results of the Audit

- ***A Qualified Opinion:***
 - Financial Statements ‘fairly presented’, except for the affects of the uncapped *Fuel Price Adjustment Index*





Notes to the Financial Statements

- An integral part of the financial statements.
- The Notes explain the Financial Statements, or
- Provide disclosures of significant matters not included in the financial statements.



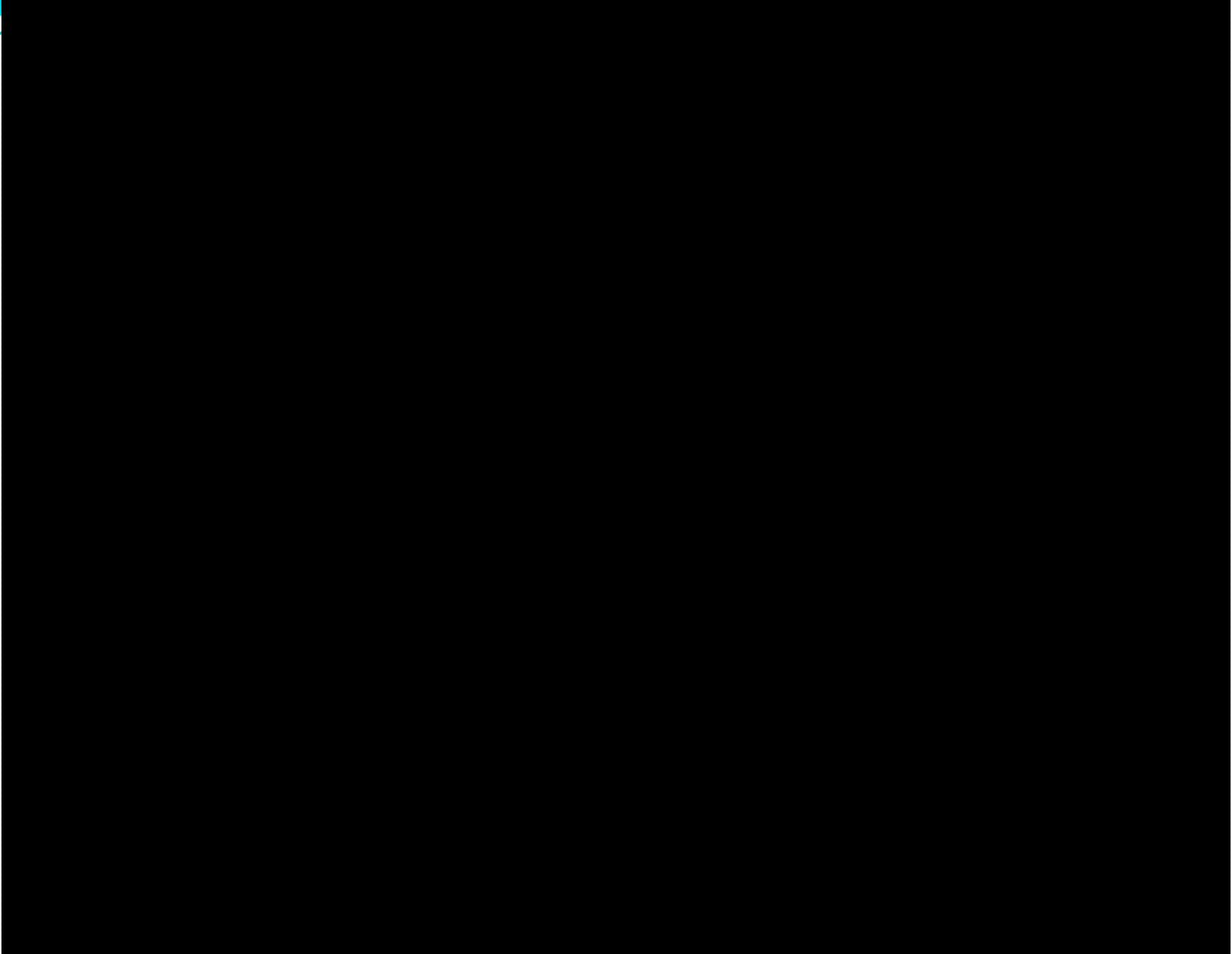
Notes to the Financial Statements

- Note 1 – Statutory Basis of Accounting defined (P. 13)
- Note 8 – Long-term liabilities (P. 18/19)
- Note 9 – Debt Financing (P. 19/20)
 - SRTA claim on Federal Funds
- Note 12 – Subsequent Events (P. 21)
- Note 13 – Contingent Liabilities (P. 21)



Going Forward after the Audit

- Maintaining an accurate General Ledger
 - Most findings impacted the G/L
- Managing the Department in accordance with the Georgia Constitution
 - Summary Finding





Audit Findings

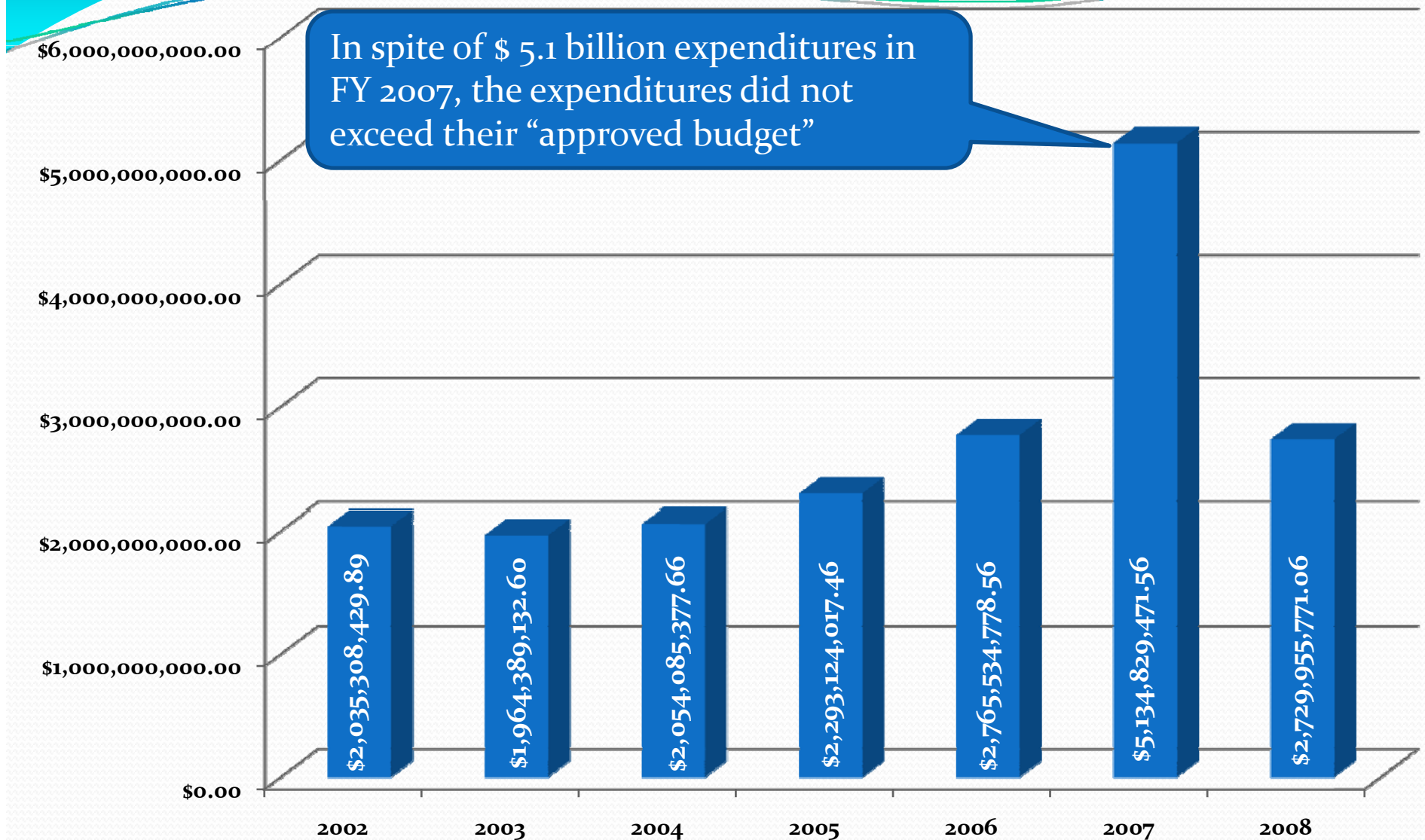
- Finding 1 – Summary
- Finding 2 – Improper Revenue Recognition
- Finding 3 – General Ledger Deficiencies
- Finding 4 – Sub-Ledger Deficiencies
- Finding 5 – Contingency Reserve Account
- Finding 6 – Contract Monitoring
- Finding 7 – Liabilities for Indices
- Finding 8 – Improper Budget Amendments
- Finding 9 – Unrecorded Contracts
- Finding 10 – Non-Compliance w/Program Budgeting



What Caused the Preliminary Deficit?

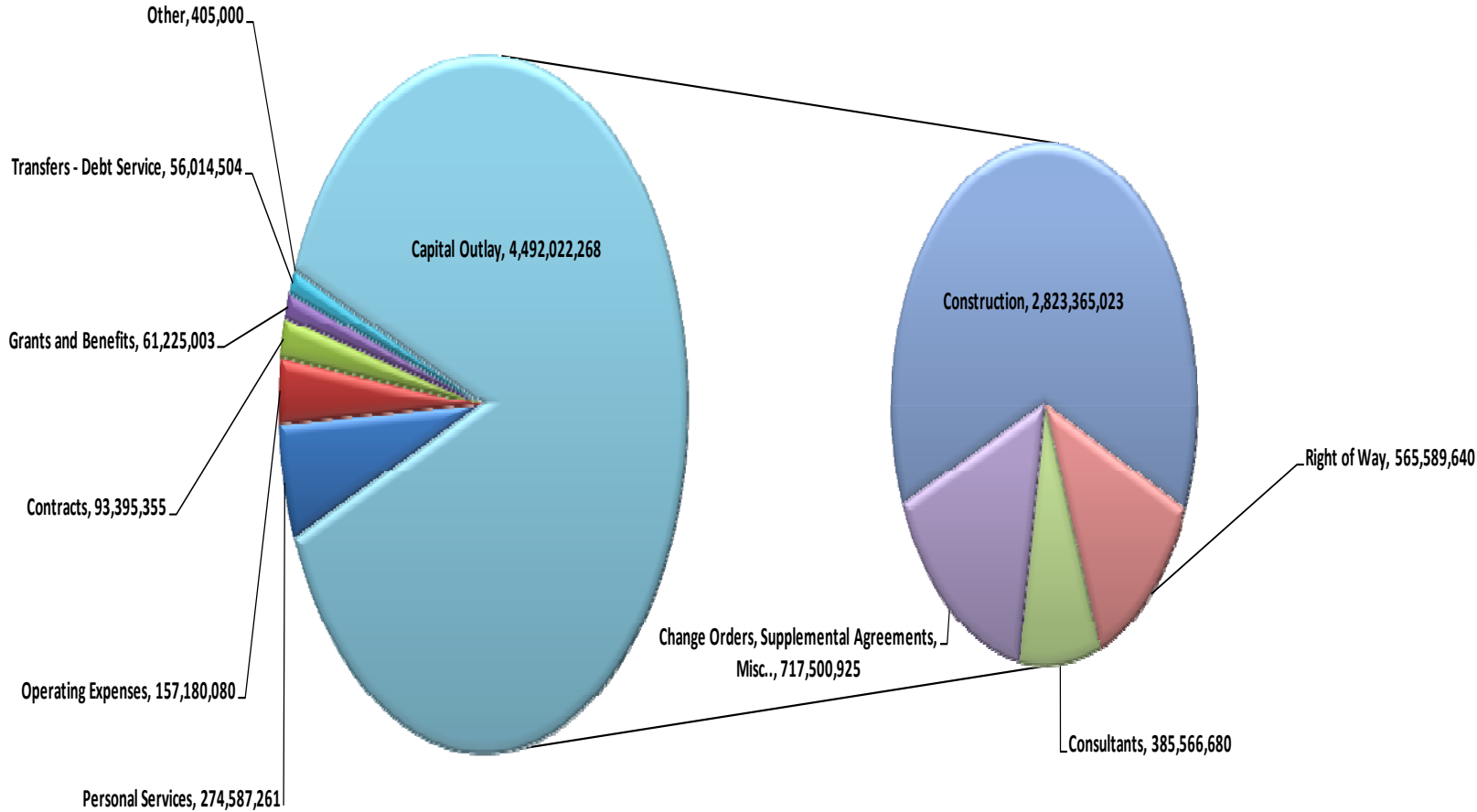
- A change in accounting principles?
- A business process change?

GDOT Yearly Expenditures



Source: State of Georgia Budgetary Compliance Reports (2002 – 2007)
(Prior to FY 2006 Known as the Report of the State Auditor)

GDOT FY 2007 Expenditures





Must have funds at time of contract

Attorney General Opinion 74 – 115

“...No agency of the State may execute a contract with a private party for the purchase of goods or services which purports to obligate appropriations or state funds from any other source not **on hand at the time of the contract** or where the fiscal obligation of the state agency depends for its full performance upon such future appropriations or the continued existence of any other source of state funds.”

GDOT “Funding Process” Document



Georgia Department of Transportation

Funding Process

September 2007

GDOT “Funding Process” Document



Synopsis of Laws and Impact to GDOT

Use of Funds and Restrictions on Use of Funds

Sufficient Funds – Like all other State of Georgia agencies, GDOT is expressly prohibited from making or contracting any debts or entering into any contract for which it does not have sufficient funds appropriated at the time of making said debt or entering into said contract to enable it to meet such debt or such contract obligation. ¹⁰ Simply stated, this means that GDOT **must have money in the bank to cover the full amount of a particular contract.**

¹⁰ 32-2-61(a)

GDOT “Funding Process” Document



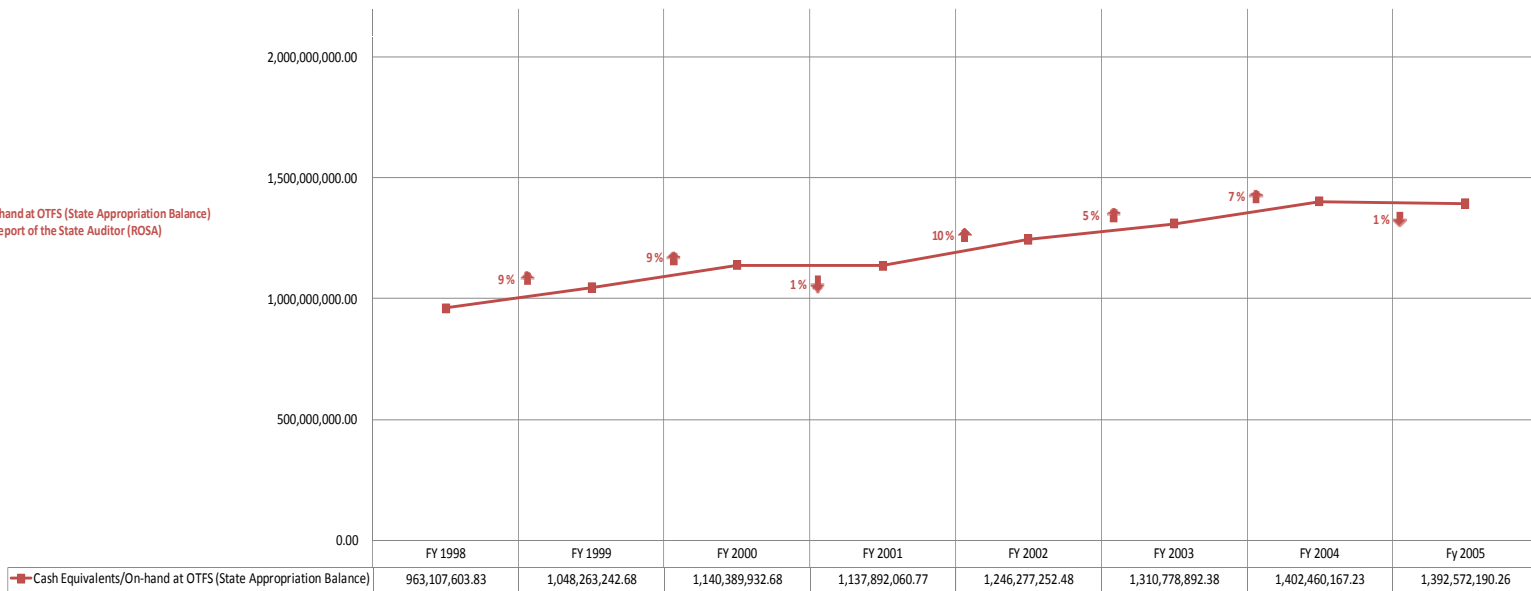
Flow of Funds

- It is important to note, encumbrance of costs “reserves” cash from the budget to be paid in the future, even though the expenses are unearned in the costing system and no actual payment has been made.

Reserved Cash Balances

GDOT Cash On-Hand FY 1998 - FY 2005

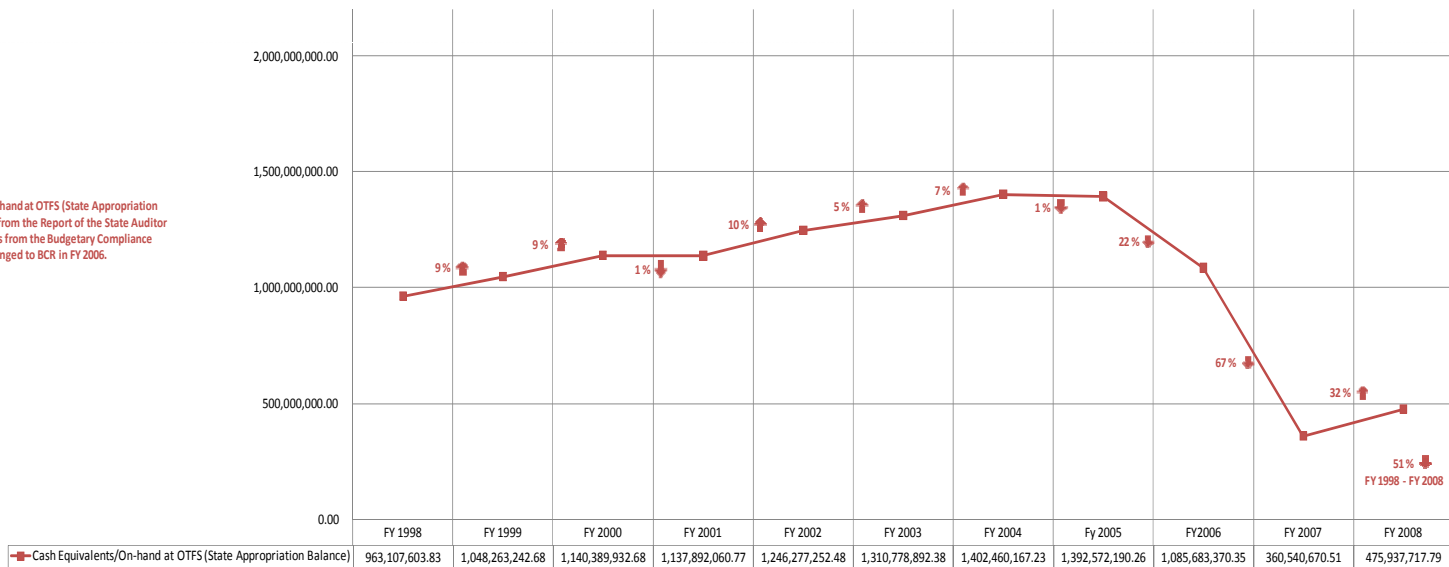
Source: Cash Equivalents/On-hand at OTFS (State Appropriation Balance)
FY 1998 - FY 2005 is from the Report of the State Auditor (ROSA)



Business Processes Changed?

GDOT Cash On-Hand FY 1998 - FY 2008

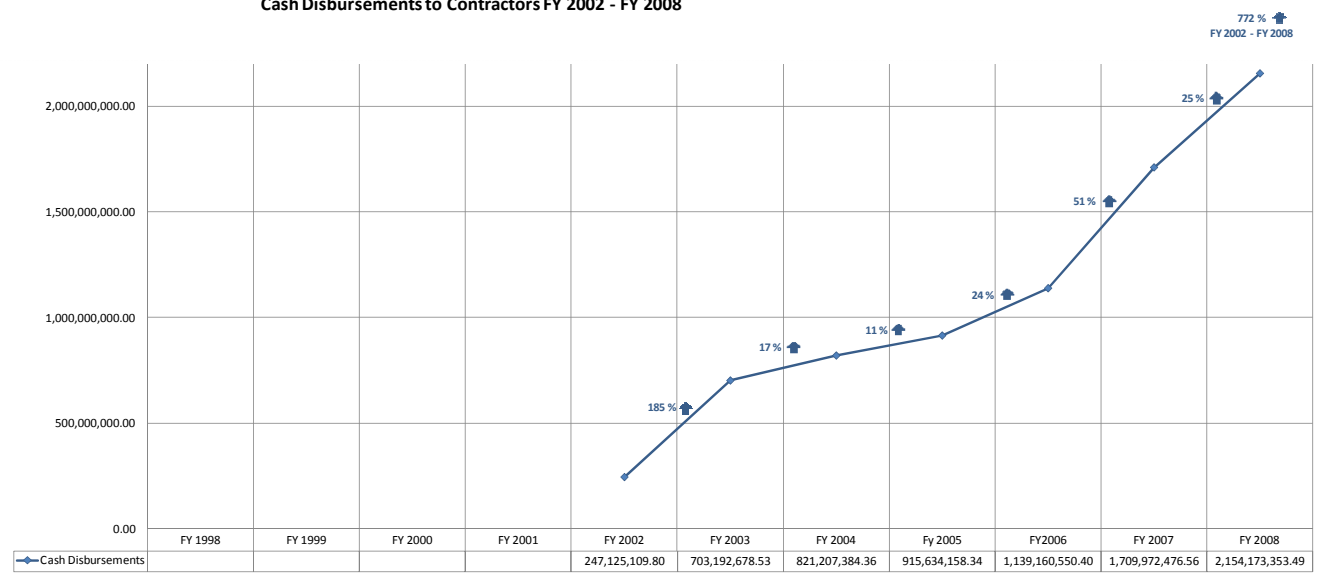
Source: Cash Equivalents/On-hand at OTFS (State Appropriation Balance) - FY 1998 - FY 2005 is from the Report of the State Auditor (ROSA) and FY 2006 - FY 2008 is from the Budgetary Compliance Report (BCR). ROSA name changed to BCR in FY 2006.



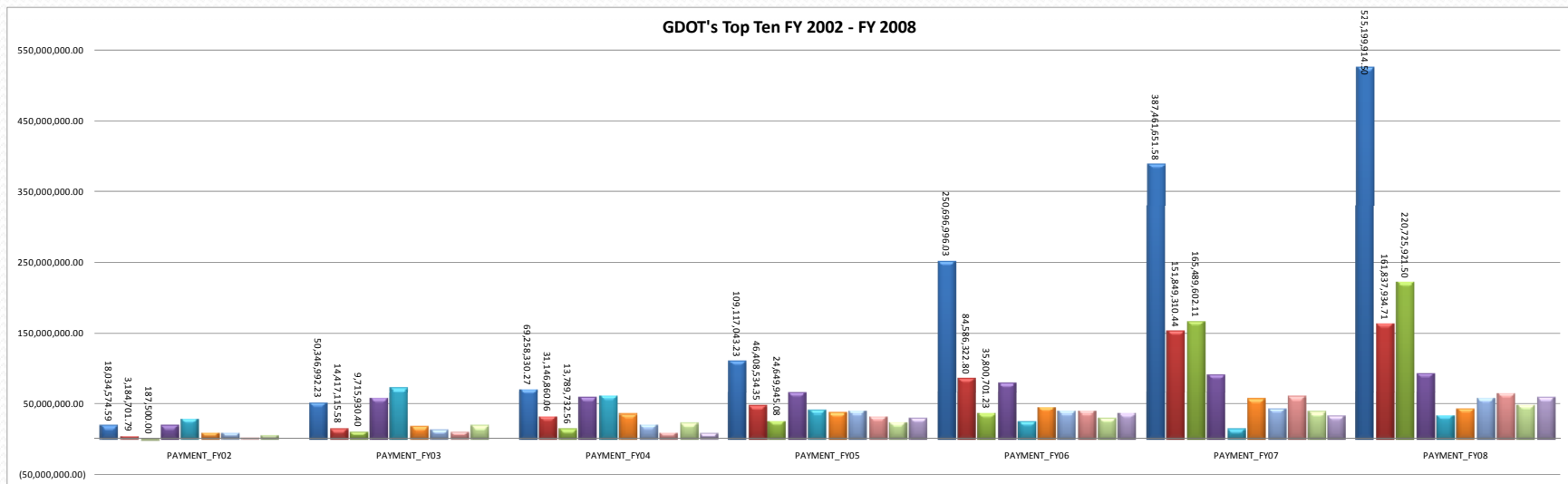
Cash Disbursements Soar

Cash Disbursements to Contractors FY 2002 - FY 2008

Source: Cash Disbursements to Contractors - GDOT's Transport System.



Payments to Top 10 Contractors

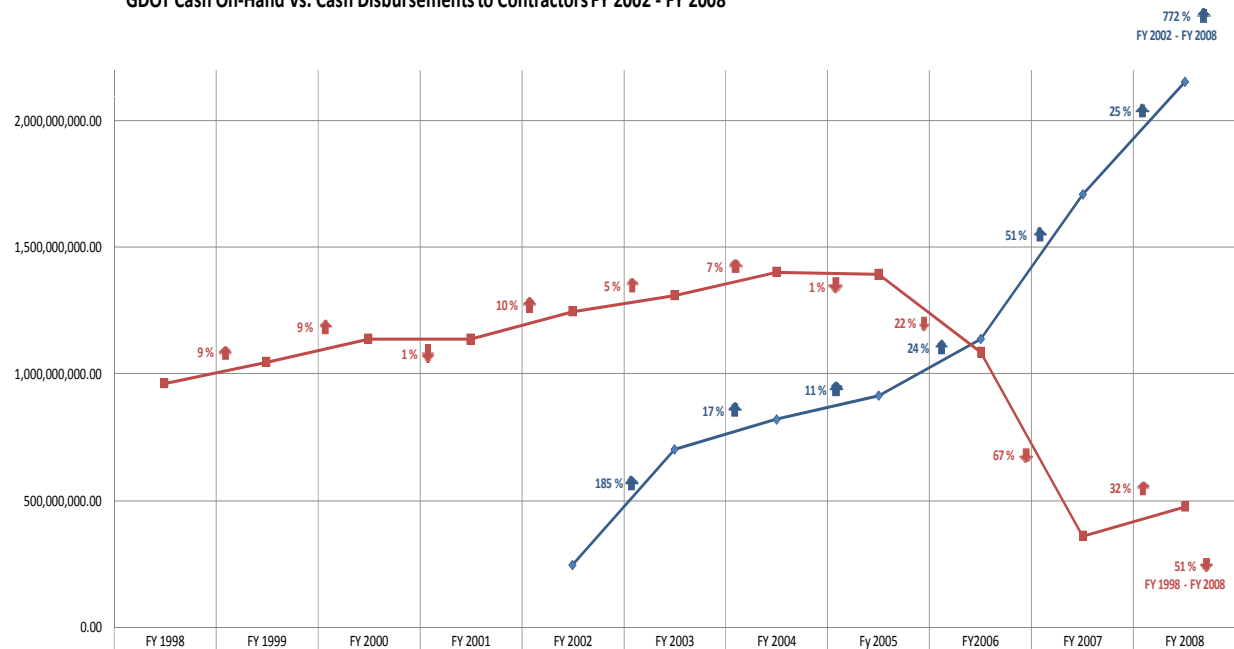


Cash Balances/Cash Disbursements

GDOT Cash On-Hand Vs. Cash Disbursements to Contractors FY 2002 - FY 2008

Source: Cash Disbursements to Contractors - GDOT's Transport System.

Source: Cash Equivalents/On-hand at OTFS (State Appropriation Balance) - FY 1998 - FY 2005 is from the Report of the State Auditor (ROSA) and FY 2006 - FY 2008 is from the Budgetary Compliance Report (BCR). ROSA name changed to BCR in FY 2006.



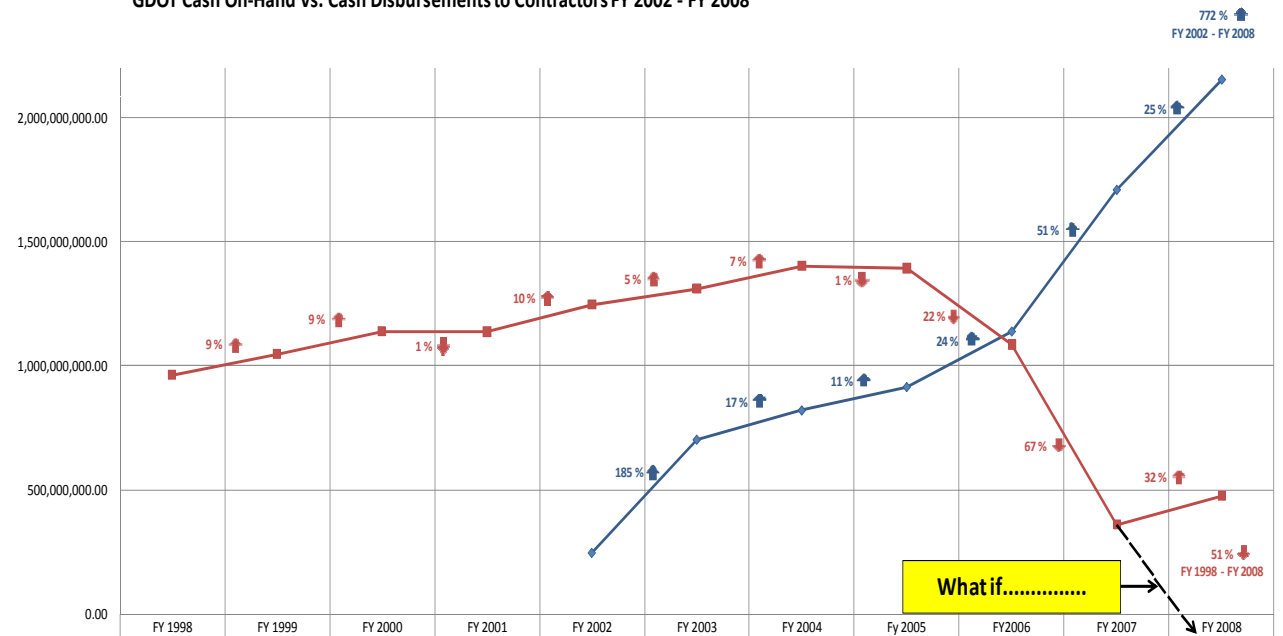
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Fy 2005	FY2006	FY 2007	FY 2008
— Cash Disbursements					247,125,109.80	703,192,678.53	821,207,384.36	915,634,158.34	1,139,160,550.40	1,709,972,476.56	2,154,173,353.49
— Cash Equivalents/On-hand at OTFS (State Appropriation Balance)	963,107,603.83	1,048,263,242.68	1,140,389,932.68	1,137,892,060.77	1,246,277,252.48	1,310,778,892.38	1,402,460,167.23	1,392,572,190.26	1,085,683,370.35	360,540,670.51	475,937,717.79

What if.....

GDOT Cash On-Hand Vs. Cash Disbursements to Contractors FY 2002 - FY 2008

Source: Cash Disbursements to Contractors - GDOT's Transport System.

Source: Cash Equivalents/On-hand at OTFS (State Appropriation Balance) - FY 1998 - FY 2005 is from the Report of the State Auditor (ROSA) and FY 2006 - FY 2008 is from the Budgetary Compliance Report (BCR). ROSA name changed to BCR in FY 2006.



◆ Cash Disbursements					247,125,109.80	703,192,678.53	821,207,384.36	915,634,158.34	1,139,160,550.40	1,709,972,476.56	2,154,173,353.49
■ Cash Equivalents/On-hand at OTFS (State Appropriation Balance)	963,107,603.83	1,048,263,242.68	1,140,389,932.68	1,137,892,060.77	1,246,277,252.48	1,310,778,892.38	1,402,460,167.23	1,392,572,190.26	1,085,683,370.35	360,540,670.51	475,937,717.79