



PERFORMANCE AUDIT REPORT

Department of Transportation

August 2019

Justin P. Wilson
Comptroller of the Treasury



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JUSTIN P. WILSON
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August 22, 2019

The Honorable Randy McNally
Speaker of the Senate
The Honorable Bill Dunn
Interim Speaker of the House of Representatives
The Honorable Kerry Roberts, Chair
Senate Committee on Government Operations
The Honorable Martin Daniel, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, TN 37243
and
The Honorable Clay Bright, Commissioner
Department of Transportation
Suite 700, James K. Polk Building
500 Deaderick Street
Nashville, TN 37243

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Department of Transportation for the period September 1, 2015, through June 30, 2019. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

Our audit disclosed certain findings, which are detailed in the Audit Conclusions section of this report. Management of the department has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the department should be continued, restructured, or terminated.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director
Division of State Audit

DVL/me
19/020



Division of State Audit

Department of Transportation

Performance Audit
August 2019

Our mission is to make government work better.

AUDIT HIGHLIGHTS

Department of Transportation's Mission

To provide a safe and reliable transportation system for people, goods and services that supports economic prosperity in Tennessee.

We have audited the Department of Transportation for the period September 1, 2015, through June 30, 2019. Our audit scope included a review of internal controls and compliance with laws, regulations, policies, procedures, and provisions of contracts or grant agreements in the following areas:

Scheduled Termination Date:

June 30, 2020

- the IMPROVE Act;
- the Transportation Equity Trust Fund;
- railroad crossings and surfaces;
- airport inspections;
- subrecipient risk assessments;
- information systems;
- internal audit; and
- staff turnover analysis.

KEY CONCLUSIONS

FINDINGS

- Management's inspection procedures were inefficient and lacked an effective process to ensure timely repairs of railroad crossing surfaces that inspectors identified as poor (page 22).

- Management did not ensure all program areas completed subrecipient risk assessments as required (page 28).
- The department did not provide adequate internal controls in one specific area (page 30).

OBSERVATIONS

The following topics are included in this report because of their effects on the operations of the Department of Transportation and the citizens of Tennessee:

- The department has begun or completed 46% of IMPROVE Act projects, and actual tax revenues were slightly higher than projected (page 13).
- Lawsuits brought by the state's Class 1 railroads are still ongoing; however, the leading case concluded in the state's favor (page 18).

MATTER FOR LEGISLATIVE CONSIDERATION

The following topic involves a matter for the Tennessee General Assembly to consider and is included in this report because of its effect on the operations of the department and the citizens of Tennessee:

- To explore other alternatives to encourage railroad companies' compliance if the current penalties are not effective to ensure railroad companies promptly repair railroad crossing surfaces (page 24).

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INTRODUCTION

AUDIT AUTHORITY

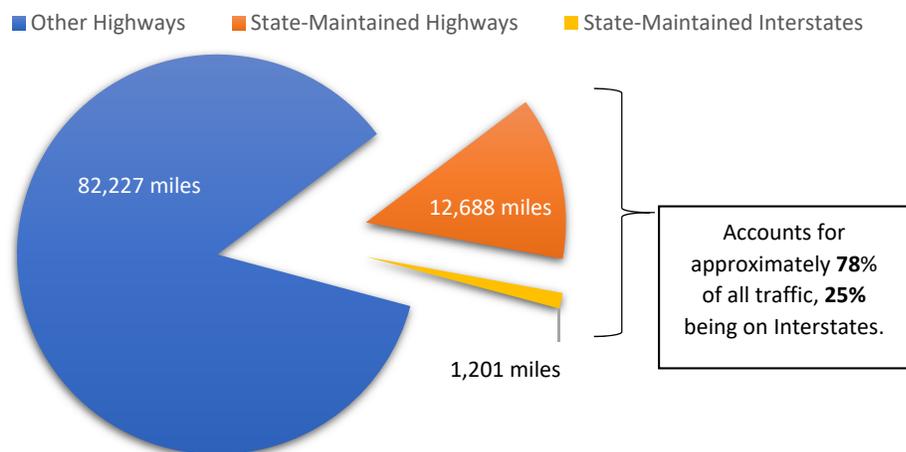
This performance audit of the Department of Transportation was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-241, the department is scheduled to terminate June 30, 2020. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. This audit is intended to aid the committee in determining whether the department should be continued, restructured, or terminated.

BACKGROUND

History and Organizational Responsibilities

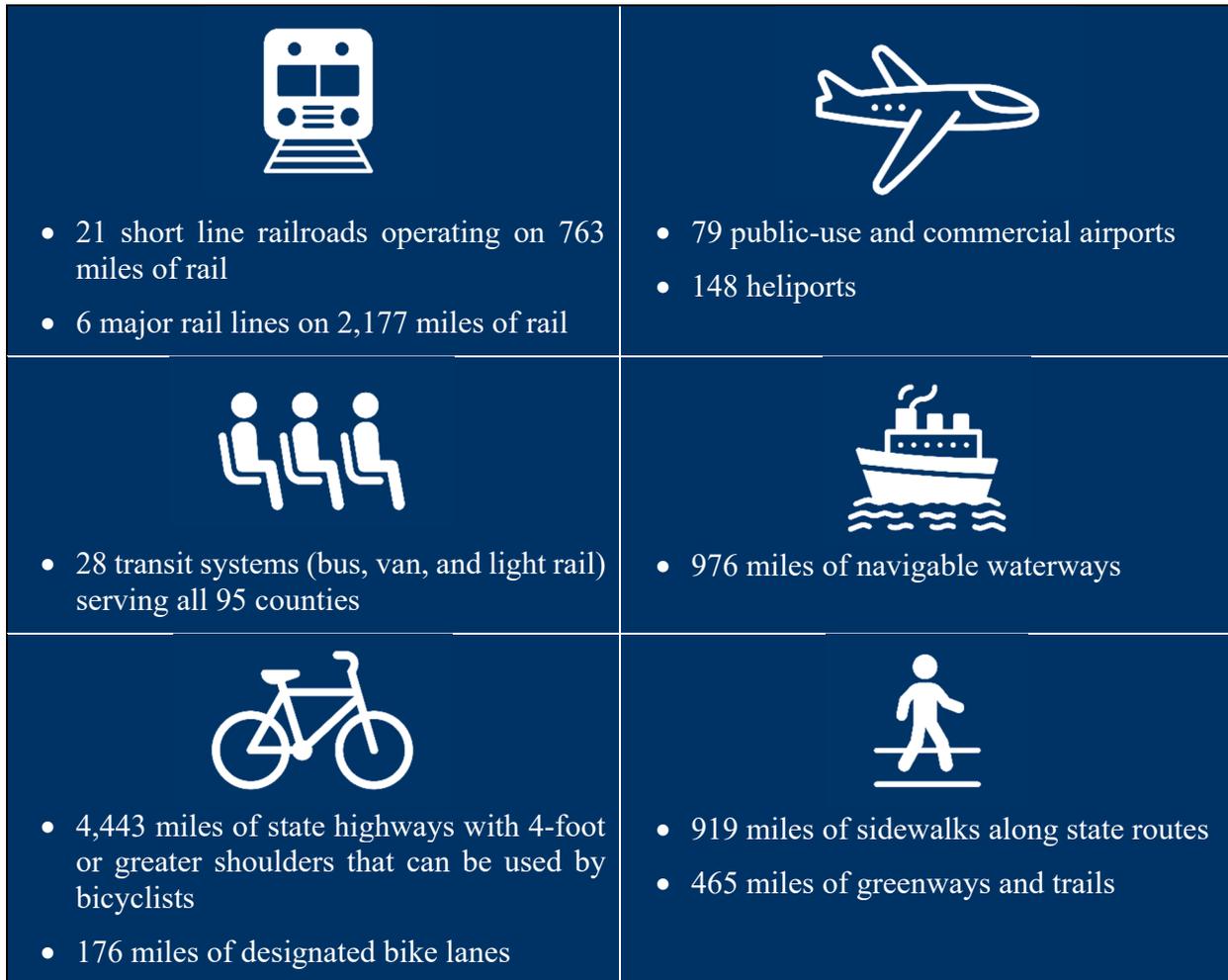
In 1915, the first state government authority to oversee transportation services began with the creation of the State Highway Commission. At that time, the state system included fewer than 5,000 miles of roads. The commission was restructured and became the Department of Highway and Public Works in 1923 and, by an act of the General Assembly in 1972, became the Department of Transportation, incorporating all modes of transportation.

Chart 1
Distribution of Tennessee Highway System Miles



Other components of the state's transportation system include those listed in **Figure 1**.

**Figure 1
Transportation Services in Tennessee**



Source: Department of Transportation management.

Organizational Structure

The Department of Transportation, at any given time, has approximately 4,600 employees working on the transportation system, with an annual budget of more than \$2 billion in state and federal funding. Much of the agency is organized around three bureaus: the Administration Bureau, the Engineering Bureau, and the Environment and Planning Bureau. In addition to the three bureaus, there are two staff divisions reporting to the Commissioner—the Aeronautics Division and the Legal Division—as well as a Chief of Staff with two staff offices.

The department's organizational chart is on page 5.

Bureaus and Divisions Reporting to the Commissioner

The **Bureau of Administration** oversees the department's administrative activities. Divisions include Central Services, Civil Rights, Finance, Human Resources, Internal Audit, Operational Efficiency, Strategic Planning, and Information Technology.

The **Bureau of Engineering** develops, preserves, and maintains the state highway system and helps local governments to develop their highway systems. Duties include designing, acquiring rights-of-way for, constructing, and maintaining projects; creating estimates; traffic control engineering; and materials and geological testing.

The **Bureau of Environment and Planning** ensures compliance with environmental policies; conducts environmental planning and technical studies; designs long-range, project transportation, and freight planning; completes geographic information system mapping for the state; and develops safety planning and highway beautification.

Within the Bureau of Environment and Planning is the Multimodal Transportation Resources Division. This division, through contracts, provides grant funding to multiple authorities across the state, including railroad authorities and the state's Regional Transportation Authority of Middle Tennessee, which are separate entities¹ from the department.

The **Aeronautics Division** supports, promotes, and delivers services that encourage and enhance a sustainable, efficient, and safe air transportation system in Tennessee. The division provides financial and technical assistance to publicly owned airport operators for the planning, development, promotion, construction, and operation of public-use airports throughout the state. Other engineering and planning services include aviation planning studies; environmental planning and compliance assistance; airport geographic information system studies; and project design consultation services to state public-use airports. Additionally, the division administers and programs both state and federal funding for Airport Capital Improvement Plan projects in accordance with applicable state and federal regulations. The division is also responsible for conducting annual airport safety and maintenance inspections; maintaining a statewide airport system plan; promoting aviation education throughout the state; and providing flight services to all branches of state government.

The division works in conjunction with the Tennessee Aeronautics Commission in formulating policy, planning, and approving or rejecting all proposed changes in the statewide airport system plan. Section 42-2-301, *Tennessee Code Annotated*, established the commission and describes its advisory capacity to the department's Commissioner. The commission has a sunset termination date of June 30, 2021, in accordance with Section 4-29-242, *Tennessee Code Annotated*, and is therefore not included as part of this performance audit of the department.

The **Legal Division** provides the Commissioner, his staff, and all divisions and regions with a wide range of legal services, such as preparing and reviewing contracts, grants, procurement

¹ The railroad authorities and Regional Transportation Authority of Middle Tennessee have a sunset termination date of June 30, 2020, in accordance with Section 4-29-241, *Tennessee Code Annotated*, but are not included in the scope of this performance audit of the department.

documents, departmental policies, and right-of-way acquisition documents; representing the department in administrative hearings; and coordinating responses to public records requests.

Divisions Reporting to the Chief of Staff

The **Community Relations Division** strives to provide leadership in promoting the department; integrating the concerns of customers into processes; and promoting a consistent message by establishing relationships with the news media and community groups. The division also manages public meetings and hearings and assists the public in accessing the department's services.

The **Legislative Division** advises the Commissioner and staff on legislative issues. Division staff work with members of the General Assembly to promote the department's agenda through legislation by developing and improving working relationships with members of the General Assembly; providing assistance with responses and information to the legislators; analyzing and communicating the effect of proposed legislation; and preparing and implementing the department's initiatives.

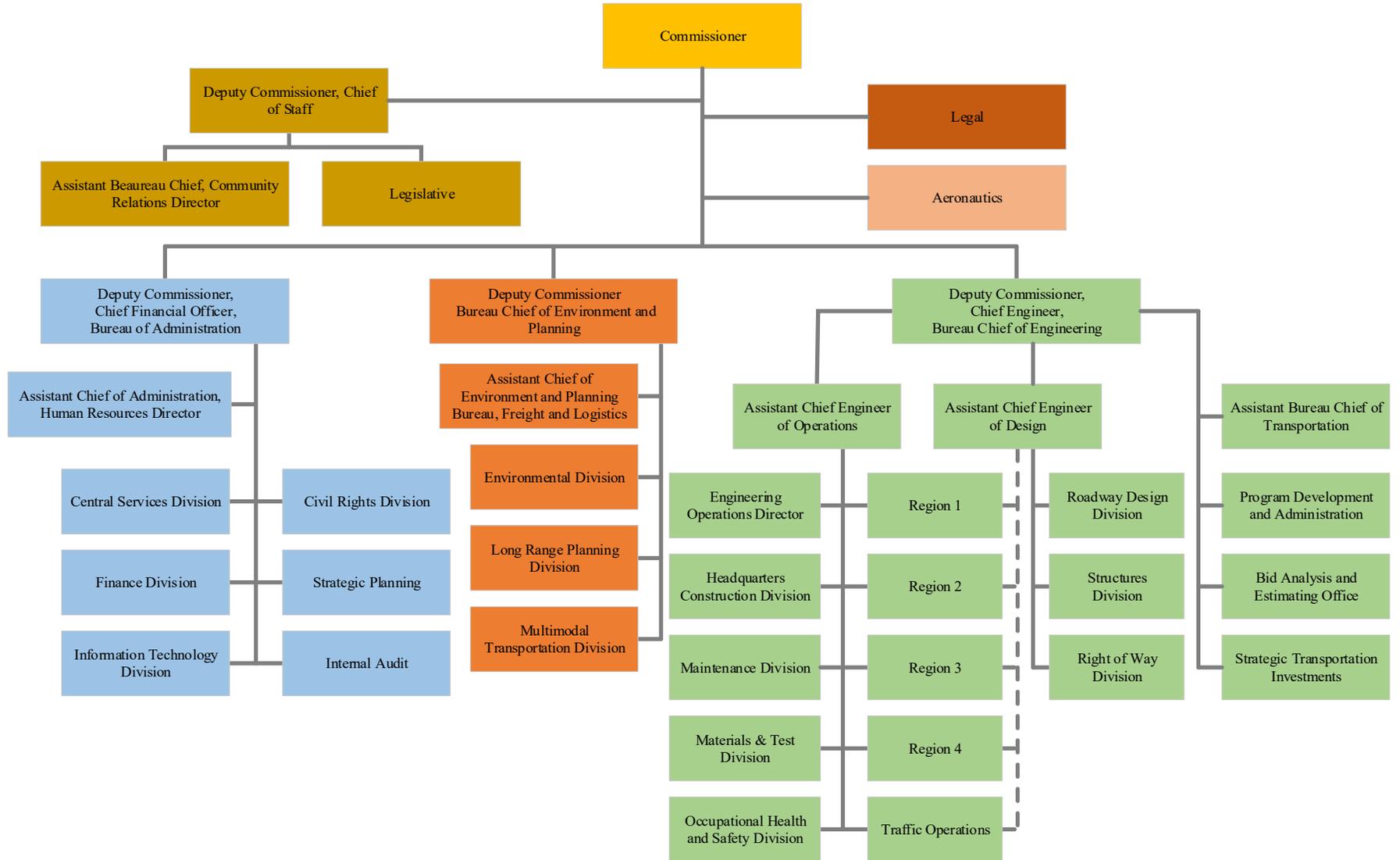
The department's business unit code in Edison² is 40100.

Revenues and Expenditures

For information relating to the department's financial information for fiscal years 2016 through 2019, see **Appendix 4** on page 40.

² Edison, which the Department of Finance and Administration's Enterprise Resource Planning Division maintains, is the state's integrated software package for administrative business functions, such as financials and accounting, procurement, payroll, benefits, and personnel administration.

Department of Transportation Organizational Chart April 2019



Source: Audit staff created the chart based on information provided by the Department of Transportation.

AUDIT SCOPE

We have audited the Department of Transportation for the period September 1, 2015, through June 30, 2019. Our audit scope included a review of internal controls and compliance with laws, regulations, policies, procedures, and provisions of contracts or grant agreements in the following areas:

- the IMPROVE Act;
- the Transportation Equity Trust Fund;
- railroad crossings and surfaces;
- airport inspections;
- subrecipient risk assessments;
- information systems;
- internal audit; and
- staff turnover analysis.

Department management is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, policies, procedures, and provisions of contracts and grant agreements.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. Although our sample results provide reasonable bases for drawing conclusions, the errors identified in these samples cannot be used to make statistically valid projections to the original populations. We present more detailed information about our methodologies in the individual sections of this report.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SINGLE AUDIT

As part of the annual Single Audit of the State of Tennessee, the Comptroller of the Treasury’s Division of State Audit performs a risk assessment and audits certain federal programs administered by state agencies. We review the systems of internal control over federally funded programs and compliance with program regulations. The audit’s objective is to determine the state’s compliance with federal requirements regarding the use of those funds. For the audit period covered by this performance audit, the Department of Transportation divisions were included in the state’s Single Audits for fiscal years 2015, 2016, 2017, and 2018, as described in **Table 1**.

Table 1
Single Audit Findings – Department of Transportation

Federal Program (Division)	Federal Funds Expended (Average for Fiscal Years 2015–2018)	Findings by Fiscal Year			
		2015	2016	2017	2018
Highway Planning and Construction Cluster*	\$795,541,309	6	2	N/A	2
Formula Grants for Rural Areas (Multimodal Transportation Resources Division)	\$ 15,253,832	3	†	N/A	N/A

*Multiple divisions within the department are involved in administering the Highway Planning and Construction Cluster program.

†The program was not a major program and only required a follow-up of prior-year reported findings.

Source: Single Audit reports for fiscal years 2015, 2016, 2017, and 2018.

https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2015/2015_tn_single_audit.pdf

https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2016/2016_tn_single_audit.pdf

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<https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/2018SingleAudit.pdf>

SINGLE AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

2018-042 The Construction Division management did not ensure staff complied with established policies and procedures designed to ensure contractors submit certified payrolls timely, to ensure all relevant documentation is maintained, and to withhold contractors’ payments until payrolls are submitted.

2018-043 The Department of Transportation did not provide adequate internal controls in two specific areas.

In response to audit findings and recommendations, the department must develop corrective action plans to submit to the appropriate federal awarding agency. The federal grantor is responsible for issuing final management decisions on the department’s findings, including any directives to repay the federal grants. Our office is required to determine whether the department has taken full corrective action, partial corrective action, or no corrective action.

For the 2019 Single Audit, we are currently auditing the department's administration of the federal Airport Improvement Program. The results of the audit, including a follow-up on the corrective actions for any prior-year findings, will be reported by March 31, 2020.

PRIOR AUDIT FINDINGS

REPORT OF ACTIONS TAKEN ON PRIOR AUDIT FINDINGS

Section 8-4-109(c), *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Transportation's prior audit report was dated October 2015 and contained five findings. The department filed its report with the Comptroller of the Treasury on April 18, 2016. We conducted a follow-up of all prior audit findings as part of the current audit in the applicable sections of the report.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Transportation resolved the previous audit findings regarding

- monitoring Federal Highway Administration funds to minimize the risk of reversion due to project inactivity;
- accessing original project estimates to compare to final project costs;
- updating grant contract language for the Transportation Equity Trust Fund's railroad programs to match its practices;
- revising policies and procedures and updating performance measures for the short line railroad program, including developing written policies and procedures for awarding and approving disbursements for the program; and
- changing the organizational structure so that the Internal Audit Director reports to the Commissioner.

AUDIT CONCLUSIONS

THE IMPROVE ACT

In 2014, the department cited a project backlog of \$8.5 billion.

Prior to the 2017 IMPROVE Act, Tennessee's gasoline tax was last raised in 1989; its diesel fuel tax was last raised in 1990.

Source: *Tennessee Transportation Funding: Challenges and Options*, a 2015 report by the Comptroller of the Treasury's Office of Research and Education Accountability, https://comptroller.tn.gov/content/dam/cot/orea/documents/orea-reports-2015/2015_OREA_Transportation.pdf.

consistent funding to the Federal Highway Trust Fund.³ This inconsistency has caused the department to refrain from starting projects, because of the risk that funding would not be restored and the state would be responsible for the entire cost of projects. The state is considered a "pay as you go"⁴ state, meaning it does not borrow funds through long-term financing options to pay for road projects. In the last several years, revenues dedicated to transportation have stagnated in Tennessee, while costs for projects have increased. With increased automotive technology, including vehicles becoming increasingly fuel efficient, funding has declined while infrastructure needs have increased. As a result, the state had a growing backlog of projects that it could not start because funds were not available.

In response, the state's 110th General Assembly passed the Improving Manufacturing, Public Roads, and Opportunities for a Vibrant Economy Act (the IMPROVE Act), which became Public Chapter No. 181

According to the Department of Transportation, the transportation program in Tennessee is funded by state highway user taxes and fees, as well as federal funding. No money from the state's general fund, which relies on sales taxes, is used in any of the programs administered by the department. Instead, funding to support the services and programs provided by the department comes from "user fees" collected by the state and federal government. These primarily include vehicle registration fees and fuel taxes. Tennessee receives a portion of federal gas taxes: 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel. In recent years, the federal government has not provided

Types of IMPROVE Act Projects:

- Trade – efficiently routing critical goods and services from airports, ports, rail or truck terminals, and pipeline terminals.
- Interstate – widening, adding truck climbing lanes to, or updating interchanges.
- Maintenance – maintaining existing roads, bridges, welcome centers, and rest areas.
- Safety – adding guardrails, signage, and rumble strips.
- Technology – adding cameras, overhead signs, HELP Program, and other technologies to maximize efficiency.
- Rural Access – coordinating easy access to interstates.
- Urban Growth – widening major arteries within towns and cities.

³ The Federal Highway Trust Fund is a federal transportation fund that receives money from federal fuel tax. The proceeds of the trust fund are allocated to states based on a funding formula.

⁴ The department only spends the funds that are available through its dedicated revenues, highway user taxes and fees, and federal funding.

of 2017 when signed into law on April 26, 2017. Notably, the IMPROVE Act increased taxes on fuel and vehicle registrations and allowed the department to begin projects where funding was previously unavailable.

Vehicle registration fees had a one-time increase on July 1, 2017. These fees increased by \$5, \$10, or \$20, depending on the size of the vehicle and its status of commercial or personal use. **Table 2** illustrates the increase in fuel taxes. Since 2013, 30 other states have raised or reformed their fuel tax policies.

Table 2
Increases in Fuel Taxes as a Result of the IMPROVE Act
Effective on July 1 of Each Fiscal Year
(in cents)

Fuel Taxes	Prior Tax Amounts	2018	2019	2020
Gasoline	0.20	0.24	0.25	0.26
Undyed Diesel	0.17	0.21	0.24	0.27
Liquified Gas ⁵	0.14	0.17	0.19	0.22
Compressed Natural Gas	0.13	0.16	0.18	0.21

Source: Department of Transportation gas tax history, <https://www.tn.gov/tdot/finance/gas-tax/gas-tax-history.html> (for prior tax amounts) and Department of Revenue website, <https://www.tn.gov/revenue/tax-resources/legal-resources/improve-act.html> (for 2018, 2019, and 2020 increases).

The IMPROVE Act specified 962 projects across all 95 counties in the state that it will fully fund or provide matching funds to unlock federal funds. See **Appendix 1** for the list of projects identified in the IMPROVE Act. The 962 projects encompass 1,300 miles on 689 locally owned and state bridge projects and 273 road projects. Annually, the department updates the annual transportation improvement program for the next three years. This program provides the department with a mechanism to start planning future projects and update the status of any current projects. After the Act’s passage, the department added all projects to the three-year plan, and according to department management, they will have all IMPROVE Act projects under contract by 2032.

State Park Roads

In 1983, through executive order, the Governor gave the Tennessee Department of Transportation (TDOT) responsibility for maintaining roads in state parks. At that time, TDOT and the Tennessee Department of Environment and Conservation (TDEC) signed a Memorandum of Understanding (MOU) to define and describe responsibilities of the two departments. However, the departments never updated the original inventory of park roads for the MOU; therefore, there was confusion regarding each department’s responsibilities. The IMPROVE Act included provisions that again mandated TDOT to maintain state park roads.

⁵ Liquified gas includes propane and butane.

During May 2017, TDOT used ArcGIS mapping⁶ to complete a full inventory of state park roads, which provides specific color coding for who is responsible for each road. TDOT's inventory process identified 414 miles of road in state parks. TDOT is responsible for maintaining 220 miles (169 miles within parks and 51 state routes), while TDEC is responsible for maintaining 104 miles. The remaining roadways (approximately 90 miles of county roads surrounding the parks) fall under the jurisdiction of the local governments. TDOT and TDEC are currently working on finalizing a new MOU to specify each department's responsibilities.

Results of Prior Audit

In TDOT's October 2015 performance audit report, we reported that the Bureau of Engineering lacked written policies and procedures governing the identification of federally awarded highway construction projects. Management needed a process to monitor project expenditure activity so that TDOT could minimize the risk that the federal government would seek reversion of grant funds when management failed to charge expenditures to a project over a 12-month period. Management did not concur with this portion of the finding, noting that TDOT uses every report available from the Federal Highway Administration to track the federally funded projects and expenditure activity. Management also noted that they would develop a desk guide or checklist to ensure TDOT maximizes all federal dollars over the life of the project.

Additionally, during the prior audit we reported a finding that TDOT had not implemented a process for its transportation managers to readily access original project estimates for highway construction projects. Management did not concur with this finding and stated that they did have a process in place.

Audit Results

- 1. Audit Objective:** Did Bureau of Engineering management recommend any changes to the original projects listed in the IMPROVE Act in its annual transportation improvement program as described in statute?

Conclusion: Because management has not recommended any changes to the original projects listed in the IMPROVE Act, we did not perform any further audit work. As of June 12, 2019, TDOT had begun or completed work on 46% of the projects listed. See **Observation 1**.
- 2. Audit Objective:** Is the MOU between TDOT and TDEC sufficient to address each department's responsibilities governing maintenance of state park roads?

Conclusion: Based on our review, the MOU sufficiently identifies each department's responsibilities for state park roads.
- 3. Audit Objective:** Did actual revenue meet or exceed management's revenue estimates for the IMPROVE Act for fiscal year 2018?

⁶ ArcGIS mapping is a geographic information system that is used for creating and using maps.

Conclusion: Based on our analysis, the state’s actual revenues exceeded estimates for fiscal year 2018. See **Observation 1**.

4. Audit Objective: Did management correct the prior audit finding related to monitoring Federal Highway Administration funds to minimize the risk of the federal government seeking reversion of funds for apparent lack of expenditure activity?

Conclusion: Based on our review, Bureau of Engineering staff improved their monitoring process by documenting their review of projects when using the Federal Highway Administration Status of Funds report as their checklist.

5. Audit Objective: In response to the prior audit finding, does TDOT have a process for managers to easily access the original project estimates to compare to final project costs?

Conclusion: Based on our discussions with management and our review, management has a process to access the original project estimates to compare to the final project costs.

Methodologies to Achieve Objectives

a. Additions/Deletions

To achieve our objective to ensure whether TDOT made changes to the IMPROVE Act according to state statute, we interviewed management and reviewed state statute to obtain an understanding of the project addition/deletion process. We compared the original list of 962 projects to a current project status report, as of January 14, 2019, from the Project Planning Resource Management System, which TDOT provided to us. In addition, we obtained a more recent project status report as of June 12, 2019. We verified that each listing was the same project and that TDOT had made no changes. We compared the annual transportation improvement program plan and the projects listed in the IMPROVE Act.

b. State Park Road Maintenance

To ensure that the MOU addressed all applicable conditions and that TDOT and TDEC were performing the required duties, we interviewed TDOT’s Director of Maintenance to gain an understanding of controls or policies that ensure TDOT performs only its specified duties in maintaining state parks. We interviewed the Director of Maintenance to discuss the previous MOU as well as issues with the previous system. We then compared state statute with the draft MOU to ensure that the MOU addressed all applicable conditions and that each party was only performing its specified duties.

c. Revenue

To determine whether actual revenues met estimated revenues, we obtained Edison revenue reports from TDOT for all revenue sources affected by the IMPROVE Act to gain an understanding of the related anticipated and actual revenue increases. We then determined increases from fiscal year 2017 (before the IMPROVE Act took effect) and fiscal year 2018 (after the first scheduled increase). We interviewed TDOT's Chief Financial Officer to discuss how TDOT was managing revenues from the IMPROVE Act and how it was handling the surplus of funds.

d. Reversion of Federal Funds

To determine how TDOT ensures funds are not reverted to the federal government, we interviewed the Chief Financial Officer and the Chief Engineer. We obtained a copy of the Federal Highway Administration Status of Funds report and performed a walk-through of the process for reviewing funds.

e. Project Estimates

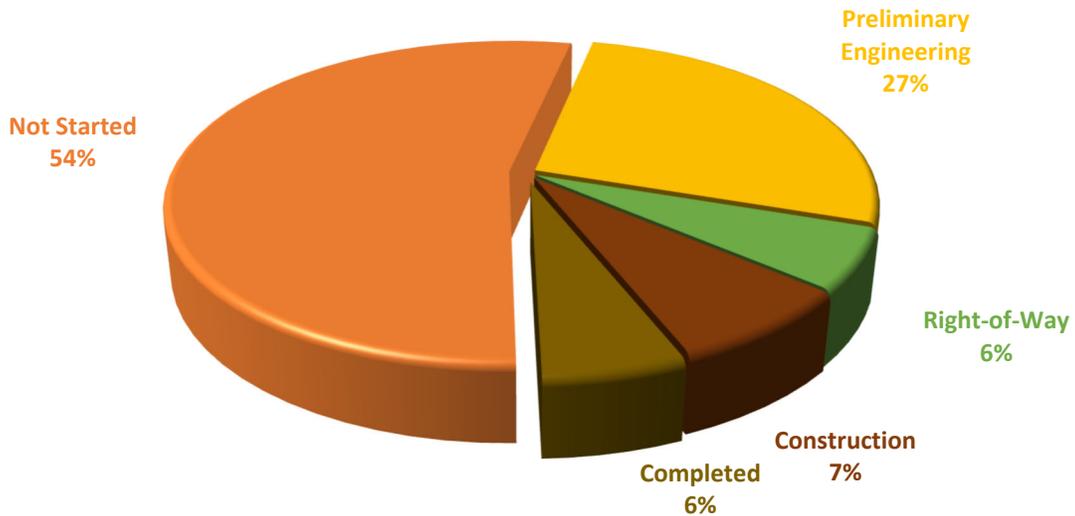
To achieve our objective, we interviewed the Director, the Assistant Director, and the Transportation Manager of the Construction Division to gain an understanding of the division's responsibilities and process for tracking and approving cost overruns. We reviewed the department's Policy #355-01, the *Standard Specifications for Road and Bridge Construction*, the Design-Build Standard Guidance, and the division's Circular Letters.

Observation 1 – The department has begun or completed 46% of IMPROVE Act projects, and actual tax revenues were slightly higher than projected

According to Department of Transportation's project status report, from the 962⁷ projects listed in the IMPROVE Act, it has completed 55 projects in 34 counties across the state as of June 12, 2019. Of the 55 projects, 26 are identified as locally owned bridges. The department currently has 258 projects (27%) in the preliminary engineering phase. See **Chart 2** for a summary status of projects.

⁷ The department has split some projects (e.g., Interstate 440) into multiple phases; this allows the department to track the projects' actual status.

Chart 2
Summary Status of IMPROVE Act Projects as of June 12, 2019

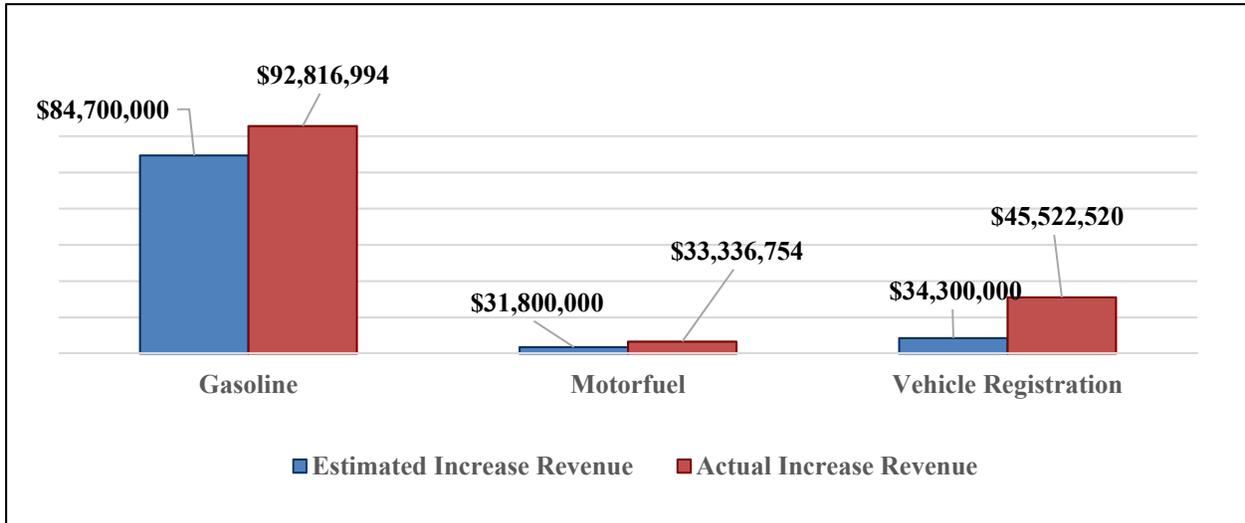


Source: The Department of Transportation's Bureau of Engineering.

IMPROVE Act Generated Revenue

We compared the revenues from fiscal year 2018 to the estimated revenues provided by the department. Our analysis showed that the increased revenues from the IMPROVE Act surpassed original estimates, with the first year bringing in \$20 million more than originally estimated. According to department management, any surplus of revenues will fund further projects on the list. See **Chart 3**.

Chart 3⁸
IMPROVE Act
Estimated and Actual Revenue Increase Amount by Category for Fiscal Year 2018



Source: Estimated revenue increase amounts provided by the Department of Transportation; actual revenue increases provided by the Department of Revenue.

TRANSPORTATION EQUITY TRUST FUND

The Transportation Equity Trust Fund, established by Section 9-4-207, *Tennessee Code Annotated*, benefits the operation of waterways programs, railroads, aeronautics, and related activities. Section 67-6-103(b)(1), *Tennessee Code Annotated*, states,

Notwithstanding the allocations provided for in subsection (a), all moneys received under this chapter from the sale, use, consumption, distribution, or storage for use or consumption of fuels used for aviation, railways, or water carriers on or after July 1, 1988, shall be deposited by the commissioner in a separate account to be known as the transportation equity trust fund. The funds in this account shall be used by the department of transportation for railways, aeronautics, and waterways related programs and activities.

Our audit focused on the railroad activities of the fund. Historically, the revenue for the railroad portion of the fund is generated from a portion of the sales and use tax on railroad diesel fuel; however, due to an ongoing lawsuit, all funds the state received prior to 2013 are currently held in reserve. All new funding that would have generated from the fuel tax has been paid into an escrow account under a private arrangement between the railroad companies and the courts. Since these funds are not currently recognized as state revenues, no further apportionments to the fund have occurred since 2013. For more information, see **Observation 2**.

⁸ The gasoline category includes gasoline, methanol, ethanol, E85, M85, and A55. The motor fuel category includes diesel (special diesel and biodiesel); compressed natural gas; and liquified gas (propane and butane).

The Multimodal Transportation Resources Division provides grants from the Transportation Equity Trust Fund to railroad authorities⁹ established pursuant to Section 7-56-201, *Tennessee Code Annotated*, to preserve and maintain essential rail transportation. According to the division, there are 18 railroad authorities and 20 railroad operators.¹⁰ The Multimodal Transportation Resources Division also administers payment of membership fees to waterway-related organizations, and the department's Aeronautics Division is responsible for the remaining portion of the trust fund.

Results of Prior Audit

In the Department of Transportation's October 2015 performance audit report, we reported the following findings concerning the Multimodal Transportation Resources Division:

- The division needed to update its Transportation Equity Trust Fund grant contract language to match the division's practice of providing cash advances and acceptance of in-kind services outside the contract period. Management concurred with the finding and stated it would approach the state's Central Procurement Office for approval to change the grant contract language to match its practice of providing cash advances, and require cash matches, instead of in-kind contributions as matching funds.
- The division lacked written policies and procedures for approving short line railroad grants and cost-reimbursement requests from the Transportation Equity Trust Fund. Management concurred with this portion of the finding and stated that when revising the policies and procedures for the short line grant program, it would specify cost reimbursements submitted by railroad authorities.
- The division did not adequately analyze and did not report all required railroad authority performance measures as required in division policy. The department was not reporting on the employment, accessibility, and effectiveness data required by policy. The department's failure to analyze and report such performance information submitted by short line railroad operators prevents meaningful evaluation of the short line railroad program's economic impact and of the effectiveness of grants awarded through the Transportation Equity Trust Fund. Management concurred in part with the finding and stated that if the grant program resumed, it would revise its policies and procedures to replace the 2006 document.

Audit Results

- 1. Audit Objective:** In response to the prior audit observation, was the Class 1 railroad lawsuit resolved?

⁹ Section 7-56-201, *Tennessee Code Annotated*, states that any municipality, county, or combination of municipalities and counties may establish an authority to provide for the continuation of rail service within the area of the government establishing the authority. Additionally, Sections 64-2-101, -201, -301, and -401 state that railroad authorities are organizations created through statute and through cooperation of counties intended to secure economic benefits to their region by providing continued railroad services.

¹⁰ Railroad operators are railroad companies that run the trains on a rail line.

Conclusion: At the conclusion of our audit fieldwork, the lawsuit was still ongoing. See **Observation 2**.

- 2. Audit Objective:** In response to the prior audit finding, did Multimodal Transportation Resources Division management modify grant contract language for the Transportation Equity Trust Fund's rail grant programs to match the division's practice?

Conclusion: Management requested and obtained approval from the state's Central Procurement Office to modify the rail grant contract language to match its practice of allowing cash advances to subrecipients and requiring cash matches, instead of in-kind contributions as matching funds.

- 3. Audit Objective:** In response to the prior audit finding, did division management revise its policies and procedures and update its performance measures for the short line railroad program?

Conclusion: Division management issued revised policies and procedures as of March 30, 2016, for the grant program, and updated the criteria to measure performance. It also contracted with the University of Tennessee's Center for Transportation Research to analyze the short line program. See **Observation 2**.

- 4. Audit Objective:** In response to the prior audit finding, did the division develop and implement policies and procedures for approving short line railroad program grants?

Conclusion: The division created new policies and procedures that provide guidelines for how railroad authorities apply for grants. See **Observation 2**.

Methodologies to Achieve Objectives

a. Lawsuit

To determine the status of the Class I railroad lawsuit, we interviewed Multimodal Transportation Resources Division management and staff. We interviewed the Attorney General's staff to obtain an update on the status of the lawsuit.

b. Contract Language

To determine whether the division modified language to match practices, we interviewed the Director and the Associate Director of the division to gain an understanding of the short line railroad grant program and grant contracts. We reviewed applicable short line railroad grant policies and procedures. We requested a list of all short line railroad grant contract projects completed after September 1, 2010, to determine whether railroad authorities submitted annual

reports to the division. We performed testwork to determine whether the division obtained the required reports.

c. Policies and Procedures

To determine whether the division updated policies and procedures, we interviewed the Director and the Associate Director of the division to gain an understanding of the short line railroad grant program and grant contracts. We reviewed applicable short line railroad grant policies and procedures revised on March 30, 2016, and October 15, 2018. To gain an understanding of the short line railroad grant program and grant contracts, we interviewed the Director and the Associate Director of the Multimodal Transportation Resources Division. We reviewed applicable short line railroad grant policies and procedures. We obtained and reviewed the consultants' reports: the University of Tennessee's Center for Transportation Research and the University of Memphis issued the report *Tennessee Short Line Railroads – Programs, Policies, and Perspectives* in October 2016, and the Center for Transportation Research issued the report *Tennessee Short Line Railroads, Short Line Traffic, and Planned Network Improvements* in April 2018.

d. Grant Approvals

To determine whether the division implemented policies and procedures over grant approvals, we interviewed division management and staff to gain an understanding of what changes the department made to correct the prior findings. We also reviewed the division's policies and procedures and grant contracts.

Observation 2 – Lawsuits brought by the state's Class 1 railroads are still ongoing; however, the leading case concluded in the state's favor

Because of a lawsuit that the Illinois Central Railroad Company, Inc., filed against the Tennessee Department of Revenue in February 2010, the former Commissioner of the Tennessee Department of Transportation canceled railroad authority grant contracts in September 2013. The plaintiff contended that the state sales and use tax assessments were discriminatory because motor carriers are exempt from the tax, but rail carriers are not exempt.

The Department of Transportation's former Commissioner decided it was necessary to stop expending railroad funds, given the possibility that the state and federal courts may request the state return grant funds provided to the Class 1 railroads.¹¹ While the former Commissioner distributed a stop-work order to the railroad authorities, he also gave the authorities the opportunity to submit requests for continued funding for projects that were already underway. The former Commissioner approved funding for five projects.

On August 31, 2018, the U.S. Court of Appeals for the Sixth Circuit ruled in the state's favor. In response to the favorable ruling, the Tennessee General Assembly directed the

¹¹ As of 2016, the Association of American Railroads defines a Class 1 railroad as having annual operating revenues of \$453 million or more. Currently, seven railroads across the nation are classified as Class 1.

department to distribute \$10 million to the railroad authorities. In addition, the former Commissioner sent a letter dated October 15, 2018, to the chairs of the boards for the railroad authorities to inform the parties that the railroad portion of the Transportation Equity Trust Fund had a reserve balance of \$42.7 million as of September 30, 2018. The fund's reserve balance was based on the state's collection of the 7% sales tax on locomotive fuel that was in effect when the fund was frozen in 2013. After the planned distribution of the \$10 million to the railroad authorities, the remaining \$32.7 million balance included \$12.1 million committed for specific railroad authority projects that were in place prior to the freeze on funding.

The Comptroller's Office obtained the latest status on the litigation from the Tennessee Attorney General's Office. The Attorney General's Office stated that following the Sixth Circuit's ruling, Illinois Central filed a petition for writ of certiorari with the United States Supreme Court, which denied the petition on June 24, 2019. The Sixth Circuit issued a mandate on June 25, 2019, which means its previous ruling in favor of Tennessee became final. The *Illinois Central* case is now over, and on July 31, 2019, it paid the sales taxes in the amount of \$2,820,850 which had accrued on its fuel purchases between August 2013 and July 1, 2014, during which period Tennessee was enjoined from collecting the disputed sales taxes. The interest rate to be applied to those taxes is under discussion, but it is likely that interest will amount to about \$880,000. Also, Illinois Central should now dismiss all of its refund actions in state court for sales taxes paid on fuel purchases between 2006 and the time the federal injunction was imposed in August 2013. Although the outcome in *Illinois Central* should control the outcome in the other three Class 1 railroad cases filed under the pre-July 1, 2014, tax scheme, the other railroads have not yet conceded that point. They may attempt to proceed with their individual cases and raise new theories. We do not think they will be successful, but litigation may possibly be far from over. We also do not yet know what the railroads' positions will be as to the impact of *Illinois Central* on the newer set of cases filed under the new taxing regime that took effect on July 1, 2014.

The department's former Commissioner reserved the final \$20.6 million, allocating \$10.3 million to the existing Preservation Grant program for railroad authorities and \$10.3 million for a new Competitive Rail Connectivity Grant program (effective July 1, 2019). The new program provides grant funding to local railroad authorities, local port authorities, local governments, industrial development corporations, and other government entities authorized to conduct eligible grant activities. According to the program's guidelines, grant awards are based on how the project supports the specific needs of the existing industry, how it enhances the marketability of available industrial sites, and/or how it reduces highway maintenance costs by diverting heavy freight from the roadway network to rail. At the conclusion of our audit fieldwork, the department had not awarded grants from either program.

For a timeline of critical lawsuit events, see **Appendix 2**.

RAILROAD CROSSINGS AND SURFACES

The Office of Rail Safety and Inspection is located within the Department of Transportation's (TDOT) Multimodal Transportation Resources Division and works in partnership with the Federal Railroad Administration by inspecting railroad tracks and handling hazardous materials; train control and signaling systems; and railroad operating practices. The department is charged with enforcing state laws pertaining to railroads pursuant to Section 65-3-123, *Tennessee Code Annotated*, and has assigned the office the responsibility of inspecting the conditions on all trains; rail rights-of-way; rail yards and terminals; and rail loading and unloading facilities within Tennessee.

The Multimodal Transportation Resources Division administers the federal Highway-Railroad Grade Crossing Program with the objective of improving safety and reducing crash risk at public highway-railroad grade crossings. The Office of Rail Safety and Inspection receives requests from citizens, railroad companies, and governmental entities for improvements in safety at railroad crossings. To collect data for railroad crossings, the office maintains information concerning traffic patterns, incidents, and inspections in the Tennessee Roadway Information Management System (TRIMS).¹² The office prioritizes the need for funding using the Federal Highway Administration accident prediction model, which considers the information maintained in TRIMS as well as average daily traffic on the highway, number of train movements per day, maximum train speed, and crash history.

The Office of Rail Safety and Inspection reviews applications for improvement in accordance with Department Rule 1680-09-01-.05, *Procedures for Approvals and Inspections*. The office provides a preliminary recommendation to approve, reject, or ask for modifications to the proposals to the requesting parties, any rail companies affected, the government entities with jurisdiction, and the Federal Highway Administration for comment. After receiving the comments, the office makes its final recommendation to the department's Commissioner for final approval.

Complaints for Railroad Crossing Surfaces

Section 65-11-103, *Tennessee Code Annotated*, requires railroads companies and operators to maintain the crossing surfaces where roads and rails intersect for approximately 3,915 public crossings statewide. The Office of Rail Safety and Inspection's five inspectors conduct inspections based on a schedule of high-risk crossing surfaces and complaints. Complaints come from multiple sources, including but not limited to legislators, local governments, and the public. While the office receives complaints for a variety of reasons (such as loud train whistles or stopped rail cars at crossings), it only inspects those that pertain to the railroad crossing surfaces and refers all other complaints to the appropriate divisions within the department. The office's manager receives complaints via TDOT Comments,¹³ which is a hotline for concerns received by email or phone call, and the department's Communication Division sends these to the manager. In addition, the

¹² TRIMS is maintained by the department's Information Technology Division.

¹³ TDOT Comments is a database system, created by the department, that allows citizens to call or email complaints and comments to the department. The department's Communication Division is responsible for managing the system.

manager receives complaints from direct emails and phone calls. The manager assigns complaints to the office’s inspectors via telephone or email.

The Office of Rail Safety and Inspection’s *Procedures for Inspecting Railroad Crossings, Surfaces, and Approaches* manual specifies the criteria inspectors should use when assessing the crossing surface area identified in the complaint during the inspection. Inspectors classify crossings as either good, fair, or poor and note the inspections within the Railroad Safety Inspection System.¹⁴ In the system, the inspector provides the location of the crossing, the repairs needed, the railroad company who owns the track, and photographs documenting the condition of the railroad crossing. The office emails or calls railroad companies to communicate when inspection results identify crossing surfaces as poor.

According to the Transportation Manager, the Office of Rail Safety and Inspection’s practice includes inspecting initial complaints within 6 days of receipt, and reinspecting crossing surfaces within 30 days and every 30 days thereafter until repaired by railroad companies. Section 65-11-101, *Tennessee Code Annotated*, requires railroad companies and operators to repair the surface area of crossings, and Section 65-11-102, *Tennessee Code Annotated*, provides the department with the authority to issue fines of at least \$10 and not more than \$100 for noncompliance. The office can refer delinquent railroad companies to the department’s Legal Division, which can pursue a “for cause hearing” with an administrative judge. State statute does not define how long railroad companies have to make repairs.

Audit Results

1. Audit Objective: Does the Office of Rail Safety and Inspection have formal procedures for inspecting and tracking the status of complaints?

Conclusion: We found that the office has written procedures for inspections; however, its policies and procedures did not identify all complaints, ensure complaints were resolved, and see that inspections were performed timely. See **Finding 1**.

2. Audit Objective: Did inspectors complete inspections of railroad crossing surfaces?

Conclusion: Based on our review of inspection documentation, we found that inspectors were performing inspections of railroad crossing surfaces.

3. Audit Objective: Did management timely forward to the department’s Legal Division delinquent railroad companies and operators who failed to repair railroad crossing surfaces so that the division could pursue fines?

Conclusion: Management did not have effective policies and procedures to ensure railroad companies and operators made repairs timely. Management and

¹⁴ The department’s Information Technology Division created the Railroad Safety Inspection System for the Office of Rail Safety and Inspection.

the department’s Legal Division determined that it was not cost effective to pursue fines against the railroad companies and operators due to the low amount described in statute. See **Finding 1** and the **Matter for Legislative Consideration**.

- 4. Audit Objective:** Does the office collect and use information on railroad crossings (such as monthly inspections, incidents, and traffic patterns) to identify potential improvements for crossing safety?

Conclusion: Based on our review of the Tennessee Roadway Information Management System, the office uses information on railroad crossings to identify potential improvements for crossing safety.

Methodology to Achieve Objectives

To determine if the Multimodal Transportation Resources Division had formalized procedures for investigating, logging, and tracking the status of complaints, we interviewed the Interim Director of the division, the manager of the Office of Rail Safety and Inspection, and the manager of the Office of Rail Crossing Safety. We also reviewed applicable statutes and department policies and procedures.

To determine if the division inspected railroad crossing surfaces and referred delinquent railroad companies to the Legal Division to pursue fines and penalties, we interviewed the Interim Director of the Multimodal Transportation Resources Division, the manager of the Office of Rail Safety and Inspection, and the Assistant General Counsel. We reviewed applicable *Code of Federal Regulations* sections and department policies and procedures. We requested a list of all 143 “poor” railroad inspections completed from September 2015 to April 2019 to determine how timely the division inspected and how quickly railroad companies repaired the crossing surface.

To determine if the Office of Rail Safety and Inspection collected and used information to identify crossings needing improvements, we interviewed the Interim Director of the Multimodal Transportation Resources Division, the manager of the Office of Rail Safety and Inspection, and the manager of the Office of Rail Crossing Safety. We also reviewed applicable statutes and department policies and procedures.

Finding 1 – Management’s inspection procedures were inefficient and lacked an effective process to ensure timely repairs of railroad crossing surfaces that inspectors identified as poor

The U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* (Green Book) sets internal control standards for federal entities and serves as a best practice for non-federal entities. Green Book Principle 10.01, relating to designing control activities, states, “Management should design control activities to achieve objectives and respond to risks.” We noted four deficiencies in our review of railroad crossing surface

complaints, inspections, and repairs. Specifically, we found that the Department of Transportation's Office of Rail Safety and Inspection did not

- adequately identify the sources of all inspections;
- track the dates when the department received complaints;
- have a formal communication process to inform and document inspection deficiencies to railroad companies; and
- require railroad companies to notify the department after it made repairs.

Deficiencies in the Complaint Process

Complaints play a vital role in the department's ability to meet its statutory requirements to ensure that railroad crossing surfaces are safe for the public. From September 2015 through April 2019, the Office of Rail Safety and Inspection determined from complaints and scheduled inspections that 143 railroad crossings surfaces were in poor condition. However, management did not evaluate complaint resolution to ensure the inspection and timely repair of crossing surfaces. Furthermore, according to the Transportation Manager, while the division inspects complaints that lack return contact information, it does not identify them as complaints. Instead, it classifies these complaints as "inspector generated" entries in the Railroad Safety Inspection System. Without adequate complaint tracking procedures, management cannot ensure that staff are properly resolving complaints.

Deficiencies in the Inspection Process

Because management did not develop an effective process to identify and track all complaints, including subsequent inspections, we were not able to determine the actual number of days railroad companies took to make repairs for complaint-generated inspections. According to the Office of Rail Safety and Inspection's *Work Procedures Manual*,

if the crossing surface is in poor condition, the driver(s) attention may be devoted to choosing the smoothest path over the crossing. This effort may well reduce the attention given to the observance of the warning devices or the primary hazard of the crossing; which is the approaching train. [*sic*]

The department's failure to have an effective process limits its ability to ensure that railroad companies repair railroad crossing surfaces and thereby provide citizens with a safer and smoother path over the crossing.

Based on our discussions with the Office of Rail Safety and Inspection's Railroad Inspection Manager and the department's Assistant General Counsel, they believe that another limitation to ensuring the railroad companies repair railroad crossing surfaces is the fine amounts authorized by statute. Specifically, the Railroad Inspection Manager noted that the fines are ineffective in motivating the railroad companies to make repairs to the surface area of railroad crossings. Furthermore, staff within the Legal Division stated that, at the current amounts, it was

cost-prohibitive for the department to pursue noncompliant railroad companies; therefore, the department has not issued penalties for several years.

The office's communication to railroad companies for surface deficiencies included informal emails and telephone calls. From our review of emails, the office does not provide the railroad companies clear expectations for how soon repairs should occur. Additionally, the department does not require railroad companies to report back to the office once they complete repairs. As a result, the office must rely on inspectors to return to the site every 30 days to reinspect the railroad crossing surfaces to check the status of repairs. Without notifications about repairs from the railroad companies, the office is ineffectively using its inspectors to inspect unrepaired crossings.

Recommendation

Management with the Office of Rail Safety and Inspection should update their current policies and procedures to include tracking complaint and inspection data to effectively assess risks related to public safety and to provide accountability to citizens. Specifically, those policies should include procedures for timely complaint resolution, as well as effective and efficient inspections to ensure prompt repair of poor surface conditions at rail crossings. Additionally, management should determine if it is necessary to change the policy to require railroad companies to notify the department once repairs are made and include expectations for how long repairs should take.

Matter for Legislative Consideration

Management should work with the General Assembly to explore other alternatives to encourage railroad companies' compliance if the current penalties are not effective to ensure railroad companies promptly repair railroad crossing surfaces.

Management's Comment

We concur in part. The "TDOT Comments" process has sufficient follow-up and documentation. The areas of weakness were related to complaints received via voice message or email to the Office of Rail Safety. In many circumstances, the citizen does not leave sufficient information in the recorded message or email on the proper location of the citizen complaint.

As noted in the report, inspections that were planned due to these calls were designated as "inspector generated." We agree a system to more clearly distinguish this type of planned inspection as complaint generated is needed. The Office of Rail Safety is currently in the middle of the top to bottom review (the final draft received) and will use that review to determine how to best utilize a systematic process to record complaints where we have enough documentation. Upon receipt of the final report and review with upper management, recommendations for a process will be implemented by the Rail Safety Office.

Current state law does not dictate the railroads notify the Rail Safety Office when repairs are completed. It is critical and important to note the "ton mile fee" of which the Rail Safety Office

is funded in its entirety is paid by the same railroads. TCA 65-3-207 states the use of the “use of fees.” TCA 65-3-201 states that this is a “fee for the inspection, control and supervision of the business, service and rates of such railroads.” We inspect and follow up on complaint and non-complaint locations because the railroads pay for that service. There is no requirement for the railroad to additionally notify TDOT when a repair is completed.

AIRPORT INSPECTIONS

The Department of Transportation’s Aeronautics Division (the division) oversees the state’s 79 public-use and commercial airports, which are critical components of state, local, and global transportation networks. The division inspects 71 public airports, while the Federal Aviation Administration inspects the remaining 8 public airports. The state also has 148 heliports,¹⁵ all of which the Federal Aviation Administration (FAA) classifies as privately owned. Therefore, division management does not inspect these heliports.

Public airports require licensing by the state and include airports that meet minimum physical and service standards; are open for flying use to the general public; and are authorized for commercial aeronautical operations. Rule 1680-01-02-.02, “Licensing and Registration of Airports,” defines a private airport as an airport used primarily by the owner, but it may be available for others’ use at the owner’s invitation. The rule specifically prohibits private airports from commercial aeronautics operations such as selling aircraft fuel or aviation supplies; flight training; renting aircraft or associated equipment; and carrying passengers or cargo for compensation. Private airports do not require licensing by the state.

The Aeronautics Division is also responsible for issuing licenses to and inspecting public airports in order to ensure the safety of the airports. For both new and renewal licenses, airports are required to undergo an inspection performed by the division’s inspectors prior to licensing, and annually thereafter. The division’s five inspectors perform annual airport inspections in accordance with the division’s *Airport Management Guide – Airport Operators*. In addition to ensuring the airport operators follow FAA guidelines, the inspectors check items such as

- the condition of the runway pavement (cracks, potholes, ruts, etc.);
- lighting (making sure all the runway lights work);
- approach services,¹⁶ which include trees that need trimming around the landing area and are the most common issue; and
- infrastructure items like hangars and buildings.

¹⁵ Heliports typically provide general aviation operations and serve very few air carrier operations. Section 42-8-101, *Tennessee Code Annotated*, states that “‘heliport’ does not include heliports operated by a health care institution . . . or land on which a helicopter makes a landing required by an emergency. ‘Heliport’ also does not include land that is on private property used for the landing of a privately owned and operated helicopter for private, non-commercial purposes on a limited basis that in no way is ever used by or for commercial helicopter touring.”

¹⁶ The department has an Approach Clearing Program that provides funding to public airports to ensure there are no obstructions on the runway safety areas and the approach zones for airplanes taking off and landing.

The division maintains annual airport inspections and licenses in the BlackCat¹⁷ grant management system. After completing the inspection, inspectors upload the inspection report into BlackCat. Inspectors are also required to record the airport inspection information in an Excel spreadsheet for tracking purposes. The Program Supervisor and the Director review the spreadsheet monthly to ensure that inspectors complete and record inspections. According to the Program Supervisor, during his review of the inspection report, he crosschecks the spreadsheet before sending the report to the airport operator.

License Fees

While Section 42-2-211(b), *Tennessee Code Annotated*, states that the division may charge license fees not exceeding \$25 for each original license and not exceeding \$10 for each renewal license, the division is not charging license fees to airport operators. According to the division's Director, this is because the administrative costs of collecting the fees are significantly more than the actual fees collected.

Audit Results

Audit Objective: Did Aeronautics Division inspectors perform annual inspections to ensure airports met the minimum safety standards for licensing?

Conclusion: Based on our testwork, we found that inspectors performed annual inspections, with minor deficiencies.

Methodology to Achieve Objective

To achieve our objective, we interviewed the Aeronautics Division's Director and program specialist to gain an understanding of the division's duties and responsibilities for inspections, licenses, and corrective action plans. We reviewed applicable state statute; department rules, regulations, and policies; and the *Airport Management Guide – Airport Operators* to determine the rules governing the division. From a population of 71 airports eligible for inspections, we selected a nonstatistical, random sample of 25 airports to determine whether the division inspected them.

SUBRECIPIENT RISK ASSESSMENTS

The Department of Transportation administers state and federal grant contracts to subrecipients and vendors to build, maintain, and repair the state's infrastructure. All state agencies awarding state or federal funds or non-cash assistance to subrecipients must follow the state's Central Procurement Office (CPO) Policy 2013-007, "Grant Management and Subrecipient Monitoring Policy and Procedures," which states the following:

¹⁷ The BlackCat grant management system, a commercial system by Panther, provides one central location for stakeholders to store, access, and monitor grant-related information and documents.

Each year, all State Agencies governed by this Policy shall develop and submit an annual monitoring plan for review and approval to the Central Procurement Office by October 1. The monitoring plan is a summary of the Grantor State Agency's planned monitoring activities for the upcoming annual monitoring cycle and shall include . . . a risk assessment for each Subrecipient and its related contracts.

Department Responsibilities

The department's Finance Division's external monitoring group creates the subrecipient monitoring plan to monitor the subrecipients that receive funding from state and federal grant programs. The plan is created annually and is based on the federal fiscal period, October 1 through September 30. As part of developing the monitoring plan, the external monitoring group and the department's program areas are required to complete annual risk assessments on subrecipients.

Title 2, *Code of Federal Regulations*, Part 200, Section 331(a), describes the pass-through state agencies' responsibilities for ensuring subrecipients comply with federal requirements. The regulation requires state agencies to assess the risk of federal noncompliance for each subrecipient for internal monitoring purposes by considering several factors, one of which is the results of external audits, including the subrecipients' Single Audit if required. If a subrecipient received audit findings in the Single Audit that affect federal programs, state agencies could consider the subrecipient high risk, thereby increasing the number of times a state agency monitors the subrecipient. These same considerations should be applied to the state's grant programs.

Program areas responsible for subrecipient risk assessments:

- Aeronautics Division
- Civil Rights Division
- Highway Beautification Office
- Local Program Development Office
- Long Range Planning Division
- Multimodal Transportation Resources Division

The program areas' staff complete an initial risk assessment of the subrecipient when the grant is awarded. These initial risk assessments include an assessment on programmatic and fiscal accountability. The fiscal assessment includes reviewing subrecipients audit reports, reviewing monitoring reports, and assessing the amount of funds given to subrecipients. The division's external monitoring group completes the initial fiscal assessment, as well as annual assessments thereafter. The program areas and the external monitoring group use the results of the risk assessments to identify which subrecipients warrant the highest level of risk and include those in the annual subrecipient monitoring plan that is submitted to the CPO, under Policy 2013-007.

Audit Results

Audit Objective: Did the department's six program areas prepare initial and annual risk assessments for all subrecipients the department contracts with as part of its annual monitoring plan?

Conclusion: While we found that all program areas prepared the initial risk assessment, three of the six program areas did not complete an annual risk assessment on their subrecipients. Based on our review, the Local Programs Development Office, the Long Range Planning Division, and the Highway Beautification Office did not prepare annual risk assessments for the department's subrecipients. See **Finding 2**.

Methodology to Achieve Objective

To gain an understanding of the requirements for subrecipient risk assessments, we reviewed CPO Policy 2013-007, "Grant Management and Subrecipient Monitoring Policy and Procedures," and the annual subrecipient grant monitoring plan for 2018 that the department submitted to CPO. To gain an understanding of each program area's process and to determine whether the department's six program areas prepared initial and annual inspections for subrecipients, we interviewed the Transportation Managers of the Aeronautics Division, the Local Programs Development Office, and the Highway Beautification Office; the Interim Director and the Assistant Director of the Multimodal Transportation Resources Division; and the Assistant Director and the Transportation Program Supervisor of the Long Range Planning Division.

Finding 2 – Management did not ensure all program areas completed subrecipient risk assessments as required

From our review of the Tennessee Department of Transportation's subrecipient grant monitoring plan for 2018 and each program area's subrecipient monitoring risk assessments, we found that the Local Programs Development Office, the Long Range Planning Division, and the Highway Beautification Office did not complete annual risk assessments in accordance with Central Procurement Office (CPO) Policy 2013-007, which requires the annual submission of a monitoring plan that includes risk assessments for each subrecipient and its related contracts.

According to management of the Local Programs Development Office, the Long Range Planning Division, and the Highway Beautification Office, they believed they were in compliance because the Federal Highway Administration requires a risk assessment at the beginning of each project. Management stated that they did not realize that the state's CPO policy was also in effect.

Without an effective subrecipient risk assessment process, program areas that are not properly analyzing subrecipients beyond the initial assessment reduce the effectiveness of the department's overall annual subrecipient monitoring plan. Risk assessments are a vital piece of an agency's internal control structure and help management identify, evaluate, and respond to changes in risk. Failure to complete risk assessments can increase the risk of subrecipient noncompliance, errors, fraud, waste, and abuse.

Recommendation

The Commissioner should ensure that all program areas responsible for subrecipient monitoring prepare and follow department-wide procedures over risk assessments. Additionally, the Commissioner should ensure the procedures provide guidance on

- how to complete a risk assessment,
- how often to complete risk assessments, and
- what risks are of most importance to each program.

Management's Comment

Local Programs Development Office

We concur. Risk assessments for subrecipients are currently performed at the start of all new projects. This complies with the federal requirement but does not meet the Central Procurement Office's requirement to be included in the department's annual plan. We will begin completing the annual risk assessment for all subrecipients and will have them completed by June 30 of each year. These risk assessment forms will be based on the forms currently used for each new project. These risk assessments will be saved in an electronic folder for review.

Long Range Planning Division

We concur. The Long Range Planning Division will have an annual risk assessment completed for all subrecipients by August 31, 2019. The risk assessments will be saved in an electronic folder for review.

Highway Beautification Office

We concur. In response to this audit, the Highway Beautification Office has created a risk assessment analysis tool to be applied to each grant recipient individually. This assessment will be applied annually. We are at the beginning of our grant year, so we will begin this new review process. We have completed risk assessments for 60% of our grantees and should finish by the end of August 2019. Going forward, we will reassess yearly at the beginning of the fiscal year.

INFORMATION SYSTEMS

As part of the audit, our Information Systems audit team reviewed the general controls and application controls related to the Department of Transportation's information systems. The review focused on the Project Planning and Resource Management (PPRM) system and Construction Site Manager application. The department uses PPRM to track and maintain current and past construction projects. Additionally, PPRM communicates with the federal systems for funding approval and tracking. The department uses Construction Site Manager to track the daily work progress on highway construction projects.

Audit Results

1. Audit Objective: Does the department have adequate controls over information systems?

Conclusion: The department lacked adequate controls over information systems in one area. See **Finding 3**.

2. Audit Objective: Do applications used to manage construction projects provide an adequate audit trail of changes made to the application and to projects within the application?

Conclusion: The department provided evidence that the construction project applications have an adequate audit trail to show changes made to and within the application.

3. Audit Objective: Does the department have a specific process or timeline for retiring or removing construction projects from PPRM and Construction Site Manager?

Conclusion: The department does not remove projects from its current applications; the department can upgrade the database size as necessary but does not see any problems now or in the future with keeping the data. In the event of a new application, the current data would be migrated over to the new application.

Methodology to Achieve Objectives

We interviewed Information Technology staff at the Department of Transportation and also interviewed the Department of Finance and Administration's Strategic Technology Solutions staff. We obtained and reviewed the policies, procedures, technical documentation, and other information relevant to the department's operations. We also performed walk-throughs and testwork of key controls in the information systems production environment.

Finding 3 – The department did not provide adequate internal controls in one specific area

The Department of Transportation did not design and monitor internal controls in one specific area. Ineffective implementation of internal controls increases the likelihood of errors, data loss, and inability to continue operations. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided management with detailed information regarding the specific condition we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

Recommendation

Management should ensure that this condition is remedied by the prompt development and consistent implementation of internal controls in this area. Management should implement

effective controls to ensure compliance with applicable requirements; assign staff the responsibility for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

Management's Comment

We concur. To address the identified control weakness, TDOT will work in partnership with other state agencies to perform a Business Impact Analysis and develop a plan to correct the weakness. The weakness will be corrected by the end of the calendar year 2019.

INTERNAL AUDIT

The Division of Internal Audit provides audit and assurance; consulting and advisory; education; and integrity services for the Department of Transportation. The division's primary focus is conducting performance audits regarding the efficiency, effectiveness, and economy of the department's various operational and financial programs, processes, and activities. The division is organized under the Deputy Commissioner and Chief Financial Officer, in the Bureau of Administration.

The State of Tennessee created a statewide Executive Internal Auditor in Section 4-4-124, *Tennessee Code Annotated*. As part of the statute, all internal audit directors at executive-branch state agencies were provided protection. Specifically, the statute says that "a commissioner shall not terminate any person serving as an internal audit director in an executive branch agency without the approval of the Executive Internal Auditor."

Results of Prior Audit

During the prior audit, released October 2015, we reported a finding that the department's Internal Audit Division was not organized in a position to ensure its independence within the department. Management did not concur with this finding. In management's comments, management explained that the division is independent and positioned outside staff or line functions.

Audit Results

Audit Objective: In response to the prior audit finding, was the department's organizational structure reorganized to make the Internal Audit Division's Director report directly to the Commissioner?

Conclusion: According to the department's organizational chart, the division's Director still reports to the Deputy Commissioner and Chief Financial Officer in the Bureau of Administration. However, since the prior audit, legislation created an oversight position of an Executive Internal Auditor for the state's internal audit activities. The Executive Internal Auditor provides a compensating control

since the department’s Commissioner may not terminate the Director without approval from the Executive Internal Auditor.

Methodology to Achieve Objective

To determine whether the department’s organizational structure was modified to change who supervises the division’s Internal Audit Director, we interviewed the Deputy Commissioner of the Bureau of Administration and the state’s Executive Internal Auditor. We reviewed Section 4-4-124, *Tennessee Code Annotated*, which became effective October 1, 2016.

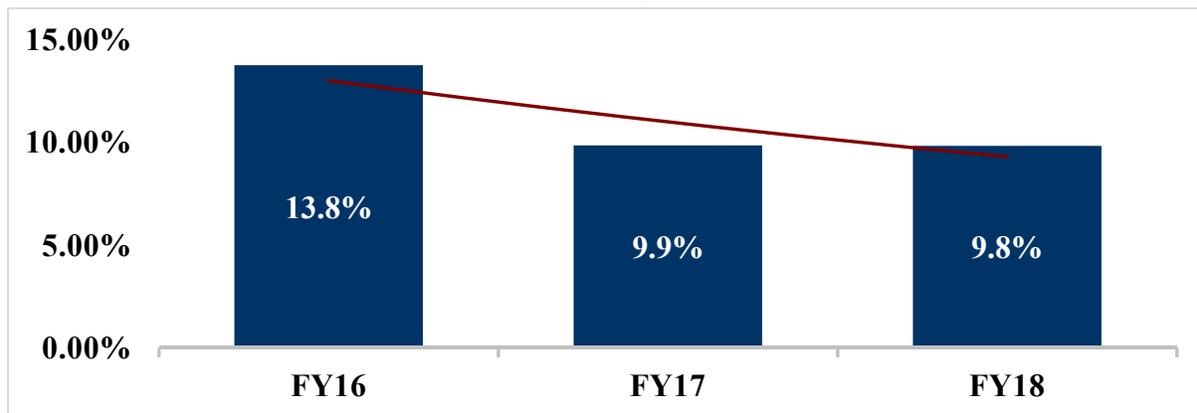
STAFF TURNOVER ANALYSIS

According to the U.S. Bureau of Labor Statistics, the average turnover for state and local governments, excluding education, for calendar years 2016, 2017, and 2018, respectively, was 20.7%, 20.6%, and 20%. For our review of staff turnover, we relied on data for the state fiscal year; however, we do not believe that the difference in timeframes would result in different outcomes.

Department Separation Statistics

Our review of the Tennessee Department of Transportation’s statistics shows a higher average turnover rate for fiscal year 2016, compared to fiscal years 2017 and 2018. During fiscal year 2016, the state had a statewide Voluntary Buyout Program, and 193 department employees participated, took the buyout option, and left state employment. When employees who took the buyout option are not counted, the department’s turnover rate is 9.7%, which is more consistent with the turnover average for fiscal years 2017 and 2018. See **Chart 4**.

Chart 4
Average Staff Turnover Rates With Trendline
For Fiscal Years 2016, 2017, and 2018



Source: Edison, the state’s enterprise resource planning system.

Separations from the department include employees who were dismissed, retired, voluntarily resigned, or were voluntarily bought out. Total separations for fiscal years 2016, 2017,

and 2018 included 1,579 employees, 598 of which were voluntary resignations and 385 of which were retirements. See **Table 3**.

Table 3
Staff Turnover Rates
For Fiscal Years 2016, 2017, and 2018

Fiscal Year	Separations	Average Employees Per Year	Turnover Rate
2016	657	4,775	13.8%
2017	462	4,689	9.9%
2018	460	4,677	9.8%

Source: Edison, the state’s enterprise resource planning system.

Audit Results

Audit Objective: Did the department experience any turnover that affected its ability to meet its mission?

Conclusion: Based upon our analysis of the department’s average turnover rates for fiscal years 2016 through 2018, the rates were below national averages. According to management, turnover rates did not affect the department’s ability to meet its mission. We did note higher turnover rates within the Information Technology Division and the Maintenance Division, and it appears that turnover rates were consistent with those in the private sector.

Methodology to Achieve Objective

To achieve our objective, we reviewed turnover rates for the department to gain an understanding of turnover trends. We then compared the department’s turnover rates to national rates obtained from the Bureau of Labor Statistics. We also analyzed turnover rates by division to find any outliers.

APPENDIX 1
IMPROVE Act Projects

Road and Bridge Projects by County	Projects		
County	Bridge	Road	Total
Anderson County	5	2	7
Bedford County	10	2	12
Benton - Houston Counties		1	1
Benton County	6	3	9
Bledsoe County	3		3
Blount - Knox Counties		1	1
Blount - Sevier Counties		1	1
Blount County		7	7
Bradley - Hamilton - Meigs Counties		1	1
Bradley - Hamilton Counties		1	1
Bradley County	7	4	11
Campbell County	8	7	15
Cannon County	14	1	15
Carroll County	2	2	4
Carter County	27	1	28
Cheatham County	8	4	12
Chester - Henderson - McNairy Counties		1	1
Chester County	5	1	6
Claiborne County	5	3	8
Clay County	2		2
Cocke County	20	5	25
Coffee County	8	2	10
Crockett County	6		6
Cumberland - Fentress Counties		1	1
Cumberland - Putnam Counties		1	1
Cumberland County	4	6	10
Davidson - Dickson - Cheatham - Williamson - Wilson Counties		1	1
Davidson - Rutherford Counties		1	1
Davidson - Sumner – Robertson Counties		1	1
Davidson County	24	12	36
Decatur County	1		1
Dekalb County	2	1	3
Dickson County	4	2	6
Dyer - Gibson Counties		1	1
Dyer County	11	4	15
Fayette County	23	1	24
Fentress - Pickett Counties		1	1
Fentress County	7	1	8
Franklin County	1		1
Gibson - Carroll Counties		1	1
Gibson County	38		38

APPENDIX 1
IMPROVE Act Projects

Road and Bridge Projects by County	Projects		
County	Bridge	Road	Total
Giles County	10	1	11
Grainger County	8	3	11
Greene County	5	5	10
Grundy County	1	1	2
Hamblen - Hawkins - Greene Counties		1	1
Hamblen County	3	3	6
Hamilton County	8	13	21
Hancock County	1		1
Hardeman County	10	3	13
Hardin County	12	2	14
Hawkins County	11	2	13
Haywood County	11	4	15
Henderson County	4	2	6
Henry County	10	1	11
Hickman - Dickson Counties		1	1
Hickman County	21	1	22
Houston County	4	1	5
Humphreys County	18	1	19
Jackson - Putnam Counties		1	1
Jackson County	1		1
Jefferson County	15	1	16
Johnson County	4	1	5
Knox - Anderson Counties		1	1
Knox - Blount - Sevier Counties		1	1
Knox - Blount Counties		1	1
Knox - Sevier Counties		1	1
Knox County	4	10	14
Lake - Obion Counties		1	1
Lake County	1		1
Lauderdale - Tipton Counties		1	1
Lauderdale County	21	5	26
Lawrence County	2		2
Lewis County	1		1
Lincoln County	5	1	6
Loudon County	3	1	4
Macon County	1	1	2
Madison County	18	5	23
Marion County	1	2	3
Marshall County	4		4
Maury - Lewis Counties		1	1
Maury - Williamson Counties		1	1

APPENDIX 1
IMPROVE Act Projects

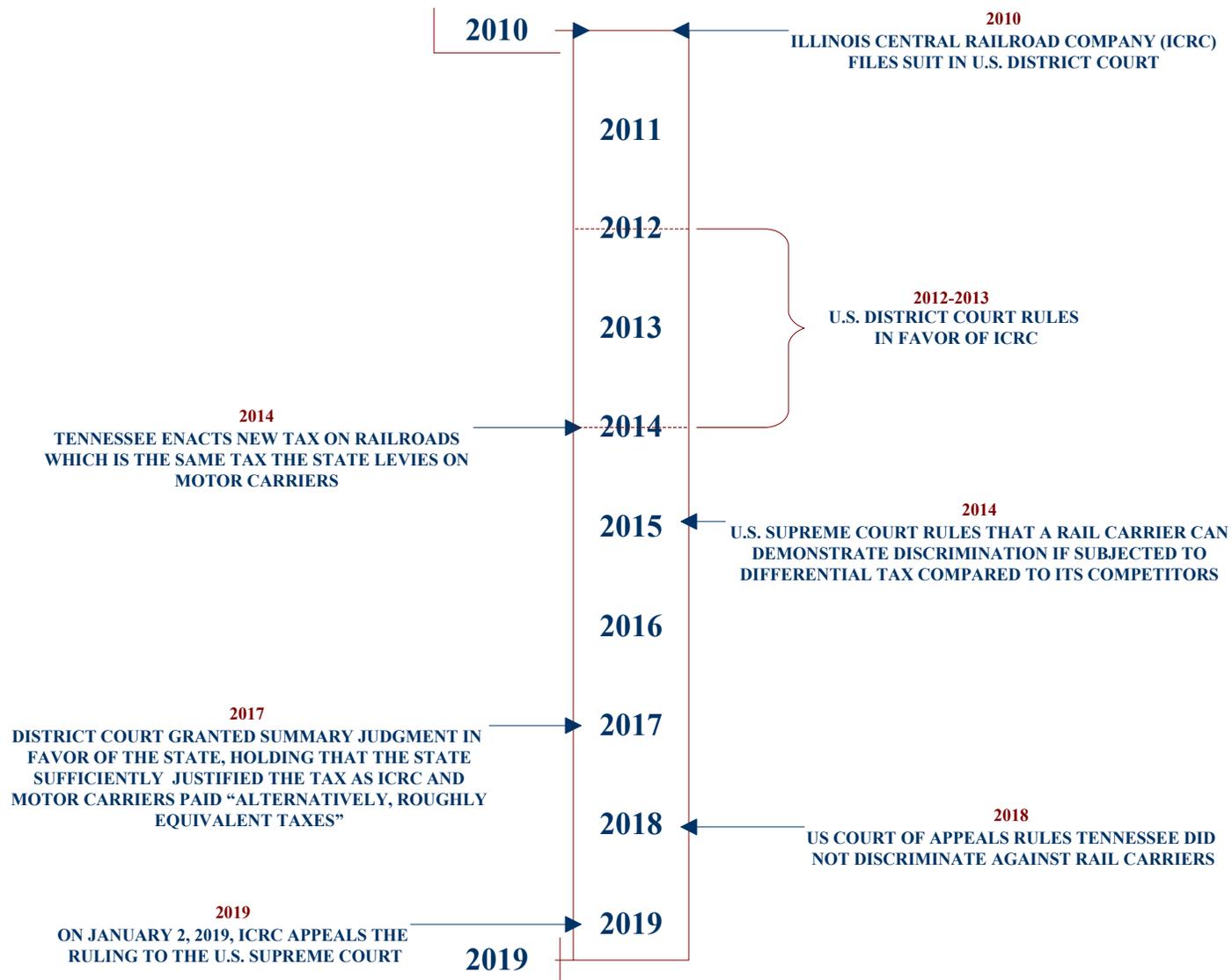
Road and Bridge Projects by County	Projects		
County	Bridge	Road	Total
Maury County	30	1	31
McMinn County	2	1	3
McNairy County	5		5
Meigs County	2		2
Monroe County	4	2	6
Montgomery County	8	6	14
Moore County	1	2	3
Morgan County	10	3	13
Obion County	11	8	19
Overton County	3	1	4
Perry County	3	2	5
Polk County	8	2	10
Putnam County		2	2
Rhea County	2		2
Roane County	7	2	9
Robertson County	5	3	8
Rutherford County	4	8	12
Scott County	6	3	9
Sequatchie - Bledsoe Counties		1	1
Sevier - Jefferson Counties		1	1
Sevier County	2	3	5
Shelby - Fayette Counties		2	2
Shelby County	6	12	18
Smith County	11	1	12
Stewart County	5		5
Sullivan - Washington Counties		1	1
Sullivan County	18	5	23
Sumner - Davidson Counties	1	1	2
Sumner County	3	4	7
Tipton County	9	1	10
Trousdale - Macon Counties		1	1
Trousdale County		1	1
Unicoi County	5		5
Union County	6	2	8
Van Buren County		1	1
Warren County	1		1
Washington - Sullivan Counties		1	1
Washington County	14	3	17
Wayne County	6		6
Weakley County	10		10
White County	2	1	3

APPENDIX 1
IMPROVE Act Projects

Road and Bridge Projects by County	Projects		
County	Bridge	Road	Total
Williamson - Davidson Counties	1	1	1
Williamson - Rutherford Counties	1	1	1
Williamson County	10	8	18
Wilson - Davidson Counties	1	1	1
Wilson County	8	8	8
Total	689	273	962

Source: The Department of Transportation's Bureau of Engineering.

APPENDIX 2
Timeline of Critical Events for Class 1 Railroad Lawsuit¹⁸



¹⁸ Source information provided by the Tennessee Attorney General's Office.

APPENDIX 3 Title VI Information

Pursuant to state statute, the Tennessee Human Rights Commission is responsible for verifying that state governmental entities receiving federal financial assistance comply with the requirements of Title VI of the Civil Rights Act of 1964 (Title VI), which prohibits discrimination on the basis of race, color, and national origin in federally funded programs and activities. The commission serves as the central coordinating agency for executive-branch departments and agencies and provides technical assistance, consultation, and resources to encourage and assist departments and agencies with compliance.

By October 1 of each year, state departments and agencies receiving federal funds must submit Title VI implementation plans to the commission describing how they will meet Title VI requirements. The commission staff review all implementation plans each year to ensure the plans include limited English proficiency (LEP) policies and procedures; data collection procedures; and subrecipient monitoring, and to determine whether departments provide sufficient Title VI training to staff. The commission staff also perform detailed on-site compliance reviews of a select number of state agencies each year to ensure that agencies are following the implementation plans.

The commission issues the *Tennessee Title VI Compliance Program* report (available on its website, <https://www.tn.gov/humanrights.html>), which covers the status of the Title VI compliance for the State of Tennessee. The report describes the implementation plan review process, results of compliance reviews completed, federal dollars received by state agencies, Title VI complaints received, and Title VI implementation plan submission dates.

According to the commission’s fiscal year 2017–2018 report (the most recent report available as of July 2019), the Tennessee Department of Transportation’s Title VI implementation plan was submitted late. In addition, the commission’s review of the department’s 2017–2018 Title VI implementation plan resulted in no findings. See the charts below for a breakdown of the department’s employee gender and ethnicity.

Employees by Gender	
Gender	Number of Employees
Male	3,310
Female	894

Employees by Ethnicity	
Gender	Number of Employees
White	3,595
Black or African American	470
Hispanic or Latino	35
Asian	56
American Indian or Alaska Native	9
Other	31
Two or More Ethnicities	5
Unknown	3

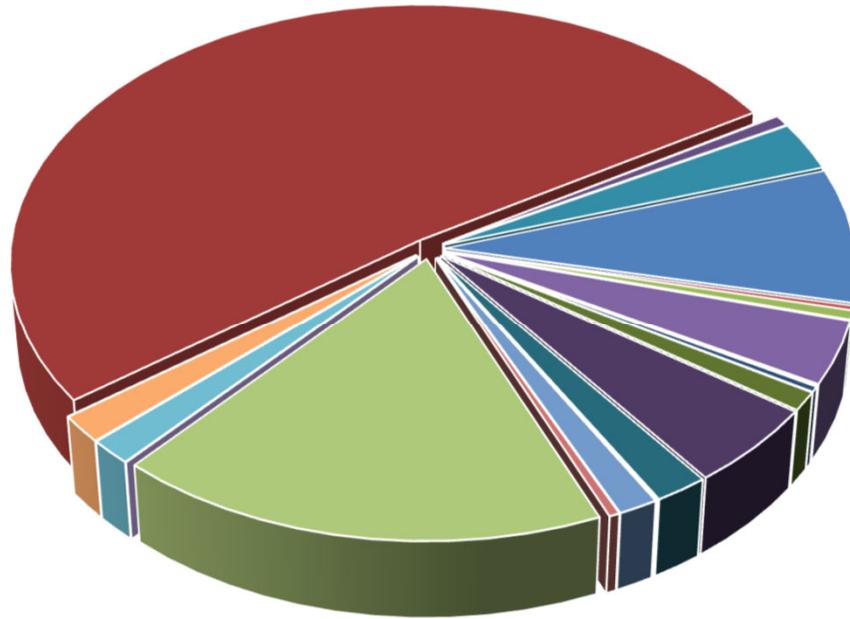
APPENDIX 4
Expenditure and Revenue Information

Department of Transportation
Expenditure and Revenue Information by Fiscal Year
UNAUDITED INFORMATION

Description	Fiscal Year			
	2016	2017	2018	2019†
Regular Salaries	\$ 139,818,430.87	\$ 154,001,066.71	\$ 173,786,482.71	\$ 170,182,418.67
Longevity	4,473,520.66	4,775,253.04	4,704,349.51	5,000,102.53
Overtime	9,318,814.48	10,011,992.03	12,312,664.89	10,752,490.29
Benefits	66,831,345.17	72,196,103.77	85,173,276.69	78,200,379.59
Subtotal Personnel	220,442,111.18	240,984,415.55	275,976,773.80	264,135,391.08
Travel	1,479,483.55	1,805,921.60	1,984,187.50	1,939,083.14
Printing and Duplicating	64,872.54	57,376.90	80,960.62	90,157.86
Utilities and Fuel	5,312,747.94	5,626,320.64	5,955,455.57	5,726,997.97
Communications	534,776.91	489,552.60	666,091.95	682,863.38
Maintenance, Repairs, and Service	19,335,492.04	15,786,465.94	18,395,167.58	15,790,276.04
Professional Services Third Party	84,199,070.64	76,094,260.76	111,528,896.53	86,776,916.99
Supplies and Materials	32,414,595.64	27,233,179.60	35,964,671.61	29,956,937.23
Rentals and Insurance	1,292,829.29	1,187,541.39	2,072,481.72	2,710,339.20
Motor Vehicle Operations	24,152,931.16	24,311,157.97	27,277,169.32	25,295,601.95
Awards and Indemnities	6,503,252.36	1,192,405.35	248,662.62	69,781.66
Grants and Subsidies	298,911,713.90	371,650,186.72	306,724,851.25	233,461,307.52
Unclassified	96,204.25	101,993.24	109,573.82	(4,465.55)
Equipment	26,232,198.78	43,906,923.04	38,366,775.78	42,327,163.17
Land	28,415,605.88	40,783,123.96	39,314,042.02	55,046,248.71
Buildings	99,785.00	42,647.79	926,754.67	461,413.26
Highway Construction	860,426,071.67	777,284,231.24	961,345,073.45	914,426,306.19
Training	997,390.65	1,129,456.23	1,180,467.63	1,481,315.17
Data Processing	11,074,218.17	10,454,559.44	8,343,371.56	11,720,474.70
Professional Services State Agencies	50,393,300.10	88,209,079.30	74,369,771.26	48,933,317.05
Subtotal Operations	1,451,936,540.46	1,487,346,383.71	1,634,854,426.46	1,476,892,035.64
Total Expenditures	\$ 1,672,378,651.64	\$ 1,728,330,799.26	\$ 1,910,831,200.26	\$ 1,741,027,426.72
Reserve - Unencumbered Bal	-	-	-	-
Reserve - Capital Outlay	-	-	-	-
Reserves	-	-	-	-
State Appropriations	2,092,853,496.24	2,333,466,214.96	2,678,494,415.61	2,865,972,157.17
Total Appropriation	2,092,853,496.24	2,333,466,214.96	2,678,494,415.61	2,865,972,157.17
Federal Revenue	\$ 876,262,681.46	\$ 872,626,818.76	\$ 897,287,402.11	\$ 752,319,160.91
Federal Capital Grants	\$ -	\$ -	\$ -	\$ -
Refund Prior Year Federal Expense	\$ 1,145,851.23	\$ 1,693,383.94	\$ 617,894.83	\$ 1,279,721.40
Total Federal	877,408,532.69	874,320,202.70	897,905,296.94	753,598,882.31
Counties	\$ 5,986,013.47	\$ 3,411,123.41	\$ 3,265,277.18	\$ 2,585,826.92
Refund of Prior Year Local Expense	\$ 10,501.34	\$ 6.09	\$ 88,879.03	\$ 50,774.55
Cities	\$ 20,499,302.03	\$ 32,022,153.81	\$ 31,096,214.58	\$ 21,753,241.73
Non-Governmental	\$ 6,799,881.05	\$ 7,813,886.75	\$ 2,427,217.48	\$ 6,940,616.92
Other State	\$ 5,537,340.71	\$ 1,463,419.82	\$ 84,563.67	\$ (111,473.89)
Current Services	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ -	\$ -	\$ -	\$ -
Inter-Departmental	\$ 15,487,901.03	\$ 7,391,474.79	\$ 5,327,272.87	\$ 3,790,558.17
Interdepartmental - CU	\$ 3,768.37	\$ -	\$ -	\$ -
Current Services - Licenses	\$ -	\$ -	\$ -	\$ -
Current Services - Fines	\$ -	\$ -	\$ -	\$ -
Subtotal Other Revenue	54,324,707.99	52,102,064.67	42,289,424.81	35,009,544.40
Total Funding	\$ 3,024,586,736.92	\$ 3,259,888,482.33	\$ 3,618,689,137.36	\$ 3,654,580,583.88

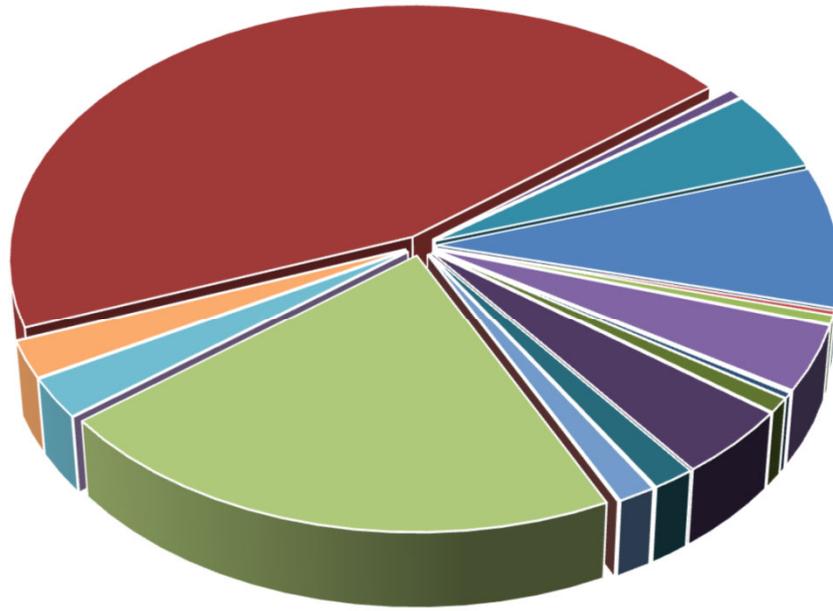
† - 2019 information is partial information and only runs through June 20, 2019.

2016 Chart of Expenditures By Account



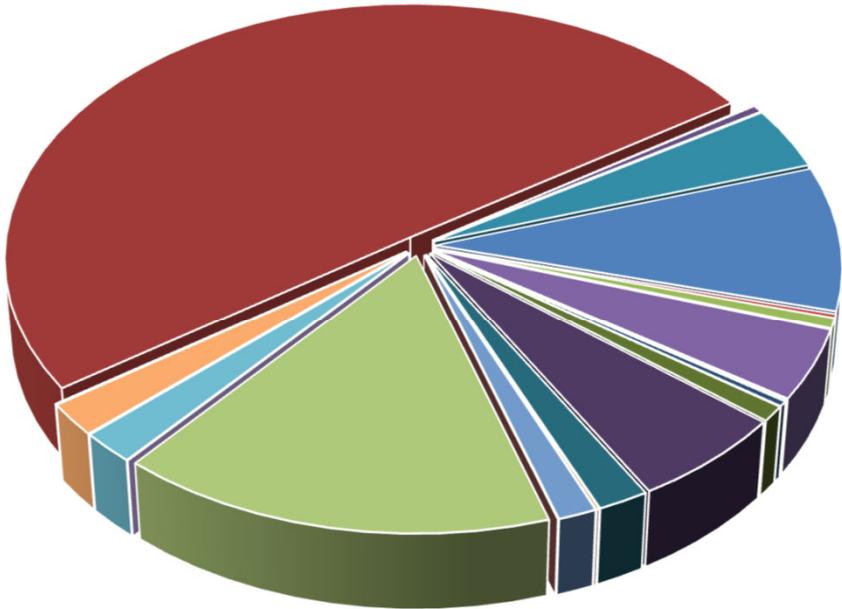
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|-------------------------------------|--|-------------------------------------|
| ▪ Regular Salaries | ▪ Longevity | ▪ Overtime |
| ▪ Benefits | ▪ Travel | ▪ Printing and Duplicating |
| ▪ Utilities and Fuel | ▪ Communications | ▪ Maintenance, Repairs, and Service |
| ▪ Professional Services Third Party | ▪ Supplies and Materials | ▪ Rents and Insurance |
| ▪ Motor Vehicle Operations | ▪ Awards and Indemnities | ▪ Grants and Subsidies |
| ▪ Unclassified | ▪ Equipment | ▪ Land |
| ▪ Buildings | ▪ Highway Construction | ▪ Training |
| ▪ Data Processing | ▪ Professional Services State Agencies | |

2017 Chart of Expenditures By Account



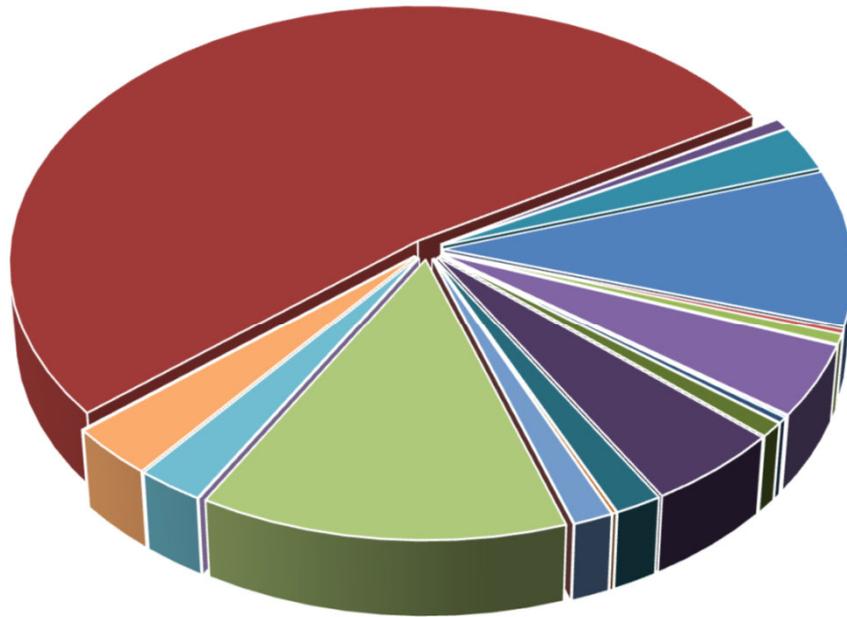
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| ▪ Regular Salaries | ▪ Longevity | ▪ Overtime |
| ▪ Benefits | ▪ Travel | ▪ Printing and Duplicating |
| ▪ Utilities and Fuel | ▪ Communications | ▪ Maintenance, Repairs, and Service |
| ▪ Professional Services Third Party | ▪ Supplies and Materials | ▪ Rentals and Insurance |
| ▪ Motor Vehicle Operations | ▪ Awards and Indemnities | ▪ Grants and Subsidies |
| ▪ Unclassified | ▪ Equipment | ▪ Land |
| ▪ Buildings | ▪ Highway Construction | ▪ Training |
| ▪ Data Processing | ▪ Professional Services State Agencies | |

2018 Chart of Expenditures By Account



- | | | |
|-------------------------------------|--|-------------------------------------|
| ▪ Regular Salaries | ▪ Longevity | ▪ Overtime |
| ▪ Benefits | ▪ Travel | ▪ Printing and Duplicating |
| ▪ Utilities and Fuel | ▪ Communications | ▪ Maintenance, Repairs, and Service |
| ▪ Professional Services Third Party | ▪ Supplies and Materials | ▪ Rentals and Insurance |
| ▪ Motor Vehicle Operations | ▪ Awards and Indemnities | ▪ Grants and Subsidies |
| ▪ Unclassified | ▪ Equipment | ▪ Land |
| ▪ Buildings | ▪ Highway Construction | ▪ Training |
| ▪ Data Processing | ▪ Professional Services State Agencies | |

2019 Chart of Expenditures By Account



- | | | |
|-------------------------------------|--|-------------------------------------|
| ▪ Regular Salaries | ▪ Longevity | ▪ Overtime |
| ▪ Benefits | ▪ Travel | ▪ Printing and Duplicating |
| ▪ Utilities and Fuel | ▪ Communications | ▪ Maintenance, Repairs, and Service |
| ▪ Professional Services Third Party | ▪ Supplies and Materials | ▪ Rentals and Insurance |
| ▪ Motor Vehicle Operations | ▪ Awards and Indemnities | ▪ Grants and Subsidies |
| ▪ Unclassified | ▪ Equipment | ▪ Land |
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