



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Washington State Department of Transportation

Audit Period
July 1, 2012 through June 30, 2013

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**Washington State Auditor
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Independence • Respect • Integrity



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July 3, 2014

Lynn Peterson, Secretary
Washington State Department of Transportation
Olympia, Washington

Report on Accountability

We appreciate the opportunity to work with your Department to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to hold government accountable for the use of public resources so that government can work better, cost less, deliver higher value and earn greater public trust.

A sound and thorough audit protects the interests of the taxpayers by helping identify weaknesses in internal controls and prevent errors and fraud by providing unbiased recommendations, and by saving money.

Please find attached our report on the Department of Transportation's accountability over local funds. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

TROY KELLEY
STATE AUDITOR

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State of Washington Department of Transportation

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Audit Summary

State of Washington Department of Transportation

RESULTS IN BRIEF

This report contains the results of our independent accountability audit of the Department of Transportation's local funds from July 1, 2012 through June 30, 2013.

In the areas we reviewed, the Department's internal controls were adequate to safeguard its local funds.

INTRODUCTION

Why we did this audit

As part of routine audits of state agencies, our Office is responsible for auditing public funds and accounts that are not managed by or are in the care of the State Treasurer. These funds are commonly referred to as local funds.

The Legislature has established some of these funds, while others are authorized by state law which allows the Office of Financial Management to establish local funds outside the State Treasury when agencies present compelling reasons to do so.

About the audit

As of June 30, 2013, the Department held almost \$2.5 million in cash and investments in local funds. We evaluated internal controls and performed audit procedures on the activities of the Department. We also determined whether the Department complied with certain state laws and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Examples of the questions the audit addressed were:

- Did the Department properly account for its local fund financial activities in the state's financial records?
- Were adequate internal controls in place to safeguard the Department's local funds?
- Were all expenditures of local funds allowable according to state laws and regulations?

AUDIT RESULTS

In the areas we examined, we found the Department's internal controls were adequate to safeguard its local funds. The Department complied with state laws and its own policies and procedures. We appreciate the Department's cooperation and commitment to improving efficiency in government.

REPORTING REQUIREMENTS

Every two years, our Office is required by state law (RCW 43.09.420) to report to the Legislature on the status of local funds and accounts that were examined during the preceding biennium and recommendations we made about how state agencies can improve their financial management of these funds.

Our most recent report covered audit reports published from July 1, 2011 through June 30, 2013.

The next report will cover July 1, 2013 through June 30, 2015 and is due to the Legislature by December 31, 2015.

Related Reports

State of Washington Department of Transportation

FINANCIAL

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit can be found at:

www.sao.wa.gov/generalinfo/Documents/2013_CAFR_Report_Final.pdf#search=CAFR

FEDERAL PROGRAMS

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Description of the Department

State of Washington Department of Transportation

ABOUT THE DEPARTMENT

The Washington State Department of Transportation is the steward of a large and robust transportation system and is responsible for ensuring that people and goods move safely and efficiently through the state of Washington. In addition to building, maintaining and operating the state highway system, the Department is responsible for the state ferry system, and works in partnership with governmental agencies and private businesses to maintain and improve local roads, railroads, airports, and multi-modal alternatives to driving. The Secretary of Transportation is appointed by the Governor and is the executive for the Department.

The Department works towards achieving six goals: safety, preservation, mobility, environmental quality, economic vitality and system stewardship. These goals are consistent with the statewide transportation policy goals established by the Legislature for all transportation agencies.

The mission of the Department is to keep people and business moving by operating and improving the state's transportation systems vital to our taxpayers and communities.

DEPARTMENT CONTACT INFORMATION

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ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Director of Local Audit
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