



John Keel, CPA
State Auditor

A Report on
**The Audit of the Department of Transportation's
Texas Mobility Fund Financial Statements for the
Fiscal Year Ended August 31, 2010**

February 4, 2011

Members of the Legislative Audit Committee:

In our audit report dated December 14, 2010, we determined that the Department of Transportation's (Department) Texas Mobility Fund's (Fund) basic financial statements for fiscal year 2010 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards (see attachment). Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with certain provisions of the resolutions for the Fund's general obligation bonds and other laws and regulations. Our procedures did not identify any material weaknesses in internal control over financial reporting or instances of noncompliance that materially affected the financial statements.

A *material weakness* is a deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We also communicated less significant issues to the Department in writing.

The Department agrees with the audit results. We appreciate the cooperation we received from the Department. If you have any questions, please contact Angelica Ramirez, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Background Information

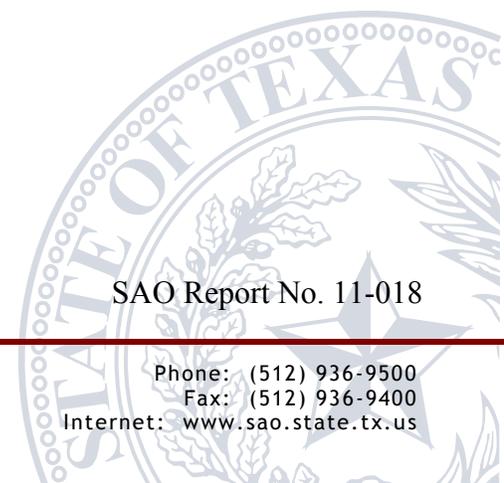
The Texas Mobility Fund (Fund) was created in 2001 by the 77th Legislature to provide for the financing of the State's transportation projects and is administered by the Texas Transportation Commission (Commission). The Fund is authorized by Article III of the Texas Constitution and governed by Texas Transportation Code, Chapter 201.

The Legislature dedicated certain state revenues to the Fund, including driver license fees, motor vehicle inspection fees, certificate of title fees, and driver record information fees. The Commission is authorized to issue bonds for the Fund up to an amount such that projected revenues equal or exceed 110 percent of debt service on the bonds, as certified by the Comptroller of Public Accounts.

In September 2007, the Commission amended the May 2005 master resolution to authorize up to \$6.5 billion in debt outstanding through one or more issuances of Texas General Obligation Mobility Bonds payable from the Fund.

As of August 31, 2010, the Commission had \$6.097 billion in outstanding bonds.

The resolutions for the Fund's general obligation bonds require the Commission to provide audited annual financial statements of the Fund.



Attachment

cc: Members of the Texas Transportation
Commission
Ms. Deirdre Delisi, Chair
Mr. Ned S. Holmes
Mr. Ted Houghton, Jr.
Mr. William Meadows
Mr. Fred A. Underwood
Mr. Amadeo Saenz, Jr., P.E., Executive Director,
Department of Transportation

**Summary of
Objective, Scope, and Methodology**

The objective of the audit was to issue an opinion on the Texas Mobility Fund's (Fund) basic financial statements for fiscal year 2010.

The audit scope covered the Fund's basic financial statements for fiscal year 2010.

The audit methodology included interviewing personnel, reviewing relevant laws and regulations, reviewing information systems, and performing analyses and tests of financial statement balances and transactions.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The following staff of the State Auditor's Office performed the audit:

- Anthony W. Rose, MPA, CPA, CGFM (Project Manager)
- Ashlee C. Jones, MACy, CGAP, CFE (Assistant Project Manager)
- Jennifer D. Brantley, CPA
- Lindsay R. Johnson
- Mary Ann Wise, CPA, CFE
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Angelica M. Ramirez, CPA (Audit Manager)



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Attachment



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Members of the Texas Transportation Commission:

Ms. Deirdre Delisi, Chair
Mr. Ned S. Holmes
Mr. Ted Houghton, Jr.
Mr. William Meadows
Mr. Fred A. Underwood

Mr. Amadeo Saenz, Jr., P.E., Executive Director, Department of Transportation

We have audited the basic financial statements of the Texas Mobility Fund (Fund) as of and for the fiscal year ended August 31, 2010, and issued our report thereon dated December 14, 2010. Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

We have chosen not to comply with a reporting standard that specifies the wording to be used in discussing restrictions on the use of this report. We believe the use of such wording is not in alignment with our role as a legislative audit function.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Fund as of and for the year ended August 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Department of Transportation's (Department) internal control over Fund financial reporting (Department's internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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SAO No. 11-306

Our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of the resolutions for the Fund's general obligation bonds and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, nothing came to our attention that caused us to believe that the Department failed to comply in all material respects with the terms, covenants, provisions, or conditions of the resolutions insofar as they relate to accounting matters.

We also communicated other, less significant issues to the Department in writing.

This report is intended for the information and use of the Texas Transportation Commission, Department management responsible for the Fund, and the Legislature. However, this report is a matter of public record, and its distribution is not limited.

John Keel, CPA
State Auditor

December 14, 2010