



U.S. DEPARTMENT OF TRANSPORTATION  
**OFFICE OF INSPECTOR GENERAL**

**Summary Report on Significant Single  
Audit Findings Impacting DOT Programs  
for the 3-Month Period Ending  
June 30, 2021**

Report No. SA2021036

August 31, 2021



## Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2021

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*Self-Initiated*

Office of the Secretary | SA2021036 | August 31, 2021

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### What We Looked At

We queried and downloaded 70 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between April 1, 2021 and June 30, 2021. We used the reports to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

### What We Found

The reports contained a range of findings that impacted DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 13 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$32,153,264 for eight grantees. Of this amount, \$31.2 million was related to Amtrak and \$212,788 to COVID-19 Formula Grants for the Rural Areas Program.

### Recommendations

We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$32,153,264, if applicable.

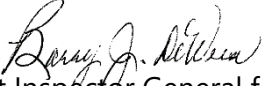


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## Memorandum

Date: August 31, 2021

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2021 | Report No. SA2021036

From: Barry J. DeWeese   
Principal Assistant Inspector General for Auditing and Evaluation

To: Deputy Assistant Secretary for Administration

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The Department of Transportation (DOT) Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors' single audit<sup>1</sup> reports. These auditors are required to perform the audits in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Uniform Guidance.<sup>2</sup> Over the past 3 fiscal years, an average of 347 single audit reports have been issued. These reports have included findings related to programs directly funded by DOT.

We issue memoranda that summarize single audit reports' significant findings and recommendations that require priority action by DOT. When warranted, we also recommend that DOT recover funds that were inappropriately expended by non-Federal entities.

To identify findings that affect directly awarded DOT programs, we downloaded 70 single audit reports that were prepared by independent auditors and submitted to the Federal Audit Clearinghouse<sup>3</sup> between April 1, 2021, and June 30, 2021. The auditors reported significant noncompliance with Federal

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<sup>1</sup> The Single Audits Act, as amended (Pub. L. No. 98-502 (1984); Pub. L. No. 104-156 (1996)), has established requirements for audits of Federal awards administered by non-Federal entities. Single audits help Government agencies and auditors oversee the expenditure of Federal funds by non-Federal entities.

<sup>2</sup> Under Title 2 of the Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the auditor is required to render an opinion on the entity's financial statements, identify inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

<sup>3</sup> The Federal Audit Clearinghouse Image Management System is a public database of completed single audits—<http://harvester.census.gov/facweb/>—maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

guidelines related to 13 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$32,153,264 for eight grantees. Of this amount, \$31.2 million was related to Amtrak<sup>4</sup> and \$212,788 to COVID-19 Formula Grants for Rural Areas Program<sup>5</sup> in the State of Nebraska. See the table for a summary of significant single audit findings requiring DOT's most immediate attention.

We recommend that DOT

1. coordinate with impacted OAs to develop a corrective action plan to resolve and close the findings highlighted in this report; and
2. determine the allowability of the questioned transactions and recover \$32,153,264, if applicable.

See exhibits A through M for details on the auditees; the non-Federal auditors' findings, including areas of noncompliance; the conditions identified; and the non-Federal auditors' recommendations.<sup>6</sup>

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve<sup>7</sup> our recommendations and provide a target action date for implementation. We will track the recommendations until DOT provides documentation of final action. We will consider the recommendations closed upon our review and concurrence. If you have any questions, please email them to [singleauditrequest@oig.dot.gov](mailto:singleauditrequest@oig.dot.gov).

cc: The Secretary  
DOT Audit Liaison, M-1  
DOT Appointee for Single Audits  
DOT Single Audit Liaison  
Deputy Assistant Secretary for Budget and Programs, B-1

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<sup>4</sup> See Exhibit J.

<sup>5</sup> See Exhibit D.

<sup>6</sup> These exhibits present verbatim information from reporting packages and Data Collection Forms that we downloaded from the Federal Audit Clearinghouse.

<sup>7</sup> Pursuant to DOT Memorandum, *Policy and Procedures for Expediting Action on Single Audit Report Recommendations* (2009).

Table. Summary of Significant Single Audit Findings Impacting DOT Programs

Non-Federal Entities and End Dates of Audited Fiscal Years	Independent Auditors	Areas of Noncompliance <sup>a</sup>	Independent Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Highways Division, Department of Transportation, Honolulu, HI, June 30, 2020	KKDLY LLC	a. Allowable Costs/Costs Principles b. Subrecipient Monitoring c. Subrecipient Monitoring	a. 2020-002 b. 2020-003 c. 2020-004	a. \$442,695 b. None reported c. None reported	A
City of Corona, Corona, CA, June 30, 2020	Lance, Soll & Lunghard, CPAS LLP	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2020-002	\$16,308	B
Community Action of Southern Kentucky Inc, Bowling Green, KY, June 30, 2020	KraftCPAS PLLC	a. Other b. Cash Management	a. 2020-002* b. 2020-004*	a. None reported b. None reported	C
State of Nebraska, Lincoln, NE, June 30, 2020	Nebraska Auditor of Public Accounts	a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Subrecipient Monitoring b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Subrecipient Monitoring	a. 2020-065* b. 2020-066*	a. \$49,672 b. \$212,788	D
Klawock Cooperative Association, Klawock, AK, September 30, 2019	Kendall, Prebola and Jones, LLC	a. Procurement and suspension and debarment b. Reporting	a. 2019-003 b. 2019-004	a. \$0 b. None reported	E
Kay County, Newkirk, OK, June 30, 2018	Oklahoma State Auditor and Inspector	Activities Allowed or Unallowed	2018-015	\$9,551	F
Kay County, Newkirk, OK, June 30, 2017	Oklahoma State Auditor and Inspector	Activities Allowed or Unallowed	2017-015	\$51,261	G

Non-Federal Entities and End Dates of Audited Fiscal Years	Independent Auditors	Areas of Noncompliance <sup>a</sup>	Independent Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Puerto Rico Highways and Transportation Authority, San Juan, PR, June 30, 2019	Crowe PR PSC	a. Reporting b. Reporting	a. 2019-003 b. 2019-004	a. None b. None	H
Puerto Rico Metropolitan Bus Authority, San Juan, PR, June 30, 2018	Valdes, Garcia, Marin & Martinez	Equipment and Real Property Management	2018-006*	None	I
National Railroad Passenger Corporation and Subsidiaries (AMTRAK), Washington, DC, September 30, 2020	Ernst & Young LLP	a. Equipment and Real Property Management b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting	a. 2020-001* b. 2020-002*	a. None b. \$31,200,000	J
Greater Roanoke Transit Company, Roanoke, VA, June 30, 2020	Brown, Edwards & Company, LLP	Cash Management	2020-003*	None reported	K
State of Minnesota, St. Paul, MN, June 30, 2020	Office of the Legislative Auditor	Allowable Cost/Cost Principles	2020-058*	\$78,349	L
City and County of Honolulu, Honolulu, HI, June 30, 2020	Accuity LLP	Period of Performance	2020-006	\$92,640	M

<sup>a</sup> 2 CFR Part 200, appendix XI, part 3, *Compliance Requirements*, identifies and describes the 12 types of compliance requirements.

<sup>b</sup> Non-Federal auditor findings do not always result in questioned costs.

\* Repeat finding.

Source: Independent auditors' reports.

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## Exhibit A. Highways Division, Department of Transportation, Honolulu, HI

**Independent Auditor:** KKDLY LLC

**Report Date:** March 17, 2021

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Programs:** Federal Highway Administration's (FHWA) Highway Planning and Construction Cluster Program

**Finding Number:** 2020-002

**Compliance Requirement:** Allowable Costs/Costs Principles

**Condition:** During the audit, the independent auditor identified two duplicate payments totaling \$442,695 whereby the Highways Division incorrectly requested reimbursements from the federal government for expenditures previously billed and for which the Highways Division already received payment.

**Independent Auditor's Recommendation:** The independent auditor recommends that the Highways Division improve the process and strengthen controls to prevent duplicate requests for reimbursement from the federal government. The Highways Division was recommended to return the \$442,695 in excess federal funds received, plus any interest owed to the federal government, or reduce future claims by that amount as directed by federal guidance.

**Identified Questioned Costs:** \$442,695

**Finding 2 of 3:**

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Cluster Program

**Finding Number:** 2020-003

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** For certain Highways Division capital projects, the Highways Division provides a portion of its federal awards to subrecipients such as the local counties in the State of Hawaii. Accordingly, the Highways Division is subject to subrecipient monitoring requirements applicable to federal awards. The independent auditor noted that the annual subrecipient on-site monitoring reviews were not performed during the year ended June 30, 2020. In addition, one out of four subrecipient single audit reports received included a finding related to direct funding from the Highways Division for the Highway Planning and Construction grant. The independent auditor noted that this finding was not followed up on and a management decision letter was not issued by the Highways Division to the subrecipient.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Highways Division adhere to its subrecipient monitoring policy and develop alternative procedures to conduct compliance audits while on-site reviews are suspended during the pandemic. The independent auditor also recommended that the Highways Division carefully review subrecipient audit reports and follow up on any identified noncompliance deficiencies to ensure that the subrecipient takes timely and appropriate action on all deficiencies reported.

**Finding 3 of 3:**

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Cluster Program

**Finding Number:** 2020-004

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** During the audit, the independent auditor noted that the Highways Division requested federal reimbursements from FHWA for subrecipient expenditures prior to remitting payments to subrecipients. For 11 of the 28 requests for reimbursement during the year ended June 30, 2020, payments to subrecipients were made more than 8 days after reimbursements were received from FHWA, ranging from 10 days to 64 days. These payments to subrecipients aggregated to \$15.9 million.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Highways Division adhere to established policies and procedures to ensure compliance with the Treasury State Agreement. Specifically, the time period from the date federal funds are received and credited to the Highways Division’s account and the date those funds are expended from the Highways Division’s account should not exceed 8 days as stipulated in the Treasury State Agreement.



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## Exhibit B. City of Corona, Corona, CA

**Independent Auditor:** Lance, Soll & Lunghard, CPAS LLP

**Report Date:** December 3, 2020

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Program:** Federal Transit Administration's (FTA) Federal Transit Cluster Program

**Finding Number:** 2020-002

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** Instance of Non-Compliance - The City is required to document indirect cost allocation plans for the Department of Transportation's review and approval. The independent auditor noted through test work that payroll costs lacked supporting documentation to determine the reasonableness of the expenditure as direct costs. It was then found that the mentioned costs were determined to be monthly indirect costs applied to this program. Additionally, percentages of salaries and benefits for administrative staff were charged to the grant each pay period, indirectly. The pay for 2 (two) individuals was reimbursed as a percentage of the employees' regular salary.

**Independent Auditor's Recommendation:** The independent auditor recommends that the City adhere to the Uniform Guidance Requirements and submit an indirect cost allocation schedule, or only charge costs directly, with proper documentation supporting the direct time charged to the program.

**Identified Questioned Costs:** \$16,308

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## Exhibit C. Community Action of Southern Kentucky Inc., Bowling Green, KY

**Independent Auditor:** KraftCPAS PLLC

**Report Date:** March 25, 2021

**Fiscal Year Ending:** June 30, 2020 and 2019

**Applicable DOT Operating Administration and Program:** FTA's Federal Transit Formula Grants (Urbanized Area) Program

**Finding Number:** 2020-002 [**Repeat Finding:** 2019-004]<sup>8</sup>

**Compliance Requirement:** Other

**Condition:** The independent auditor noted that the Agency has seen a high level of turnover in the Finance Director role, beginning in 2016. As a result, the internal control environment of the organization has suffered and established internal control procedures were not appropriately followed by Agency personnel. This lack of a consistent staffing has led to weakness in the internal control environment. During 2020, there was substantial improvement; however, deficiencies in internal control still existed.

During the period under audit, the following internal control deficiencies existed, such as reconciliations of statement of financial position accounts would not be performed timely. Bank reconciliations were not completed until well after year end. The independent auditor noted prior to starting our audit, certain Statement of Financial Position account reconciliations would not be performed.

**Independent Auditor's Recommendation:** The independent auditor recommends that the Agency's accounting team should maintain detailed support of each account and reconcile and review accounts monthly to ensure that accounting records comprising the Agency's activities are properly stated and that any errors could be prevented or detected and corrected on a timely basis. Additionally, the Agency should evaluate their internal control environment and make changes to ensure controls are in place, and operating effectively, to achieve accurate financial reporting on a timely basis.

### **Finding 2 of 2:**

**Applicable DOT Operating Administration and Program:** FTA's Federal Transit Formula Grants (Urbanized Area) Program

**Finding Number:** 2020-004 [**Repeat Finding:** 2019-007]<sup>9</sup>

**Compliance Requirement:** Cash Management

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<sup>8</sup> Caused a qualified opinion on the Federal Transit-Formal Grants (Urbanized Area) Program.

<sup>9</sup> Caused a qualified opinion on the Federal Transit-Formal Grants (Urbanized Area) Program.

**Condition:** During the fiscal year ended June 30, 2020, the independent auditor found that the Agency had significantly lag between the reimbursement or drawdowns for retirement expenses and the payment of those retirement expenses to the pension plan. Retirement expenses related to April 2020-June 2020 were payable at June 30, 2020. The total retirement expenses payable at June 30, 2020 were approximately \$381,000. The amount related to federal grants totaled approximately \$354,000. Retirement expenses payable at June 30, 2020 for Catalog of Federal Domestic Assistance (CFDA) #20.507 amounted to approximately \$44,000.

**Independent Auditor's Recommendation:** The independent auditor recommends that the Agency develop internal controls to ensure that reimbursed expenses and drawdown funds are used in accordance with cash management requirements.

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## Exhibit D. State of Nebraska, Lincoln, NE

**Independent Auditor:** Nebraska Auditor of Public Accounts

**Report Date:** December 17, 2020

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Program:** FTA's Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program

**Finding Number:** 2020-065 [**Repeat Finding:** 2019-070]

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Subrecipient Monitoring

**Condition:** The independent auditor notes that the Agency did not have adequate documentation on file to support that payments were for allowable activities and in accordance with allowable cost principles. The Agency also did not perform adequate subrecipient monitoring. A similar comment was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

**Independent Auditor's Recommendation:** The independent auditor recommends that the Agency implement procedures to monitor subrecipients. Additionally the independent auditor recommends that the Agency obtain and maintain adequate documentation to support that costs are allowable and in accordance with Federal requirements.

**Identified Questioned Costs:** \$49,672

### **Finding 2 of 2:**

**Applicable DOT Operating Administration and Program:** FTA's Formula Grants for Rural Areas – COVID-19 Formula Grants for Rural Areas Program

**Finding Number:** 2020-066 [**Repeat Finding:** 2019-071]

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Subrecipient Monitoring

**Condition:** The independent auditor states that the Agency did not have adequate subrecipient monitoring procedures. The Agency did not have adequate support that payments were for allowable activities and in accordance with allowable cost principles. A similar finding was noted in the prior audit. The Summary Schedule of Prior Audit Findings lists the status as completed.

**Independent Auditor's Recommendation:** The independent auditor recommends that the Agency strengthen procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

**Identified Questioned Costs:** \$212,788

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## Exhibit E. Klawock Cooperative Association, Klawock, AK

**Independent Auditor:** Kendall, Prebola and Jones, LLC

**Report Date:** May 14, 2021

**Fiscal Year Ending:** September 30, 2019

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Cluster Program

**Finding Number:** 2019-003<sup>10</sup>

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** When a non-federal organization enters into a contract with a party for goods or services in an amount greater than \$25,000, or enters into a subrecipient agreement irrespective of the award amount, the organization must verify that the entity and its principals are not suspended or debarred or otherwise excluded from participating in a federal award. The Klawock Cooperative Association did not fully comply with the requirements as it relates to "Debarred and Suspended Parties."

During the year ended September 30, 2019, the independent auditor notes that Klawock Cooperative Association entered into a contract for services where federal funds were utilized for the payment of such services. The Association did not utilize recommended procedures to ensure that the subcontractors were eligible for contracting in the federal award program. The subcontractor that was utilized as part of the program was selected to verify that the subcontractor was not debarred or suspended from working on a federal program. Evidence did not exist indicating they were not debarred or suspended during the actual time period between October 1, 2018 through September 30, 2019. A debarred party search was completed for this entity after the year had ended.

**Independent Auditor's Recommendation:** The independent auditor notes that the Federal agency recommends that debarred and suspended verification be accomplished through one of three methods. These methods include (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration, (2) collecting a separately executed certification from the entity, or (3) adding a clause or condition to the actual subcontract agreement with the contracting party. The independent auditor recommends the use of option number 2 or 3 above over option number 1 because it provides better assurance that not only is the organization permitted to participate in a federal award, but the principals are also permitted to work under a federal grant.

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<sup>10</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster Program.

**Finding 2 of 2:**

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Cluster Program

**Finding Number:** 2019-004<sup>11</sup>

**Compliance Requirement:** Reporting

**Condition:** The independent auditor states that as part of administering the federal grant programs, certain reporting requirements are necessary. As part of testing the noted federal program, the independent auditor had requested to receive copies of grant reports, such as the semi-annual financial report, the annual activity report, and the construction report. Copies of these reports were not available to be provided to the independent auditor.

**Independent Auditor's Recommendation:** The independent auditor recommends that while operating and administering the grant program, procedures need to be in place to ensure that all grant reporting requirements are met. All required reports need to be filed in a timely manner and copies of those reports need to be saved and maintained.

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<sup>11</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster Program.

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## Exhibit F. Kay County, Newkirk, OK

**Independent Auditor:** Oklahoma State Auditor and Inspector

**Report Date:** July 8, 2020

**Fiscal Year Ending:** June 30, 2018

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Program

**Finding Number:** 2018-015

**Compliance Requirement:** Activities Allowed or Unallowed

**Condition:** The state auditor states that the policies and procedures have not been designed and implemented to ensure compliance with OMB 2 CFR 200, Subpart D. § 303(a) grant requirements and contracts' conditions. This condition resulted in noncompliance with grant requirements. The state auditor stated that the County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

**Independent Auditor's Recommendation:** The state auditor recommends the County gain an understanding of grant requirements for these programs and implement internal controls to ensure compliance with these requirements.

**Identified Questioned Costs:** \$9,551

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## Exhibit G. Kay County, Newkirk, OK

**Independent Auditor:** Oklahoma State Auditor and Inspector

**Report Date:** July 8, 2020

**Fiscal Year Ending:** June 30, 2017

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Program

**Finding Number:** 2017-015

**Compliance Requirement:** Activities Allowed or Unallowed

**Condition:** In testing 100% of Bureau of Indian Affairs (BIA) expenditures totaling \$3,409,060 the state auditor notes the following:

- One (1) purchase order was not allowed by the BIA Maintenance Co-operative Agreement in the amount of \$7,000.
- One (1) purchase order in the amount of \$44,261 used BIA federal funds to pay Oklahoma Department of Transportation (ODOT) as a matching requirement.

The two (2) exceptions resulted in questioned costs totaling \$51,261

**Independent Auditor's Recommendation:** The state auditor recommends the county gain an understanding of grant requirements for these programs and implement internal controls to ensure compliance with these requirements.

**Identified Questioned Costs:** \$51,261



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## Exhibit H. Puerto Rico Highways and Transportation Authority, San Juan, PR

**Independent Auditor:** Crowe PR PSC

**Report Date:** April 23, 2021

**Fiscal Year Ending:** June 30, 2019

**Applicable DOT Operating Administration and Program:** FTA's Job Access and Reverse Commute Program

**Finding Number:** 2019-003

**Compliance Requirement:** Reporting

**Condition:** The independent auditor states that the authority expended funds in excess of \$25,000 to several subrecipients and no Federal Funding Accountability and Transparency Act (FFATA) related sub-award report was submitted.

**Recommendation:** The independent auditor recommends that the authority's management should strengthen its internal control structure over the preparation, review, and submission of required federal reports to ascertain compliance. This should include, among other, the assignment of an employee to oversee the Authority's compliance over the timely filing of applicable reports even if the filing responsibility falls into different departments within the Authority. Also, the internal audit department may be considered to carry these functions. The independent auditor recommends that the management could develop a checklist as a useful tool to maintain control of reporting due dates.

### Finding 2 of 2:

**Applicable DOT Operating Administration and Program:** FHWA's Highway Planning and Construction Program

**Finding Number:** 2019-004

**Compliance Requirement:** Reporting

**Condition:** The independent auditor states that the Authority did not submit the Data Collection Form and Reporting Package to the Federal Audit Clearinghouse for the audit ending June 30, 2019 before the required date: March 31, 2020. In addition, the OMB issued Memorandum M-20-17, which extends the filing period for an additional six-month period ending on September 30, 2020. However, the Authority did not meet the extension deadline either.

**Recommendation:** The independent auditor recommends that the authority should inform its federal cognizant agency about an estimated submission date of the Data Collection Form and compliance reporting package and evaluate compliance with fiscal year 2020 audit deadlines. The independent auditor also recommends that the authority should keep monitoring its compliance with the filing deadlines in order to mitigate future noncompliance.

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## Exhibit I. Puerto Rico Metropolitan Bus Authority, San Juan, PR

**Independent Auditor:** Valdes, Garcia, Marin & Martinez

**Report Date:** March 20, 2021

**Fiscal Year Ending:** June 30, 2018

**Applicable DOT Operating Administration and Program:** FTA's Federal Transit Formula Grants

**Finding Number:** 2018-006<sup>12</sup> [**Repeat Finding:** 2017-005; 2016-007]

**Compliance Requirement:** Equipment and Real Property Management

**Condition:** As discussed in Finding 2018-002, during the audit procedures over inventories for the year ended June 30, 2018, the independent auditor noted the following deficiencies related with the management of the spare parts inventory acquired for the repairs and maintenance of bus fleet:

1. Internal control procedures in place were not operating as designed.
2. Physical interim count was not performed.
3. Even though perpetual records were adjusted for quantities physically counted, the reasons for the differences were not investigated and, consequently, no adequate and timely procedures were implemented to detect, deter or mitigate them on a timely manner.
4. Several items selected for the inventory counting procedures test did not agree with final inventory report.
5. Information for supporting the costs of several items of the inventory as of June 30, 2018 was not provided for our examination.

**Recommendation:** The independent auditor recommends that the authority should perform a proper risk assessment evaluation and design adequate internal controls procedures to mitigate the risks associated with improper safeguarding of equipment as well as ascertain that implemented procedures are operating as designed. Safeguarding procedures should include, among others:

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<sup>12</sup> Caused a qualified opinion on the Federal Transit Formula Grants program.

1. Proper segregation of duties and monitoring procedures to avoid or deter override of internal control procedures or collusion.
2. Enforce proper daily reconciliation procedures of spare parts inventory transactions and immediate investigation and resolution of any difference found.
3. Monthly reconciliations of spare parts perpetual inventory and general ledger accounts balances.
4. Implementation of periodic inventory counting, reconciliation and investigation of differences noted.
5. Proper enforcement and monitoring procedures for instances of overriding of, or noncompliance with, internal control procedures.

Also, the independent auditor recommends that the authority should incorporate both 49 CFR Part 18 Section 32(d)(1),(2),(3),(4) and (5), Management Requirements and 2 CFR Part 200 Section 313(d)(1),(2),(3), Equipment Management Requirements to its warehouse ruling number 04-02.

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## Exhibit J. National Railroad Passenger Corporation and Subsidiaries (AMTRAK), Washington DC

**Independent Auditor:** Ernst & Young LLP

**Report Date:** December 17, 2020

**Fiscal Year Ending:** September 30, 2020

**Applicable DOT Operating Administration and Program:** Federal Railroad Administration's (FRA) National Railroad Passenger Corporation Grants Program

**Finding Number:** 2020-001 [**Repeat Finding:** 2019-002]

**Compliance Requirement:** Equipment and Real Property Management<sup>13</sup>

**Condition:** The following exceptions to the criteria were observed by the independent auditor during the performance of the audit procedures:

1. For five of the equipment samples reviewed, the independent auditor observed that for two of them the serial numbers on the selected assets at the physical location could not be matched against the serial number indicated in the accounting records, and three asset numbers, as indicated per the records, did not match the asset number on the equipment observed.
2. For fourteen of the equipment samples reviewed, the independent auditor was observed that for seven of them, the Condition data or Location field in the asset records was blank and, for seven equipment samples, the Location field per the asset records did not match the actual physical location of the asset. The independent auditor noted that was due to the assets records not being updated in a timely manner with the actual status of the equipment in the field.
3. During the independent auditor's procedures performed for four assets, they identified that no inventory had occurred for the asset, even though it had been placed in service over two years prior and would have required an inventory prior to our observation. As this came to the independent auditor's attention after the inventory was required and during our observation procedures, it was investigated further and could not obtain alternative evidence to support that an inventory had occurred within the two-year period.

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<sup>13</sup> In *Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2020* (OIG Report No. SA2021009, December 2, 2020), we reported the same finding related to Equipment and Real Property Management for the same auditee for fiscal year 2019.

4. This is a repeat finding that has occurred over the last several audit periods. As such, Amtrak has not taken sufficient actions when instances of noncompliance are identified through audit findings to make necessary updates to their internal controls.

**Recommendation:** The independent auditor recommends that management consider redesigning one of its key controls to help ensure that the monitoring of the observations is occurring on a preventive basis to help identify any exposure to non-compliance before it occurs. During the observation process, management should ensure there is a review control within the process to validate that the asset is accurately tagged and such identifying information matches the equipment-tracking system. Additionally, this review control should also be performed when the asset is first logged into the equipment-tracking system. In the interim, until such processes are fully implemented, Amtrak should enhance the current control procedures surrounding the asset documentation and ensure that field personnel are aware of and consistently and carefully update the asset records such that clerical/human errors are minimized and that the asset records contain the necessary asset details in order to properly track equipment by federal requirements.

**Finding 2 of 2:**

**Applicable DOT Operating Administration and Program:** FRA's National Railroad Passenger Corporation Grants Assistance Program

**Finding Number:** 2020-002 [**Repeat Finding:** 2019-01]

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting

**Condition:** The following exceptions to the criteria were observed by the independent auditor during the performance of the audit procedures:

1. During the procedures performed, the independent auditor identified a transaction erroneously included in the expenditure population that did not represent an expenditure allocable to federal funding incurred by Amtrak. The \$14.4 million amount included on the Schedule of Expenditures of Federal Awards (SEFA) and in the underlying populations related to a shared asset with a state partner. The state partner funded and performed the work on the asset and Amtrak recorded the asset on its books through a journal entry.
2. Amtrak identified \$16.8 million of additional expenditures that were erroneously included on the SEFA for expenditures allocated to project codes in amounts that exceeded the established budgets approved by the Federal Railroad Administration (FRA) for federal funding for those project codes.

**Recommendation:** The independent auditor recommends that a process be established that would allow Amtrak to identify and review underlying populations of expenditures at a

transaction level, in a frequent manner, that support the amounts disclosed on the SEFA. This would include reviewing budget to actual project code variances at a level necessary to determine unauthorized allocations in a timely manner.

**Identified Questioned Costs:** \$31,200,000

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## **Exhibit K.** Greater Roanoke Transit Company, Roanoke, VA

**Independent Auditor:** Brown, Edwards & Company, LLP

**Report Date:** February 26, 2021

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Program:** FTA's Federal Transit Cluster Program

**Finding Number:** 2020-003 [**Repeat Finding:** 2019-004]

**Compliance Requirement:** Cash Management

**Condition:** The independent auditor states that a lack of oversight in the annual grant application process resulted in a vendor not being paid timely.

**Recommendation:** The independent auditor recommends that a designated management level individual should have oversight to require timely and accurate grant applications are filed and that drawdowns are accurate.



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## Exhibit L. State of Minnesota, St. Paul, MN

**Independent Auditor:** Office of the Legislative Auditor

**Report Date:** December 15, 2020

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Program:** FHWA's Highway Safety Cluster Program (State and Community Highway Safety and National Priority Safety Programs)

**Finding Number:** 2020-058 [**Repeat Finding:** 2019-012]

**Compliance Requirement:** Allowable Cost/Cost Principles<sup>14</sup>

**Condition:** The independent auditor stated that the Department of Public Safety did not properly approve 39 employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval instead of the primary approver.

**Recommendation:** The independent auditor recommends that the Department of Public Safety should strengthen internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with state policy.

**Identified Questioned Costs:** \$78,349

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<sup>14</sup> In *Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2020* (OIG Report No. SA2020041, August 5, 2020), we reported the same finding related to Allowable Costs/Costs Principles with questioned costs totaling \$5,693 for the same auditee for fiscal year 2019.

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## **Exhibit M.** City and County of Honolulu, Honolulu, HI

**Independent Auditor:** Accuity LLP

**Report Date:** January 15, 2021

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Program:** FTA's Federal Transit Grants Program

**Finding Number:** 2020-006

**Compliance Requirement:** Period of Performance

**Condition:** During audit, the independent auditor examined 25 haphazardly selected expenditure transactions and identified seven expenditures totaling \$92,640 that were outside of the grant's period of performance.

**Recommendation:** The independent auditor recommends that the city establish procedures to monitor the periods of performance of awards and request extensions from the federal awarding agency, if necessary.

**Identified Questioned Costs:** \$92,640

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