

Department of Transportation

Cash Spending Plan

Raleigh, North Carolina

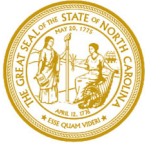
Performance Audit Report January 2025

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
Honorable Members of the North Carolina General Assembly
Joey Hopkins, Secretary, Department of Transportation
Michael S. Fox, Chairman, Board of Transportation

Ladies and Gentlemen:

The North Carolina Department of Transportation (Department) is charged with core responsibilities including the building, repairing, and improving of North Carolina's roads and bridges. The work done by the Department impacts citizens, businesses, and governments across the State. The audit report released today by the North Carolina Office of the State Auditor shows the Department followed its 2024 spending plan as designed, and in doing so, stayed within the lanes of its budget while fulfilling transportation duties.

This marks a significant turnaround from five years ago when our office found the Department exceeded its budget by over \$700 million – a hole that required substantial state funding to alleviate. Our report shows no such deficit exists today. This should help the Department as it works to meet the infrastructure needs of North Carolina's growing economy, and the repair needs in Western North Carolina following Hurricane Helene.

We appreciate the courtesy and cooperation received from management and the employees of the Department during our audit, and encourage participation by all government entities in the future. The Secretary of the Department of Transportation has received and reviewed a draft copy of this report, and his written comments are included on page 14.

The audits we conduct provide valuable insight into the financial health of government entities that are utilized daily by North Carolinians. It benefits all to know their governments are being held accountable.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dave Boliek", written in a cursive style.

Dave Boliek
State Auditor

Executive Summary

Background

The Office of the State Auditor (OSA) has completed a performance audit in accordance with Chapter 147, Article 5A of the North Carolina General Statutes regarding the compliance, development, and monitoring and enforcement of the North Carolina Department of Transportation’s Cash Spending Plan.

The Department of Transportation (Department) is responsible for all modes of transportation in North Carolina and provides for the necessary planning, construction, maintenance, and operation of the integrated statewide transportation system.

Session Law 2020-91, Section 5.9.(a), required OSA to conduct an annual performance audit of the Department’s Spending Plan.

The Department develops an annual Spending Plan comprised of current year appropriations in the Department’s Certified Budget, cash not spent in prior years, and bond proceeds from planned sales of Build NC Bonds and Grant Anticipation Revenue Vehicle (GARVEE) bonds. It represents the total dollars “intended” to be spent by the Department in a fiscal year.

The OSA’s most recent January 2024 audit report titled [Department of Transportation Cash Spending Plan](#) found that the Department did not exceed its developed Spending Plan for SFY 2023. Additionally, the audit found that the Department developed the Spending Plan based on specific projects and operations and monitored and enforced each highway division’s compliance with the developed Spending Plan.

This report details the results of OSA’s audit of the Department’s Spending Plan for SFY 2024.

Objectives

The objectives of this performance audit were to determine whether the Department of Transportation (Department):



Complied with its Spending Plan for state fiscal year (SFY) 2024.



Developed the SFY 2024 Spending Plan based on specific projects and operations.



Monitored and enforced highway division compliance with the SFY 2024 Spending Plan.

Results



The Department did not exceed its developed Spending Plan for state fiscal year (SFY) 2024. The Department planned to spend approximately \$8.26 billion and spent \$7.68 billion (see page 5).



The Department developed the SFY 2024 Spending Plan based on specific projects and operations (see page 6).

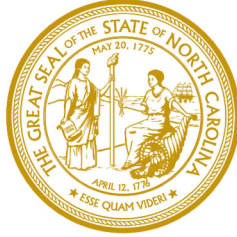


The Department formally monitored and enforced each highway division's compliance with the developed Spending Plan (see page 7).

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



Background

In November 2019, Session Law 2019-251, Section 2.3(a), required OSA to conduct a performance audit of the Department's Spending Plan as a result of the Department's overspending that occurred during state fiscal year (SFY) 2019.

The Department develops an annual Spending Plan comprised of current year appropriations in the Department's Certified Budget, cash not spent in prior years, and bond proceeds from planned sales of Build NC Bonds and Grant Anticipation Revenue Vehicle (GARVEE) bonds. It represents the total dollars "intended" to be spent by the Department in a fiscal year.

The OSA May 2020 audit report titled [Department of Transportation Cash Spending Plan](#) found that the Department exceeded its SFY 2019 Spending Plan by \$742 million (12.5%) and was in danger of falling below the statutory cash floor.¹

After OSA issued the May 2020 audit, Session Law 2020-91, Section 5.9.(a), required OSA to conduct an annual performance audit of the Department's Spending Plan.

Session Law 2020-91, Section 5.9.(a), required the Office of the State Auditor (OSA) to conduct an annual performance audit of the Department of Transportation's Spending Plan.

The OSA's most recent January 2024 audit report titled [Department of Transportation Cash Spending Plan](#) found that the Department did not exceed its developed Spending Plan for SFY 2023. Additionally, the audit found that the Department developed the Spending Plan based on specific projects and operations and monitored and enforced each highway division's compliance with the developed Spending Plan.

Responsible parties discussed in this report include:



Department of Transportation (Department) - responsible for the planning, construction, maintenance, and operation of North Carolina's integrated statewide transportation system. The Department consists of six divisions: Division of Motor Vehicles, Division of Aviation, Division of Integrated Mobility, Ferry Division, Rail Division, and Division of Highways.

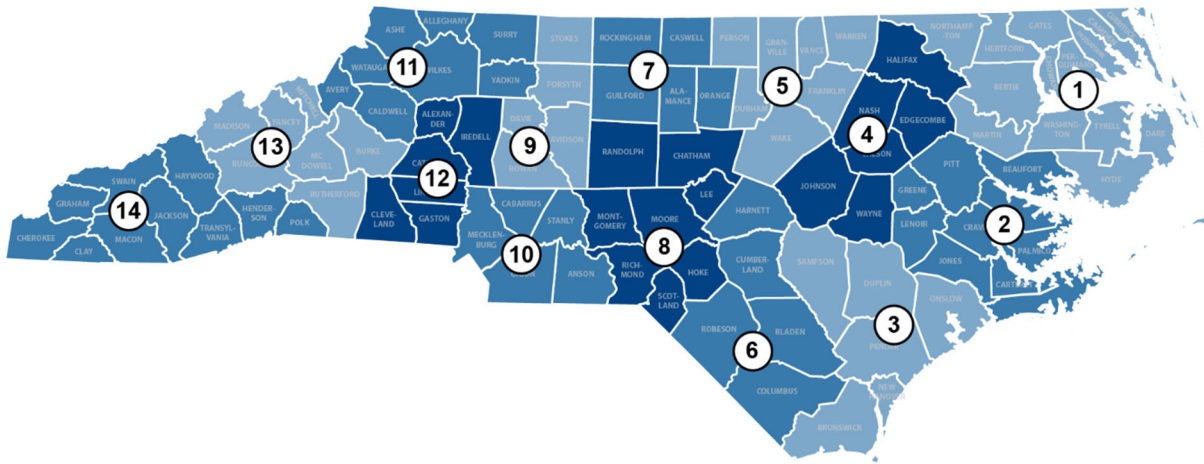


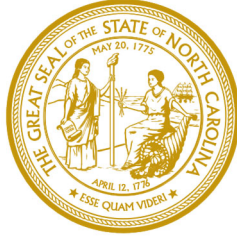
Division of Highways - responsible for building and maintaining over 80,000 miles of highways and 18,500 bridges. Headed by the Chief Engineer, who oversees and directs the engineering and program activities of the Department's 14 highway divisions, Transportation Safety & Mobility Division, the Central Units, and the Technical Services Division. The Chief Engineer reports to the Chief Operating Officer.

14 Highway Divisions - part of the Division of Highways. Responsible for building and maintaining state roads and bridges in a defined geographic region. Each of the 14 divisions is led by its own division engineer who is responsible for the management and oversight of the division.

¹ N.C.G.S. § 143C-6-11 requires the Department to maintain a cash balance equal to at least 7.5% of total appropriations for the current fiscal year.

Department of Transportation Highway Divisions by County





Objectives, Scope, and Methodology

The objectives of this audit were to determine whether the Department of Transportation (Department):



Complied with its Spending Plan for state fiscal year (SFY) 2024.



Developed the SFY 2024 Spending Plan based on specific projects and operations.



Monitored and enforced highway division compliance with the SFY 2024 Spending Plan.

The audit scope included the period of July 1, 2023, through June 30, 2024.

As directed by Session Law 2020-91, the audit scope included budget adherence (**See Note A**) by Department, division, and highway division;² timeliness of federal reimbursement requests and response to federal inquiries (**See Note B**); controls and oversight of divisions and highway divisions related to cash management, project coordination and delivery,³ and budget adherence; efficacy⁴ of communication and coordination; and efficacy of cash management by the Department.

Notes:

A. When evaluating budget adherence, auditors determined that the Department complied with the legislative oversight requirements. See Appendix B.

B. When evaluating timeliness of federal reimbursement requests and response to federal inquiries, auditors determined that the Department submitted weekly reimbursement requests and requested the maximum allowable reimbursement each year.

To determine whether the Department complied with its Spending Plan for SFY 2024, auditors:

- Inspected the Department's SFY 2024 Spending Plan Forecast vs. Actual.
- Reconciled total actual (1) revenue, (2) expenses, and (3) cash balances from Spending Plan Forecast vs. Actual to the Department's internal financial statements prepared by the Financial Management Division using the financial accounting system.

To determine whether the Department developed the Spending Plan based on specific projects and operations and monitored and enforced the Spending Plan, auditors:

- Interviewed Department personnel.
- Reviewed Department policies and procedures for the development and monitoring of the Spending Plan.

² Refers to the Department's Division of Highways, which consists of 14 regional offices and a central office.

³ Project expenditures make up a significant portion of the Department's expenditures. As such, this audit's scope included project coordination and delivery as it relates to the development, monitoring, and enforcement of the Department's Spending Plan. A detailed analysis of the activities and procedures of the coordination and delivery of Department's highway construction projects was **not included** in the scope of this audit.

⁴ The ability to produce a desired or intended result.

Objectives, Scope, and Methodology

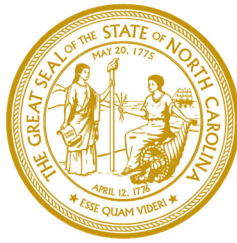
- Reviewed state and federal transportation laws relevant to highway construction and cash management.
- Reviewed financial information, including revenue and expenditure forecasting documentation.
- Reviewed Department communications, including reports, memos, monitoring dashboards, and emails.
- Reviewed Department organizational charts and employment information.

Whenever sampling was used, auditors applied a non-statistical approach. Therefore, test results could not be projected to the population. This approach was determined to adequately support audit conclusions.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives. As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

We conducted this performance 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.



Results and Conclusions







Department Did Not Exceed Spending Plan for State Fiscal Year 2024

The Department of Transportation (Department) did not exceed its **developed** Spending Plan for state fiscal year (SFY) 2024.

The Department planned to spend approximately \$8.26 billion and spent \$7.68 billion.

Department of Transportation Spending vs. Forecast State Fiscal Year 2024 (July 2023 – June 2024)

Expenditure Category	In Millions			
	Spending Forecast	Actual Spending	Amount Overspent/ (Underspent)	% Amount Overspent/ (Underspent)
 Construction ⁵	\$4,272	\$4,167	\$(105) ⁶	(2.5) %
 Operations & Maintenance ⁷	\$2,365	\$2,116	\$(249) ⁸	(10.5) %
 Other Modes ⁹	\$854	\$721	\$(133) ¹⁰	(15.6) %
 Other ¹¹	\$773	\$677	\$(96) ¹²	(12.4) %
Total:	\$8,264	\$7,681	\$(583)	(7.1) %

Source: Department SFY 2024 Spend Plan Forecast (as amended)¹³ and auditor analysis. **Analysis did not include determining whether expenses were properly categorized.**

⁵ Construction expenditures include larger capital projects (over \$10 million) that require four to five years to complete, Build NC Bond expenditures, Grant Anticipation Revenue Vehicle (GARVEE) bond expenditures, State Transportation Improvement Projects (STIP), and Right-of-Way (ROW) expenditures.

⁶ In SFY 2024, project delays resulted in underspending in the construction expenditure category.

⁷ Operations and maintenance expenditures include other construction, contract resurfacing, pavement preservation, bridge program, bridge preservation, roadside environmental, general maintenance reserve, and disaster funding.

⁸ In SFY 2024, changes in the scope and funding for economic development projects and contract resurfacing and bridge program project delays due to contractor scheduling resulted in underspending in the operations and maintenance expenditure category.

⁹ Other modes expenditures include public transportation, ferry, railroads, and airports.

¹⁰ In SFY 2024, fewer grant reimbursement requests from airport grantees and delays in materials and funding availability resulted in underspending in the other modes expenditure category.

¹¹ Other expenditures category includes administration, transfers, state aid to municipalities, debt service, and other miscellaneous expenditures.

¹² In SFY 2024, the majority of the underspend is attributed to the number of vacant positions within the Department during the year.

¹³ The Department's SFY 2024 Spending Plan was amended once during SFY 2024. See Appendix B for more details on amendments per Session Law 2020-91, Section 5.4.



Department Developed the State Fiscal Year 2024 Spending Plan Based on Specific Projects and Operations

The Department's SFY 2024 Spending Plan was **developed** based on specific projects and operations scheduled for the state fiscal year. Specifically, the Department's SFY 2024 spending estimates for construction and operations and maintenance were based on specific projects and operations and/or were developed using statistical modeling.



Construction

The Department estimated SFY 2024 spending for construction based on specific projects planned for the year and using statistical modeling.

Spending estimates for Grant Anticipation Revenue Vehicle (GARVEE) bond expenditures, Build NC bond expenditures, and State Transportation Improvement Plan (STIP) Construction were developed using a statistical modeling tool that was developed with the SAS Institute.¹⁴ The statistical modeling tool used data from the Department's construction and financial accounting systems to create project-level forecasts for projects planned for the fiscal year.

Auditors reviewed the spending estimates for the above program areas and found that the estimates agreed to the SAS forecasts.

Spending estimates for State Transportation Improvement Plan (STIP) Preconstruction and Holdouts expenditures were developed using planned project expenditures, labor costs, and purchase order contracts.

Auditors reviewed the spending estimates for STIP Preconstruction and Holdouts¹⁵ and found that the estimates were developed using specific projects scheduled for the year, employee staffing planned for the year, and historical expenditures.

For SFY 2024, the Department planned to spend \$4.27 billion and spent \$4.17 billion, an underspend of \$105 million (2.5%).



Operations and Maintenance

The Department estimated SFY 2024 spending for operations and maintenance based on actual planned maintenance projects for the year and using statistical modeling.

Spending estimates for Contract Resurfacing and Bridge Program were developed using a statistical modeling tool that was developed with the SAS Institute. The statistical modeling tool used data from the Department's construction and financial accounting systems to create project-level forecasts for projects planned for the fiscal year.

¹⁴ The SAS Institute is a third-party statistical analysis firm that is assisting the Department revamp its forecasting processes.

¹⁵ Includes preliminary engineering, Right-of-Way, utility, and other expenditures for pre-construction activities.

Auditors reviewed the spending estimates for the above program areas and found that the estimates agreed to the SAS forecasts.

Spending estimates for Economic Development and General Maintenance Reserve¹⁶ programs were based on specific known or predicted projects and operations for each highway division and historical expenditures.

Auditors reviewed the spending estimates for the above program areas and found that the estimates were developed using specific projects for all 14 highway divisions and historical expenditures.

In SFY 2024, the Department planned to spend \$2.37 billion for operations and maintenance and spent \$2.12 billion, an underspend of \$249 million (10.5%).



Department Monitored and Enforced the State Fiscal Year 2024 Spending Plan

The Department formally **monitored and enforced** each highway division's spending against the Department's Spending Plan,¹⁷ on a regular basis, throughout the state fiscal year to ensure highway divisions did not overspend.

Specifically, the Department maintained:

- Procedures to ensure that the Spending Plan dashboards are accurate and updated timely.
- Monitoring and enforcement activities that were consistent among all 14 highway divisions.¹⁸



Monitoring Dashboards Were Accurate and Updated Timely

The Department's 'Cash Spend Plan' dashboards are accurate and updated timely.

The Department's 'Cash Spend Plan' dashboard was created as a tool for the Chief Engineer's Office, highway divisions, and oversight bodies¹⁹ to monitor forecasted versus actual spending. The 'Cash Spend Plan' dashboard is used to generate various other dashboards that assist with monitoring, including the 'Highway Maintenance Spend Plan' dashboard.

¹⁶ General Maintenance Reserve, while project based, did have reserves (not project based) for unexpected events.

¹⁷ State law required the Department to establish uniform and consistent monitoring practices. Session Law 2020-91, Sections 5.6.(a) and 5.6.(b), required the Department to develop and establish uniform (1) financial management structure, (2) report formats, and (3) policies and procedures.

¹⁸ Includes implementation of uniform (1) financial management structure, (2) report formats, and (3) policies and procedures as required by Session Law 2020-91, Sections 5.6.(a) and 5.6.(b).

¹⁹ Oversight bodies include the Department's Board of Transportation and Financial Planning Committee as well as the Office of State Budget and Management.

To ensure that the dashboards are accurate and updated timely, the Department's Funds Administration Section reconciles the dashboards to the Department's internal financial statements monthly.

Auditors reviewed the 'Cash Spend Plan' dashboard and the monthly reconciliations performed by the Funds Administration Section during SFY 2024 and found that all months were completed. Auditors tested four of the monthly reconciliations and found that the dashboards agreed to the Department's internal financial statements for each month. Therefore, auditors determined that the dashboards were accurate and updated monthly.



Highway Division Monitoring and Enforcement Was Consistent

As required by state law,²⁰ the Department maintained policies and procedures to ensure that highway divisions monitored spending consistently and on a regular basis. Specifically, across all 14 highway divisions, the Department maintained uniform (1) highway division financial management structure and (2) monitoring and enforcement reports and activities.

Financial Management Structure

The Department has seven Regional Accountant positions that are each assigned two highway divisions. Each Regional Accountant is responsible for managing and monitoring their assigned highway division spending for operations, maintenance, and construction.

During SFY 2024, the Regional Accountants reported to the Highway Operations Business Manager and Director of Highway Operations in the Chief Engineer's Office.

Auditors verified that all seven Regional Accountant positions existed on the Department's organization chart. Additionally, auditors verified that all positions were filled during SFY 2024.²¹

Monitoring and Enforcement Activities

The Department uniformly performed activities to manage, monitor, and enforce highway division spending. Specifically,

Bi-Weekly Monitoring - Each highway division conducted bi-weekly monitoring reviews of Spending Plan maintenance expenditure activities.

Bi-weekly monitoring reviews were conducted by the Regional Accountants using Bi-Weekly Reports generated from the Department's 'Highway Maintenance Spend Plan' dashboard.²²

The Bi-Weekly Reports presented the annual spending target, the expenditures to-date, percentage of spending target spent to-date, and the remaining amount available. The

²⁰ Session Law 2020-91, Sections 5.6.(a) and 5.6.(b).

²¹ The Regional Accountant for divisions 1 & 4 was vacant during SFY 2024. A Business System Analyst performed the duties during SFY 2024.

²² Generated from the 'Cash Spend Plan' dashboard created to monitor forecasted versus actual spending for maintenance expenditures.

Regional Accountants monitored spending targets and actual expenditures for all maintenance categories for each division. Variances between planned and actual spending were communicated to each division's Division Engineer, Construction Engineer, and Maintenance Engineer bi-weekly.

Auditors reviewed 28 out of 364 (8%)²³ Bi-Weekly Reports and related communication materials and verified the monitoring was implemented, uniform, and consistent throughout the year.

Quarterly Monitoring - The Department also performed quarterly variance reviews of planned and actual maintenance expenditure activities for all 14 highway divisions and the statewide division.²⁴

Quarterly variance reviews were conducted by the Regional Accountants, the Director of Highway Operations, and the Chief Engineer or Deputy Chief Engineer using the Quarterly Variance Review Spreadsheet. The Quarterly Variance Review Spreadsheet is prepared using information from the Bi-Weekly Monitoring reviews and inquiries with the Regional Accountants.

The Quarterly Variance Review Spreadsheet presented the highway division, applicable maintenance category, cumulative spending target to-date (based on quarter being monitored), cumulative expenditures to-date, annual spending target, and variance amounts and percentages.

During the quarterly variance review, cumulative spending and planned spending is reviewed for each maintenance category to determine whether it is within established quarterly variance thresholds.²⁵ If variances that exceed thresholds are noted during the quarterly variance reviews, the Chief Engineer or Deputy Chief Engineer, Director of Highway Operations, Highway Operations Staff Engineer, Highway Operations Business Systems Analyst, and the Highway Operations Business Manager discuss and document the cause of the variance and the planned corrective actions, including the anticipated month to be back within target. Potential actions included:

- Reallocation adjustments within the division Spending Plan allocations.
- Suspending the start of new projects.
- Halting spending on projects currently in progress.
- Proposing Spending Plan amendments.²⁶

²³ A Bi-Weekly report for monitoring activities is reviewed for each of the 14 highway divisions throughout the year. Auditors selected two Bi-Weekly Reports for each of the 14 highway divisions, one from the first half and one from the second half of SFY 2024.

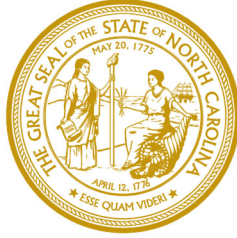
²⁴ The Statewide Division is used to record statewide maintenance funded expenditures, such as state park maintenance, historical markers, beaver control, etc.

²⁵ Management has established quarterly variance thresholds for each maintenance category. The thresholds range from 5% to 20% depending on the quarter and expenditure category.

²⁶ Spending Plan amendments require approval from the Financial Planning Committee, Office of State Budget and Management, and the Board of Transportation.

Auditors reviewed the December 2023, March 2024, and June 2024 Quarterly Variance Review Spreadsheets and verified the monitoring was implemented, uniform, and consistent for all 14 highway divisions and the statewide division. Additionally, auditors reviewed the variances between maintenance spending allocations and actual expenditures for each division to determine whether divisions were within the applicable threshold at year-end.²⁷ Auditors verified that divisions outside the threshold were addressed during the June 2024 quarterly review.

²⁷ See Appendix A.



Appendices

Appendix A

Highway Division Maintenance Spending vs. Allocation State Fiscal Year 2024 (July 2023 – June 2024)

	In Millions			
Division	Maintenance - Spending Allocation	Maintenance - Actual Spending	Amount Overspent/ (Underspent)	% Amount Overspent/ (Underspent)
1	\$116	\$95	\$(21)	(18.1) %
2	\$91	\$88	\$(3)	(3.3) %
3	\$125	\$120	\$(5)	(4.0) %
4	\$114	\$120	\$6	5.3 %
5	\$143	\$136	\$(7)	(4.9) %
6	\$102	\$97	\$(5)	(4.9) %
7	\$131	\$116	\$(15)	(11.5) %
8	\$137	\$116	\$(21)	(15.3) %
9	\$106	\$79	\$(27)	(25.5) %
10	\$106	\$101	\$(5)	(4.7) %
11	\$116	\$120	\$4	3.4 %
12	\$112	\$98	\$(14)	(12.5) %
13	\$124	\$120	\$(4)	(3.2) %
14	\$125	\$120	\$(5)	(4.0) %
19 ²⁸	\$351	\$342	\$(9)	(2.6) %

Source: Department SFY 2024 Highway Maintenance Spend Plan Dashboard²⁹ and auditor analysis.

²⁸ Division 19 is the Statewide Division used to record statewide maintenance funded expenditures.

²⁹ Maintenance expenditures included in the quarterly variance monitoring at the divisions includes general maintenance reserve, contract resurfacing, roadside environmental, pavement preservation, bridge program, bridge preservation, and disasters.

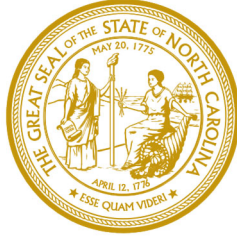
Appendix B

**Legislative Oversight for the Department's Spending Plan
Session Law 2020-91**

Legislative Reference	Requirement	Status
Section 4.1.(d)	Beginning with the 2021-2022 fiscal year, the Department, in collaboration with the Office of State Budget and Management, shall develop a five-year revenue forecast. The five-year revenue forecast will be used (1) to develop the five-year cash flow estimates included in the biennial budgets, (2) to develop the Strategic Transportation Improvement Program, and (3) by the Department of State Treasurer to compute transportation debt capacity. Note: Session Law 2023-134, Section 41.1(d), changed the revenue forecast from a five-year forecast to a ten-year forecast.	The Department's revenue forecast was prepared as required in collaboration with the Office of State Budget and Management.
Section 5.1.(a)	Increased the Board of Transportation's powers and duties related to oversight of the Department's Spending Plan. Legislation required the Board of Transportation to: <ul style="list-style-type: none"> • Expand to 20 voting members. • Ensure the solvency of the State Highway Funds. • Develop accountability and performance metrics and hold the Department accountable to those metrics. • To review and act on the Department's Spending Plan. • To ensure the Department is operating within the approved Spending Plan. 	For state fiscal year (SFY) 2024, the Board of Transportation: <ul style="list-style-type: none"> • Had 20 board members. • Approved the annual Spending Plan and any amendments. • Reviewed budget-to-actual financial reports at least monthly. • Discussed the Department's financial condition during monthly Board of Transportation meetings. • Worked with the Department's General Counsel to confirm that it followed Session Law 2020-91 requirements. The Board of Transportation's Chairman is a member of the Department's Financial Planning Committee and attends committee meetings.
Section 5.2.(a)	Required the Department to maintain an available cash balance at the end of each month equal to at least 7.5% of the total appropriations for the current fiscal year from the Highway Fund and Highway Trust Fund.	The Department's cash balance exceeded the required minimum cash balance every month during SFY 2024. As of June 30, 2024, the Department's cash balance was \$2.5 billion.
Section 5.3.(a)	Required the Department to prepare new monthly and annual financial reports created in consultation with the Office of State Budget and Management and deliver to the Board of Transportation and the Legislature's Joint Legislative Transportation Oversight Committee and Fiscal Research Division.	The Department has prepared and provided monthly financial statement reports that contain all information required by Section 5.3.(a) during SFY 2024.

Legislative Reference	Requirement	Status
Section 5.4	Required the Department's Spending Plan to be approved by the Board of Transportation, Transportation Oversight Manager at the Office of State Budget and Management, and the State Budget Director.	The Department's SFY 2024 Spending Plan had the following amendment during SFY 2024: Amendment #1 was approved in January 2024 to incorporate adjustments for the passage of the State's budget.
Section 5.4	Required modifications to or expenditures outside of the Department's Spending Plan to be approved by the Board of Transportation, Transportation Oversight Manager at the Office of State Budget and Management, and the State Budget Director.	Auditors verified that the amendment was reviewed and approved by the Board of Transportation and the Office of State Budget and Management.
Section 5.5.(a)	Created the Transportation Oversight Manager position at the Office of State Budget and Management for the purpose of: <ul style="list-style-type: none"> Monitoring and assisting the Department develop its Spending Plan. Monitoring the Department's finances. Collaborating on assessing the Department's financial risks. Making revenue and cash projections Ensuring the Department's budget is executed consistent with the State Budget Act. 	The position was initially filled as of January 25, 2021, and was filled during SFY 2024.
Section 5.6.(a) - (b)	Required the Department to develop and establish uniform financial management personnel structure in all Highway Divisions. Additionally, the Department is required to develop and establish uniform report formats and policies and procedures that calculate spending and track cash management.	The Department has established uniform personnel structure and uniform, consistent reporting formats and policies.
Section 5.7	Created Financial Analyst position at the Department of State Treasurer for the purpose of: <ul style="list-style-type: none"> Reviewing and monitoring the Department's bond program and activities that use bond proceeds. Monitoring spending and approval of projects using bond proceeds. Reviewing compliance for repayment and debt service. 	The position was initially filled as of April 5, 2021, and was filled during SFY 2024.
Section 5.8.(a)	Required the Department and Transportation Oversight Manager to develop and implement forecasting methodology, best practices, and accuracy standards for forecasting of spending.	The Department initially developed forecasting methodology and presented it to the Board of Transportation and General Assembly on December 31, 2020. During SFY 2024, the Department has continued to implement and adjust forecasting methodology. Note: The methodology was not developed with the Transportation Oversight Manager as the position was not filled until January 25, 2021. See above.

Source: Requirements from Session Law 2020-91. Status identified through auditor analysis.



Response From Department of Transportation



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

JOSH STEIN
GOVERNOR

J.R. "JOEY" HOPKINS
SECRETARY

January 9, 2025

The Honorable Dave Boliek, State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699

I am in receipt of the draft report on the SFY 2023 Cash Spending Plan performance audit required by Session Law 2020-91, section 5.9.(a) and agree with your findings that the Department did not exceed the plan, that the plan was based on specific projects and operations, and that we formally monitored and enforced each Highway Division's compliance with the plan.

We will continue to improve spend plan development and execution to ensure plan compliance and optimal performance in the future.

I appreciate the engagement staff's hard work and professionalism and believe the positive outcome of this audit is based in part on their guidance and direction during the development of the spend plan process. Please feel free to let me know if you have any questions.

Sincerely,

Signed by:
J. R. Hopkins
F06A6A5878A7469...
J.R. Hopkins, P.E.

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Internet: <https://www.auditor.nc.gov>



To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor Tipline

Telephone: 1-800-730-8477
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At OSA, we perform impactful audits and investigations. We make recommendations that result in meaningful change to improve government services, identify wasteful spending, and ensure programs such as health, education, and economic growth are delivering what they should. OSA,

- Audits **more than \$100 billion** in state assets and liabilities each year.
- Audits programs that spend tens of billions of dollars in federal money and state funds.
- Conducts the Annual Comprehensive Financial Report to maintain the **state's AAA bond rating**.
- Audits state information system assets to evaluate risks and assess controls to reduce or mitigate these risks, including cyber security risks.
- Receives an average of **800 tips** of government waste, fraud, and abuse each year.
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