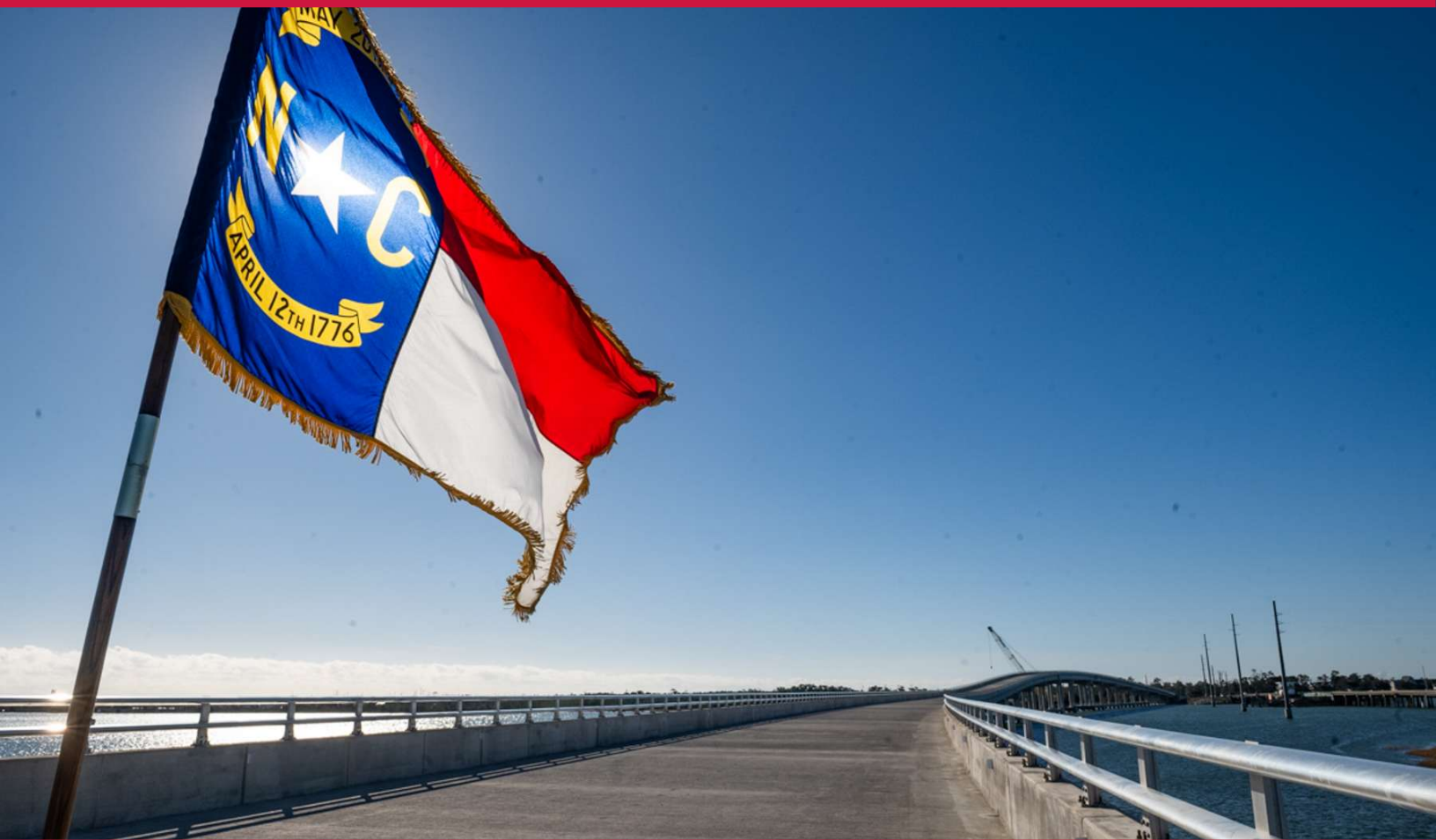


Department of Transportation Cash Spending Plan Raleigh, NC



Performance Audit Report

January 2026

State Auditor
Dave Boliek

*A Constitutional Office 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
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Daniel Johnson, Secretary, Department of Transportation
Anthony T. Lathrop, Chairman, Board of Transportation

To all:

Taxpayers, businesses, and other government entities rely on the North Carolina Department of Transportation for a myriad of business and planning decisions. At the State Auditor's Office, we determine if the Department is complying with its spending plan and operating within its budget.

Our performance audit shows the Department complied with its 2025 Spending Plan. For state fiscal year (SFY) 2025, the Department planned to spend \$8.29 billion and reported actual expenditures of \$8.23 billion.

I'd like to thank DOT officials and staff for their assistance as we completed this performance audit.

Respectfully submitted,

Dave Boliek
State Auditor

Executive Summary

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 concerning the North Carolina Department of Transportation's Cash Spending Plan.

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

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.

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

OSA's most recent January 2025 audit report titled [Department of Transportation Cash Spending Plan](#) found that the Department did not exceed its developed Spending Plan for state fiscal year (SFY) 2024. 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 2025.

Objective



The objective of this performance audit was to determine whether the Department of Transportation complied with its Spending Plan for SFY 2025, and if not, to identify the causes of overspending and the effect on operations and budget.

Results

The Department complied with its SFY 2025 Spending Plan, ensuring actual expenditures did not exceed the planned forecast.

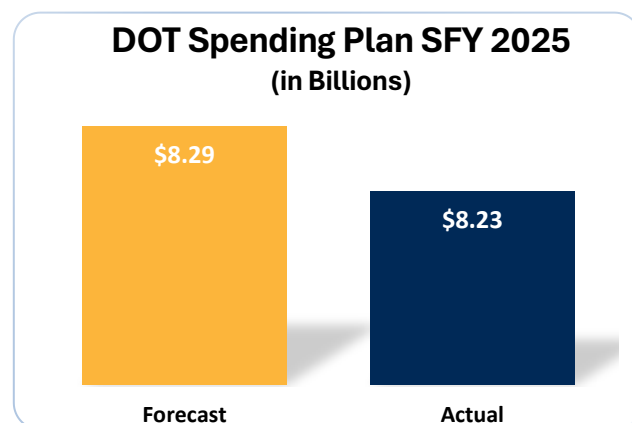




Table of Contents

	Page
Background	1
Objective, Scope, and Methodology.....	3
Results and Conclusions.....	5
Appendices	
Appendix A	6
Appendix B	7
Appendix C.....	8
Response from Department of Transportation.....	9
Ordering Information.....	10

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



The Department of Transportation (Department) is responsible for overseeing all modes of transportation in North Carolina and provides the necessary planning, construction, maintenance, and operation of the integrated statewide transportation system. North Carolina General Statute 143C-6-11.1 requires the Department to develop a comprehensive cash-spending plan that details how funds will be spent for its programs, functions, and activities.

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 Spending Plan also tracks the opening and closing cash balances.

The Department develops the spending estimates in the Spending Plan based on specific projects and operations, using statistical modeling, or both, for four major categories of expenditures. The expenditure categories include:



Construction – Includes expenditures for larger capital projects (over \$10 million) that require four to five years to complete, Build NC Bonds expenditures, GARVEE bonds expenditures, State Transportation Improvement Projects (STIP), and Right-of-Way (ROW) expenditures.



Operations and Maintenance – Includes expenditures for other construction, contract resurfacing, pavement preservation, bridge program, bridge preservation, roadside environmental, general maintenance reserve, and disaster funding.



Other Modes – Includes expenditures for public transportation, bicycles, ferries, airports, and railroads.



Other – Includes expenditures for administration, transfers, state aid to municipalities, debt service, and other miscellaneous functions.

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) 2019.¹

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.²

After OSA issued the May 2020 audit, Session Law 2020-91 was passed by the North Carolina General Assembly, requiring OSA to conduct an annual performance audit of the Department's Spending Plan.

¹ See Appendix C for additional details regarding the Department's projected and actual expenditures since SFY 2018.

² N.C.G.S. § 143C-6-11(f) requires the Department to maintain a cash balance equal to at least 7.5% of total appropriations for the current fiscal year from the Highway Fund and Highway Trust Fund. See Appendix B for additional details on the Department's cash balances.

OSA's most recent January 2025 audit report titled [*Department of Transportation Cash Spending Plan*](#) found that the Department did not exceed its developed Spending Plan for SFY 2024. 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.



Objectives, Scope, and Methodology



The objective of this performance audit was to determine whether the Department complied with its Spending Plan for state fiscal year (SFY) 2025, and if not, to identify the causes of overspending and the effect on operations and budget.

As directed by Session Law 2020-91, the audit scope included budget adherence by department, division, and highway division;³ timeliness of federal reimbursement requests and response to federal inquiries; controls and oversight of divisions and highway divisions related to cash management, project coordination and delivery,⁴ and budget adherence; efficacy of communication and coordination; and efficacy of cash management by the Department. The audit covered the period of July 1, 2024, through June 30, 2025.

To determine whether the Department complied with its Spending Plan for SFY 2025, auditors:

- Inspected the Department's SFY 2025 Spending Plan, including all amendments, and the Department's Spending Plan forecast vs. actual documentation.
- Reconciled actual revenue, expenses, and cash balances from the Spending Plan forecast vs. actual to the Department's internal financial statements and verified categorization of revenues and expenditures.
- Interviewed Department personnel and inspected documentation about policies and procedures related to the development and monitoring of the Spending Plan.
- Reviewed state and federal transportation laws relevant to highway construction and cash management.
- Reviewed financial information used to develop and monitor Spending Plan compliance, including revenue and expenditure forecasting documentation related to impacts of Hurricane Helene⁵ on the Spending Plan.
- Reviewed the Department's cash balances against the cash floor requirements.
- Evaluated the timeliness of the Department's federal reimbursement requests and response to federal inquiries.

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.

³ Refers to the Department's Division of Highways, which consists of 14 regional offices and a central office.

⁴ 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.

⁵ In late September 2024, Western North Carolina was severely impacted by Hurricane Helene, resulting in the closure of more than 1,400 roads and damaging more than 800 bridges.

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



The Department of Transportation (Department) **complied with its Spending Plan** for state fiscal year (SFY) 2025.

The Department planned to spend approximately **\$8.29 billion** and spent **\$8.23 billion**.

**Department of Transportation Forecast vs. Actual
State Fiscal Year 2025 (July 2024 – June 2025)**

Spending Plan Category	In Millions			
	Forecast	Actual	\$ Amount Over / (Under)	% Amount Over / (Under)
Expenditures:				
 Construction	\$4,109	\$4,069	\$(40)	(1.0) %
 Operations & Maintenance	\$2,928	\$2,954	\$26	0.9 %
 Other Modes	\$516	\$483	\$(33)	(6.4) %
 Other	\$740	\$722	\$(18)	(2.4) %
Total Expenditures	\$8,293	\$8,228	\$(65)	(0.8) %

Source: Department SFY 2025 Spend Plan Forecast (as amended)⁶ and auditor analysis.

While Operations and Maintenance expenditures exceeded the forecast by \$26 million (0.9%), total expenditures were within the forecast.

Operations and Maintenance expenditures exceeded the forecasted amounts primarily due to costs associated with the Hurricane Helene disaster response. The Department developed Hurricane Helene modeling to specifically address recovery efforts which resulted in the second amendment to the Spending Plan.

Auditors reviewed the Hurricane Helene modeling and verified the spending estimates were developed based on projected repair costs for the impacted areas. Auditors also verified that monitoring activities occurred throughout the state fiscal year, which included additional monitoring related to Hurricane Helene. The additional monitoring for Hurricane Helene included weekly meetings with the Department's executive leadership and the Division of Highways staff, as well as monthly updates to the Board of Transportation.





⁶ The Department's SFY 2025 Spending Plan was amended twice during SFY 2025. We inspected documentation for the original Spending Plan and both amendments to ensure the Department complied with approval requirements under Session Law 2020-91 and N.C.G.S. 143C-6-11.1. See Appendix A for additional details on the SFY 2025 Spending Plan and amendments.



Appendices

Appendix A

Department of Transportation Comparison of Original and Amended Spend Plans State Fiscal Year 2025 (July 2024 – June 2025)

Spend Plan Category	In Millions		
	Original	Amendment 1	Amendment 2
Expenditures:			
 Construction	\$4,166	\$4,100	\$4,109
 Operations & Maintenance	\$2,532	\$2,654	\$2,928
 Other Modes	\$574	\$563	\$516
 Other	\$757	\$755	\$740
Total Expenditures:	\$8,029	\$8,072	\$8,293

Source: Department SFY 2025 Spend Plan Forecast

The original Spending Plan was approved by the Office of State Budget and Management (OSBM) on May 28, 2024, and subsequently by the Board of Transportation (Board) on June 6, 2024. This Spending Plan was based on the underlying budget established in Session Law 2023-134.

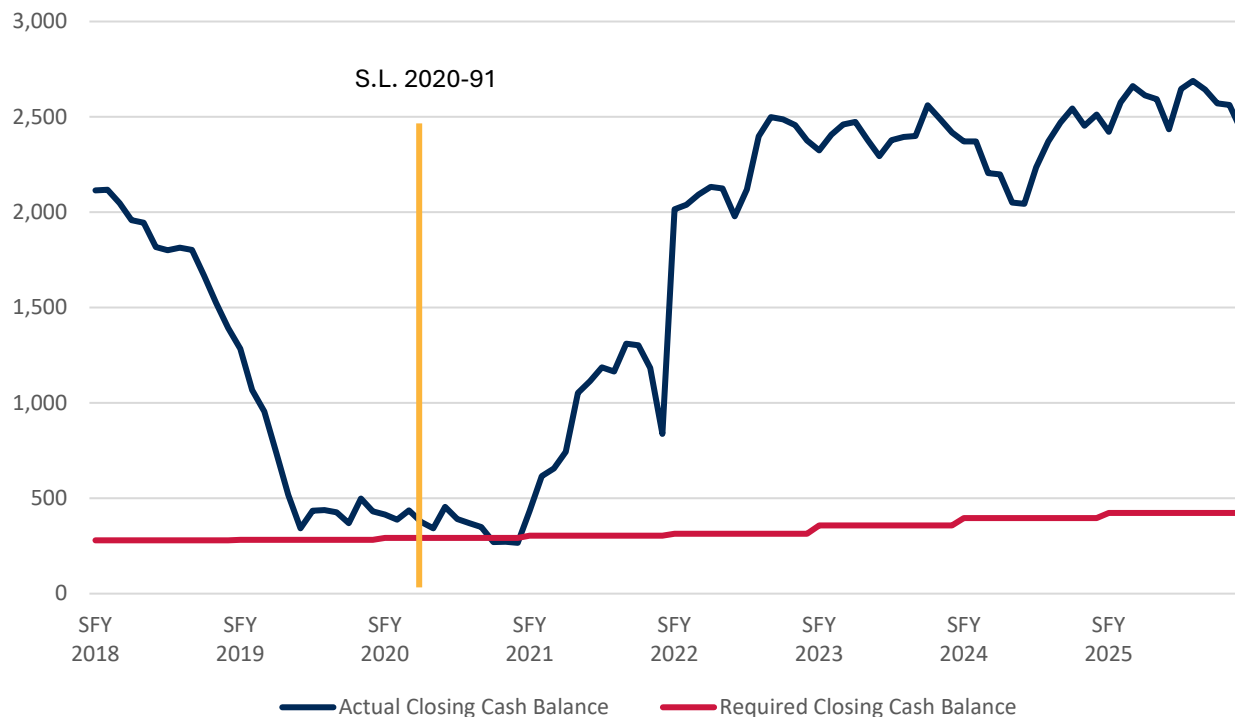
Amendment 1, approved by OSBM on September 24, 2024, and by the Board on October 2, 2024, reflected the SFY 2025 Build NC Bonds issuance and the passage of Session Law 2024-15.

Amendment 2, approved by OSBM on April 1, 2025, and by the Board on April 3, 2025, incorporated the Hurricane Helene Disaster Model into the forecast.

Appendix B

The following chart illustrates the Department of Transportation's cash balance as compared to the required cash floor for state fiscal year 2018 through 2025.

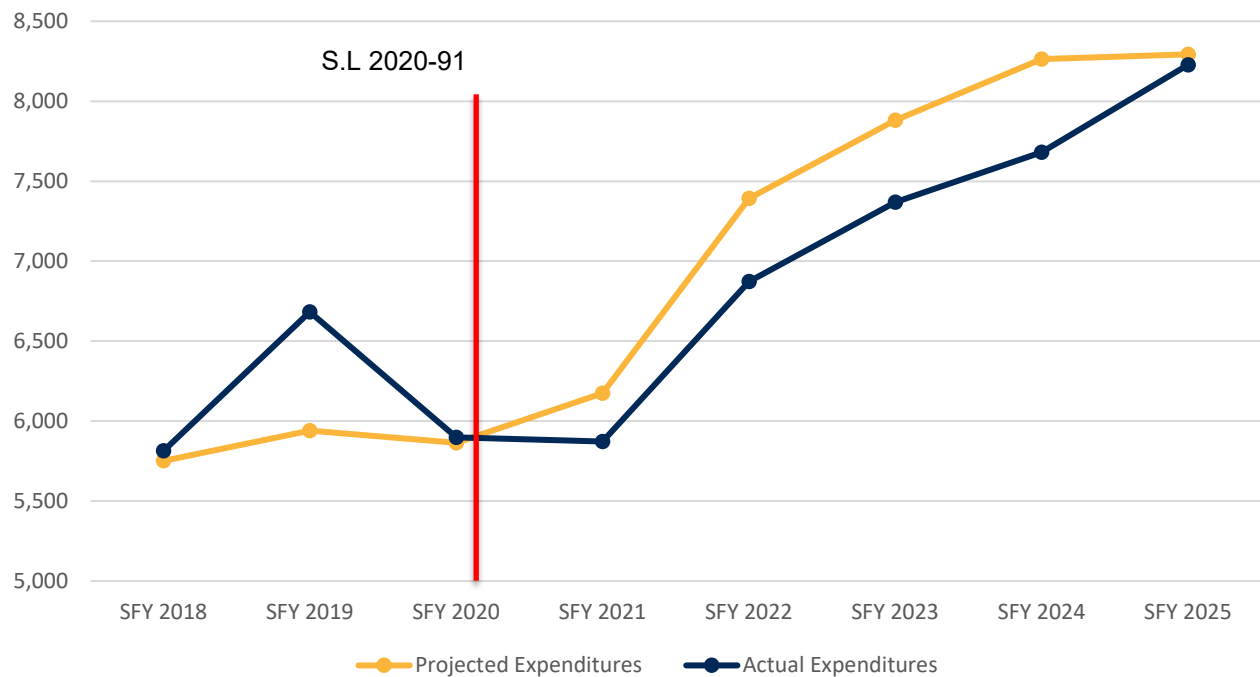
Department of Transportation Compliance with Cash Floor Requirements
State Fiscal Year 2018 – State Fiscal Year 2025 (July 2017 – June 2025)
(In Millions)



Appendix C

The following chart presents a comparison of the Department of Transportation's projected expenditures versus actual expenditures for each state fiscal year from 2018 through 2025.

Department of Transportation Expenditures Projected to Actual
State Fiscal Year 2018 – State Fiscal Year 2025 (July 2017 – June 2025)
(In Millions)





Response From the Department of Transportation



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

JOSH STEIN
GOVERNOR

DANIEL H. JOHNSON
SECRETARY

January 9, 2026


The Honorable Dave Boliek, State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

I am in receipt of the draft report on the SFY 2025 Cash Spending Plan performance audit required by Session Law 2020-91, Section 5.9.(a) and agree with your conclusion that the Department complied with its Spending Plan, ensuring actual expenditures did not exceed the planned forecast. The Department continued to develop the Plan based on specific projects and operations. Hurricane Helene required the Department to develop additional modeling to specifically address recovery efforts. The Hurricane Helene modeling and associated monitoring activities were also reviewed as part of the performance audit.

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,

DocuSigned by:

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Daniel H. Johnson, Secretary

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