




## **APPENDIX. ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS/CHIEF FINANCIAL OFFICER RESPONSE TO AUDIT REPORT**

MEMORANDUM TO: Kenneth M. Mead  
Inspector General

FROM: Phyllis F. Scheinberg   
Assistant Secretary for Budget and Programs/CFO

SUBJECT: Management Response – Report of the Inspector General (IG) on the Consolidated Financial Statements for Fiscal Years (FY) 2005 and 2004

The Department is pleased to respond to your audit report on the Consolidated Financial Statements for FYs 2005 and 2004. For the fifth consecutive year we have achieved an unqualified audit on the Consolidated Financial Statements.

We concur with the three material weaknesses and six reportable conditions contained in your report. Corrective actions have already been initiated to address several of these matters, especially in regards to financial management. The Department plans to submit a detailed Action Plan no later than December 31, 2005, to address the findings contained in your report. Our Action Plan will also address the findings contained in the Audits of the following entities listed below:

- The Highway Trust Fund,
- The Federal Aviation Administration (FAA),
- The FAA Franchise Fund,
- The Department's Working Capital Fund, and
- The Research and Innovative Technology Administration,  
John A. Volpe National Transportation Systems Center.

We generally agree with the recommendations listed in these reports and will utilize them to develop corrective action measures.

The achievement of an unqualified audit opinion was accomplished through the joint efforts of your staff, contract auditors and the financial staffs of the Operating Administrations. We will work with our Operating Administrations and the various audit groups to ensure that the Department continues to take steps to improve Financial Management.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contractors during the course of the audit.

**Appendix. Assistant Secretary for Budget and Programs/Chief Financial Officer Response to Audit Report**





## U.S. DEPARTMENT OF TRANSPORTATION CONSOLIDATED BALANCE SHEET

As of September 30,  
Dollars in Thousands

2005

2004

### ASSETS (Note 2)

#### Intragovernmental

Fund Balance with Treasury (Note 3)	\$ 29,140,842	\$ 29,721,350
Investments (Note 4)	19,000,999	20,618,224
Accounts Receivable, Net (Note 5)	358,857	189,800
Other Assets (Note 6)	96,346	229,006

Total Intragovernmental Assets	48,597,044	50,758,380
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Cash and Other Monetary Assets	40,573	26,995
Accounts Receivable, Net (Note 5)	144,567	339,052
Loans Receivable and Related Foreclosed Property, Net (Note 7)	760,448	604,087
Inventory and Related Property, Net (Note 8)	939,639	913,513
General Property, Plant & Equipment, Net (Note 9)	15,325,392	15,395,359
Other Assets (Note 6)	160,883	248,623

<b>Total Assets</b>	<b>\$ 65,968,546</b>	<b>\$ 68,286,009</b>
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### LIABILITIES (Note 10)

#### Intragovernmental

Accounts Payable	\$ 182,710	\$ 73,041
Debt (Note 11)	952,536	1,150,606
Other Intragovernmental Liabilities (Note 12)	3,378,564	3,668,305

Total Intragovernmental Liabilities	4,513,810	4,891,952
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Accounts Payable	226,045	514,148
Loan Guarantees (Note 7)	393,451	378,612
Federal Employee and Veterans' Benefits Payable	1,007,303	1,018,541
Environmental and Disposal Liabilities (Note 14)	1,003,585	1,135,163
Grant Accrual (Note 13)	4,086,728	4,180,440
Other Liabilities (Notes 12 & 15)	1,641,416	1,289,093

<b>Total Liabilities</b>	<b>\$ 12,872,338</b>	<b>\$ 13,407,949</b>
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Contingencies and Commitments (Note 15)

### NET POSITION

Unexpended Appropriations	\$ 5,448,954	\$ 5,284,601
Cumulative Results of Operations	47,647,254	49,593,459

<b>Total Net Position</b>	<b>53,096,208</b>	<b>54,878,060</b>
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<b>Total Liabilities and Net Position</b>	<b>\$ 65,968,546</b>	<b>\$ 68,286,009</b>
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The accompanying notes are an integral part of this financial statement.



U.S. DEPARTMENT OF TRANSPORTATION  
**CONSOLIDATED STATEMENT OF NET COST**

**For the Year Ended September 30,**  
**Dollars in Thousands**

**2005**

**2004**

**PROGRAM COSTS (Notes 16 & 17)**

**SURFACE TRANSPORTATION**

Intragovernmental Gross Costs	\$ 617,311	\$ 579,829
Less: Intragovernmental Earned Revenue	51,294	48,265
Intragovernmental Net Costs	566,017	531,564
Gross Costs with the Public	41,902,606	41,070,515
Less: Earned Revenues from the Public	159,213	315,000
Net Costs with the Public	41,743,393	40,755,515
<b>TOTAL NET COST</b>	<b>\$ 42,309,410</b>	<b>\$ 41,287,079</b>

**AIR TRANSPORTATION**

Intragovernmental Gross Costs	\$ 1,999,237	\$ 2,380,081
Less: Intragovernmental Earned Revenue	133,073	84,246
Intragovernmental Net Costs	1,866,164	2,295,835
Gross Costs with the Public	12,619,722	10,126,861
Less: Earned Revenues with the Public	456,790	228,702
Net Costs with the Public	12,162,932	9,898,159
<b>TOTAL NET COST</b>	<b>\$ 14,029,096</b>	<b>\$ 12,193,994</b>

**MARITIME TRANSPORTATION**

Intragovernmental Gross Costs	\$ 150,505	\$ 22,047
Less: Intragovernmental Earned Revenue	448,796	260,710
Intragovernmental Net Costs	(298,291)	(238,663)
Gross Costs with the Public	584,710	477,002
Less: Earned Revenues with the Public	7,505	1,178
Net Costs with the Public	577,205	475,824
<b>TOTAL NET COST</b>	<b>\$ 278,914</b>	<b>\$ 237,161</b>

**COST-CUTTING PROGRAMS**

Intragovernmental Gross Costs	\$ 37,492	\$ 54,157
Less: Intragovernmental Earned Revenue	521,327	615,741
Intragovernmental Net Costs	(483,835)	(561,584)
Gross Costs with the Public	499,420	568,543
Less: Earned Revenues from the Public	6,857	6,213
Net Costs with the Public	492,563	562,330
<b>TOTAL NET COST</b>	<b>\$ 8,728</b>	<b>\$ 746</b>

Costs Not Assigned To Programs	261,911	347,864
Less: Earned Revenues Not Attributed to Programs	25,165	12,631
<b>NET COST OF CONTINUING OPERATIONS</b>	<b>\$ 56,862,894</b>	<b>\$ 54,054,213</b>

The accompanying notes are an integral part of this financial statement.



U.S. DEPARTMENT OF TRANSPORTATION  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**

**For the Year Ended September 30,**  
**Dollars in Thousands**

**2005**

**2004**

	<b>Cumulative Results of Operations</b>	<b>Unexpended Appropriations</b>	<b>Cumulative Results of Operations</b>	<b>Unexpended Appropriations</b>
<b>Beginning Balances</b>	\$ 49,592,505	\$ 5,284,364	\$ 54,730,579	\$ 3,654,525
Correction of Errors—Prior Period Adjustments (±) (Note 18)	(34,827)	16,678	(794,425)	1,214
Beginning Balances, As Adjusted	<b>49,557,678</b>	<b>5,301,042</b>	<b>53,936,154</b>	<b>3,655,739</b>
<b>Budgetary Financing Sources</b>				
Appropriations Received	—	6,591,723	—	6,757,803
Appropriations Transferred-In / Out (±)	—	13,497	—	34,544
Other Adjustments (Rescissions, etc.) (±)	(165,954)	(499,796)	(338,428)	(249,022)
Appropriations Used	6,000,797	<u>(6,007,512)</u>	5,028,427	<u>(4,914,464)</u>
Non-Exchange Revenue (Note 18)	48,602,831		44,397,375	
Donations & Forfeitures of Cash & Cash Equivalents	2,504		1,718	
Transfers-In / Out Without Reimbursement (±)	17,812		17,329	
Other Budgetary Financing Sources	(9,351)		(420)	
<b>Other Financing Sources</b>				
Donations & Forfeitures of Property	—		(28,961)	
Transfers-In / Out Without Reimbursement	(58,866)		(72,508)	
Imputed Financing from Costs Absorbed by Others	554,579		735,625	
Other (±)	8,118		(28,639)	
<b>Total Financing Sources</b>	<b>54,952,470</b>	<b>147,912</b>	<b>49,711,518</b>	<b>1,628,862</b>
<b>Net Cost of Operations (±)</b>	<b>56,862,894</b>		<b>54,054,213</b>	
<b>Net Change</b>	(1,910,424)	147,912	(4,342,695)	1,628,862
<b>ENDING BALANCES</b>	<b>\$ 47,647,254</b>	<b>\$ 5,448,954</b>	<b>\$ 49,593,459</b>	<b>\$ 5,284,601</b>

The accompanying notes are an integral part of this financial statement.



U.S. DEPARTMENT OF TRANSPORTATION  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**

**For the Year Ended September 30,**  
**Dollars in Thousands**

**2005**

**2004 (Restated)**

	2005		2004 (Restated)	
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts
<b>BUDGETARY RESOURCES (Note 19)</b>				
<i>Budgetary Authority</i>				
Appropriations Received	\$ 61,516,780	\$ —	\$ 58,421,517	\$ —
Borrowing Authority	282,260	456,800	573,912	1,522,351
Contract Authority	50,427,292	—	46,231,541	—
Net Transfers (±)	23,799	—	25,235	—
<i>Unobligated Balance</i>				
Beginning of Period	38,244,246	1,595,313	35,767,051	26,454
Net Transfers, Actual (±)	5,370	—	7,545	—
<i>Spending Authority From Offsetting Collections</i>				
<i>Earned</i>				
Collected	2,011,267	148,995	1,851,577	614,137
Receivable from Federal Sources	199,911	(5,713)	22,840	5,713
<i>Change in Unfilled Customer Orders (±)</i>				
Advance Received	55,825	—	36,227	—
Without Advance from Federal Sources	684	32,780	155,008	—
Transfers from Trust Funds	7,711,917	—	6,868,941	—
<b>Subtotal</b>	<b>\$ 9,979,604</b>	<b>\$ 176,062</b>	<b>\$ 8,934,593</b>	<b>\$ 619,850</b>
Recoveries of Prior Year Obligations	634,513	240,569	299,969	57,000
Temporarily Not Available Pursuant to Public Law	(61,067)	—	(107,734)	—
Permanently Not Available	(47,818,493)	(1,679,091)	(44,766,843)	(572,038)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 113,234,304</b>	<b>\$ 789,653</b>	<b>\$ 105,386,786</b>	<b>\$ 1,653,617</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
<i>Obligations Incurred</i>				
Direct	\$ 67,052,096	\$ 330,863	\$ 63,452,365	\$ 339,088
Reimbursable	2,382,937	—	3,452,900	—
<b>Subtotal</b>	<b>\$ 69,435,033</b>	<b>\$ 330,863</b>	<b>\$ 66,905,265</b>	<b>\$ 339,088</b>
<i>Unobligated Balance</i>				
Apportioned	17,784,534	59,442	14,743,985	27,035
Exempt from Apportionment	190,273	—	311,529	132
<i>Unobligated Balance Not Available</i>	25,824,464	399,348	23,426,007	1,287,362
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 113,234,304</b>	<b>\$ 789,653</b>	<b>\$ 105,386,786</b>	<b>\$ 1,653,617</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>				
Obligated Balance, Net, As Of October 1	\$ 67,849,718	\$ 2,398,507	\$ 65,501,865	\$ 2,422,306
<i>Obligated Balance, Net, End of Period</i>				
Accounts Receivable	(512,900)	(59)	(321,686)	(5,713)
Unfilled Customer Orders From Federal Sources	(852,377)	(196,088)	(894,729)	(155,879)
Undelivered Orders	65,744,226	2,337,764	63,932,011	2,475,311
Accounts Payable	5,076,087	1,454	5,344,729	39,558
<i>Outlays</i>				
Disbursements	71,847,262	320,115	68,355,322	345,404
Collections	(14,658,640)	(148,996)	(13,217,481)	(614,137)
<b>Subtotal</b>	<b>\$ 57,188,622</b>	<b>\$ 171,119</b>	<b>\$ 55,137,841</b>	<b>\$ (268,733)</b>
Less: Offsetting Receipts	61,990	36,395	662,178	94,685
<b>NET OUTLAYS</b>	<b>\$ 57,126,632</b>	<b>\$ 134,724</b>	<b>\$ 54,475,663</b>	<b>\$ (363,418)</b>

The accompanying notes are an integral part of this financial statement.



## U.S. DEPARTMENT OF TRANSPORTATION CONSOLIDATED STATEMENT OF FINANCING

For the Year Ended September 30,	2005	2004 (Restated)
<b>Dollars in Thousands</b>		
<b>Resources Used To Finance Activities</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 69,765,896	\$ 67,244,353
Less: Spending Authority From Offsetting Collections and Recoveries	11,030,748	9,911,412
Obligations Net Of Offsetting Collections and Recoveries	58,735,148	57,332,941
Less: Offsetting Receipts	98,385	756,863
Net Obligations	58,636,763	56,576,078
<b>Other Resources</b>		
Donations and Forfeitures of Property	—	(28,961)
Transfers In / Out Without Reimbursement	(58,866)	(72,508)
Imputed Financing From Costs Absorbed by Others	554,579	735,625
Other Miscellaneous Resources	8,118	(28,639)
Net Other Resources Used To Finance Activities	503,831	605,517
<b>Total Resources Used To Finance Activities</b>	<b>\$ 59,140,594</b>	<b>\$ 57,181,595</b>
<b>Resources Used To Finance Items Not Part Of The Net Cost Of Operations</b>		
Change In Budgetary Resources Obligated For Goods, Services, and Benefits Ordered But Not Yet Provided	\$ 2,137,768	\$ 1,562,362
Resources That Fund Expenses Recognized In Prior Periods	290,178	423,023
<b>Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost of Operations</b>		
Credit Program Collections Which Increase Liabilities For Loan Guarantees or Allowances for Subsidy	(19,281)	(72,899)
Other	12,510	41,100
Resources That Finance the Acquisition of Assets or Liquidation of Liabilities (±)	1,570,399	2,187,920
Other Resources or Adjustments To Net Obligated Resources That Do Not Affect Net Cost of Operations	(46,320)	807,781
Total Resources Used To Finance Items Not Part Of The Net Cost of Operations	3,945,254	4,949,287
<b>Total Resources Used To Finance the Net Cost of Operations</b>	<b>\$ 55,195,340</b>	<b>\$ 52,232,308</b>
<b>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</b>		
<b>Components Requiring / Generating Resources In Future Periods</b>		
Increase in Annual Leave Liability	\$ 31,157	\$ 123,231
Upward / Downward Reestimates of Credit Subsidy Expense	3,832	6,000
Increase in Exchange Revenue Receivable From The Public	(23,891)	(75,457)
Other		
Increase in MARAD Liabilities	27,438	—
Increase in FAA Liabilities	196,698	—
Other Miscellaneous Increases	48,385	543,176
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	\$ 283,619	\$ 596,950
<b>Components Not Requiring or Generating Resources</b>		
Depreciation and Amortization	\$ 1,278,650	\$ 1,042,026
Revaluation of Assets or Liabilities	2,233	15,730
Other		
Other WCF Components	—	170,419
Other FAA Components	68,418	(8,605)
Other Miscellaneous Components	34,634	5,385
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	1,383,935	1,224,955
<b>Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period</b>	<b>\$ 1,667,554</b>	<b>\$ 1,821,905</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 56,862,894</b>	<b>\$ 54,054,213</b>

The accompanying notes are an integral part of this financial statement.