December 21, 2007

Members of the Legislative Audit Committee:

In our audit report dated December 7, 2007, we determined that the Department of Transportation’s (Department) Texas Mobility Fund basic financial statements for fiscal year 2007 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. 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 Resolution for the Texas Mobility Fund’s General Obligation Bonds (Resolution) 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.

In our December 28, 2006, report on the Texas Mobility Fund financial statements for the fiscal year ended August 31, 2006, we recommended that the Department improve the transparency of financial statements to show how Texas Mobility Fund dollars are spent by either (1) paying highway construction expenses directly from the Texas Mobility Fund (rather than through reimbursement of the State Highway Fund) or (2) including a supplemental schedule that lists the amount of Texas Mobility Fund dollars spent on specific projects and the classes of highway construction expenses. In response, the Department included in the financial statements for the year ended August 31, 2007, a supplemental schedule of preliminary engineering, construction, construction engineering, and right of expenditures by county.
We also recommended that the Department implement controls to ensure that any accrued interest received from the sale of bonds is deposited promptly into the proper account as required by the Resolution. On January 26, 2007, the Department’s chief financial officer signed a memorandum outlining procedures for future bond transactions that would either (1) eliminate the need for a transfer such as was required in 2006 or (2) make the debt management director responsible for ensuring that the bond closing memorandum incorporates transfer directions and that those directions are followed.

If you have any questions, please contact Lisa Collier, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

cc: Members of the Texas Transportation Commission
    Mr. Richard “Ric” F. Williamson, Chair
    Ms. Hope Andrade
    Mr. Ned S. Holmes
    Mr. Ted Houghton, Jr.
    Mr. Fred Underwood
    Mr. Amadeo Saenz, Jr., P.E., Executive Director, Department of Transportation