Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2021
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Self-Initiated

Office of the Secretary | SA2021025 | May 26, 2021

What We Looked At
We queried and downloaded 88 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between January 1, 2021 and March 31, 2021, to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

What We Found
We found that reports contained a range of findings that impacted DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 16 grantees that require prompt action from DOT’s Operating Administrations (OA). The auditors also identified questioned costs totaling $8,008,786 for nine grantees.

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 $8,008,786, if applicable.

All OIG audit reports are available on our website at www.oig.dot.gov.

For inquiries about this report, please contact our Office of Government and Public Affairs at (202) 366-8751.
Memorandum

Date: May 26, 2021


From: Louis C. King  
Assistant Inspector General for Financial Audits

To: Deputy Assistant Secretary for Administration

The Department of Transportation (DOT) Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors’ single audit 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. Over the past 3 fiscal years combined, 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 88 single audit reports that were prepared by independent auditors and submitted to the Federal Audit Clearinghouse between January 1, 2021, and

1 Single audits—required by the Single Audit Act of 1996, as amended—help Government agencies and auditors oversee the expenditure of Federal funds by non-Federal entities.

2 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.

3 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.
March 31, 2021. 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 Operating Administrations (OA) 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 $8,008,786, if applicable.

See exhibits A through P for details on the auditees; the non-Federal auditors’ findings, including areas of noncompliance; the conditions identified; and the non-Federal auditors’ recommendations.

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve 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.

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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b. Equipment and Real Property Management  
c. Procurement and Suspension and Debarment | a. 2018-010  
b. 2018-011  
c. 2018-012 | a. $6,599,829  
b. Not applicable  
c. Not applicable | F |
<p>| Central Midlands Council of Governments, Columbia, SC, June 30, 2020 | Scott and Company LLC | Cash Management | 2020-003 | $0 | G |
| Native Village of Selawik, Selawik, AK, December 31, 2019 | Lisa Taylor, Certified Public Accountant (CPA) | Reporting | 2019-006 | $0 | I |
| New Mexico Public Regulation Commission, Santa Fe, NM, June 30, 2020 | Zlotnick, Laws &amp; Sandoval, P.C. | Allowable Costs/Cost Principles | 2020-001 | $5,950 | J |
| Douglas County Nevada, Minden, NV, June 30, 2020 | Eide Bailly LLP | Allowable Costs/Cost Principles | 2020-011 | $26,204 | L |</p>
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<td>Commonwealth Ports Authority, Northern Mariana Islands, Saipan, MP, September 30, 2019</td>
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<td>2019-002</td>
<td>$0</td>
<td>N</td>
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<td>City of Medina, Medina, OH, December 31, 2019</td>
<td>Ohio Auditor of State</td>
<td>Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment</td>
<td>2019-002</td>
<td>$0</td>
<td>O</td>
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<tr>
<td>Community Transportation Association of America, Washington, DC, June 30, 2020</td>
<td>CliftonLarson Allen LLP</td>
<td>Allowable Costs/Cost Principles</td>
<td>2020-003</td>
<td>$110,784</td>
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a 2 CFR Part 200, appendix XI, part 3, Compliance Requirements, identifies and describes the 12 types of compliance requirements.

b Non-Federal auditor findings do not always result in questioned costs.

Source: Independent auditors’ reports.
Exhibit A. City of Manteca, Manteca, CA

Independent Auditor: Maze & Associates

Report Date: January 7, 2021

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Programs: Federal Transit Administration’s (FTA) Formula Grants for Urbanized Area Formula Program

Finding Number: 2019-001

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor states that tested payroll charged to the Federal Transit Formula Grants program for three pay periods and noted that the payroll costs for one of the employees for all three pay periods were charged to the program based on a flat rate of 24.7% of the payroll costs, rather than based on the actual hours worked.

Independent Auditor’s Recommendation: The independent auditor recommends that the City should establish procedures to ensure that payroll costs charged to the program are documented in accordance with 2 CFR § 200.430 for the Federal Transit Formula Grants program and all Federal grant programs.

Identified Questioned Costs: $22,787
Exhibit B. Sangamon Mass Transit District, Springfield, IL

Independent Auditor: SIKICH LLP
Report Date: December 18, 2020
Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: FTA’s Federal Transit Cluster
Finding Number: 2020-002

Compliance Requirement: Matching, Level of effort, Earmarking

Condition: The independent audit states when testing grant expenditures, the independent auditor noted that two different Federal grants (IL-2020-013 and IL-90-X744) were used to purchase six buses. One of the grant awards (IL-2020-013) required a match of local funds. An adjustment was made to remove the questioned costs from the Federal awards recognized.

Independent Auditor’s Recommendation: The independent auditor recommends that management review grant agreements to ensure accurate local match portions are applied to the expenditure of Federal awards in with the grant terms.

Identified Questioned Costs: $183,372
Exhibit C. Iowa Tribe of Oklahoma, Perkins, OK

Independent Auditor: Stauffer & Associates PLLC

Report Date: December 31, 2020

Fiscal Year Ending: December 31, 2019

Applicable DOT Operating Administration and Program: Federal Highway Administration’s (FHWA), Tribal Transportation Program

Finding Number: 2019-0015 [Repeat finding: 2018-002]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The independent auditor states that the Department could not provide the support that showed a suspension and debarment search was performed for 1 of 1 sample selected for testing.

Independent Auditor’s Recommendation: The independent auditor recommends that the Department develop procedures to ensure that prior to contracting with a vendor, a search is performed at www.sam.gov, a screen print of the search results is performed, and the results filed in the vendor’s file.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FHWA, Tribal Transportation Program

Finding Number: 2019-002

Compliance Requirement: Special Tests and Provisions

Condition: The independent auditor states that the Department could not provide supporting documentation showing the compliance Wage Rate Requirement was followed.

Independent Auditor’s Recommendation: The independent auditor recommends that the Department implement policies and procedures to ensure the compliance Wage Rate Requirement is followed.

5 Caused a qualified opinion on the Tribal Transportation Program.

6 Caused a qualified opinion on the Tribal Transportation Program.
Exhibit D. Lower Brule Sioux Tribe, Lower Brule, SD

Independent Auditor: REDW LLC

Report Date: December 29, 2020

Fiscal Year Ending: September 30, 2019

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


Compliance Requirement: Special Tests and Provisions; Other

Condition: The independent auditor states that the Tribe has used forward-funded grant monies to fund other programs and general fund activities.

Independent Auditor’s Recommendation: The independent auditor recommends that the Tribe should develop and enforce internal control policies and procedures to ensure cash balances equal or exceed unearned revenue balances related to advanced grant monies. The Tribe should also continue to implement budget controls and identify additional unrestricted funding sources to enable the Tribe to replenish cash balances.

7 Caused a qualified opinion on the Highway Planning and Construction.
Exhibit E. Crow Tribe of Indians, Crow Agency, MT

Independent Auditor: Stauffer & Associates PLLC

Report Date: December 28, 2020

Fiscal Year Ending: September 30, 2017

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


Compliance Requirement: Activities Allowed or Unallowed; Allowable Cost/Cost Principles

Condition: The independent auditor states that Management has not implemented an effective internal control system. For the Highway Planning and Construction Cluster (Catalogue of Federal Domestic Assistance (CFDA) #: 20.205), during transactional testing the following were noted:

- 39 out of 40 transactions had not support provided, and
- these 39 out of 40 transactions tested were not given consistent treatment and were not adequately documented.

Independent Auditor’s Recommendation: The independent auditor recommends that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The independent auditor also recommends that all records be maintained and filed in a way that allows them to be located and reviewed at any point in time.

Identified Questioned Costs: $23,939

Finding 2 of 8:

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


Compliance Requirement: Cash Management

Condition: The independent auditor states that Management has not implemented an effective internal control system. In addition, the Department could not provide support for advanced funds or the reimbursement payment method of any of the major programs (CFDA #’s: 15.556, 15.557, 15.558)

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8 Caused a disclaimer opinion on the Highway Planning and Construction Program.

9 Caused a disclaimer opinion on the Highway Planning and Construction Program.
Thus, the Department is not in compliance since no support could be provided to show they are following cash management requirements.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The independent auditor also recommends all records be maintained and filed in a way that allows them to be located and reviewed at any point in time.

**Finding 3 of 8:**

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

**Finding Number:** 2017-006 [Repeat Finding: 2016-027]

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

**Condition:** The independent auditor states that Management has not implemented an effective internal control system; property records were not maintained for fiscal year 2017; and a physical inventory was not taken in 2016 or 2017.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. In addition, the independent auditor recommends that physical inventory is taken and that the results are reconciled with the property records at least once every 2 years.

**Finding 4 of 8:**

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

**Finding Number:** 2017-008 [Repeat Finding: 2016-027]

**Compliance Requirement:** Period of Performance

**Condition:** The independent auditor states that Management has not implemented an effective internal control system. In addition, the Department could not provide any support that they tracking period of performance for any of the major programs (CFDA #'s: 20.205, 93.441, and 93.600).

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The independent auditor also recommends all records be maintained and filed in a way that allows them to be located and reviewed at any point in time. In addition, the independent

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10 Caused a disclaimer opinion on the Highway Planning and Construction Program.

11 Caused a disclaimer opinion on the Highway Planning and Construction Program.
auditor recommends that the Department track expenditures for major programs so they are not being expended outside of the period of performance.

Finding 5 of 8:

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

Finding Number: 2017-00912 [Repeat Finding: 2016-028]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The independent auditor states that Management has not implemented an effective internal control system. The Department could not provide proper bidding support or supporting documentation that they were following their procurement policies for any of the major programs (CFDA #’s: 15.556 (8 of 8), 20.205 (9 of 9), 93.441 (2 of 2), and 93.600 (4 of 4)). The Department could not provide supporting documentation that vendors were checked for suspension and debarment before contracting with them for any of the major programs (CFDA #’s: 15.556 (2 of 2), 20.205 (1 of 1), 93.441 (1 of 1), and 93.600 (4 of 4)).

Independent Auditor’s Recommendation: The independent auditor recommends that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The independent auditor also recommends that the Department conduct a training for staff to review the Department’s procurement policies and procedures, and maintain all records in a way that allows them to be located and reviewed at any point in time.

Finding 6 of 8:

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

Finding Number: 2017-01013 [Repeat Finding: 2016-022 and 2016-024]

Compliance Requirement: Reporting

Condition: The independent auditor states that Management has not implemented an effective internal control system for reporting. The Department did not provide supporting documentation for any reports in fiscal year 2017.

Independent Auditor’s Recommendation: The independent auditor recommends the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The independent auditor also recommends that the Department’s programs send the funding agency the required reports in a timely manner.

12 Caused a disclaimer opinion on the Highway Planning and Construction Program.
13 Caused a disclaimer opinion on the Highway Planning and Construction Program.
Finding 7 of 8:

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

Finding Number: 2017-01114 [Repeat Finding: 2016-027]

Compliance Requirement: Special Tests and Provisions

Condition: The independent auditor states that Management has not implemented an effective internal control system. In addition, the Department did not provide any supporting documentation that special tests and provision requirements were being met for any of the major programs.

Independent Auditor’s Recommendation: The independent auditor recommends the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The independent auditor also recommends the Department maintain records in a way that allows them to be located and reviewed at any point in time.

Finding 8 of 8:

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

Finding Number: 2017-01215 [Repeat Finding: 2016-004]

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

Condition: The independent auditor states that the Tribe’s cash balance is not sufficient to cover the unearned revenue balances.

Independent Auditor’s Recommendation: The independent auditor recommends the Department pursue other means to increase its cash balance.

Identified Questioned Costs: $882,143

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14 Caused a disclaimer opinion on the Highway Planning and Construction Program.
15 Caused a disclaimer opinion on the Highway Planning and Construction Program.
Exhibit F. Pit River Tribe, Burney, CA

Independent Auditor: Stauffer & Associates PLLC

Report Date: December 22, 2020

Fiscal Year Ending: December 31, 2018

Applicable DOT Operating Administration and Program: Highway Planning and Construction Cluster

Finding Number: 2018-010\textsuperscript{16} [Repeat Finding: 2017-010]

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor states that the Department’s cash balance is not sufficient to cover the unearned revenue balance of $6,599,829.

Independent Auditor’s Recommendation: The independent auditor recommends that the Department pursue other means to increase its cash balance.

Identified Questioned Costs: $6,599,829

Finding 2 of 3:

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

Finding Number: 2018-011\textsuperscript{17} [Repeat Finding: 2017-011]

Compliance Requirement: Equipment and Real Property Management

Condition: The independent auditor states that during review of client files, the independent auditor noted that a physical inventory count had not been documented or performed on equipment and real property acquired with Federal funds within the last two years.

Independent Auditor’s Recommendation: The independent auditor recommends that the Department establishes and follows a formal procedure to perform a physical inventory count at least once every two years for all equipment and real property acquired with Federal funds.

Finding 3 of 3:

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

Finding Number: 2018-012\textsuperscript{18} [Repeat Finding: 2017-012]

Compliance Requirement: Procurement and Suspension and Debarment

\textsuperscript{16} Caused a qualified opinion on the Highway Planning and Construction Program.

\textsuperscript{17} Caused a qualified opinion on the Highway Planning and Construction Program.

\textsuperscript{18} Caused a qualified opinion on the Highway Planning and Construction Program.
**Condition:** The independent auditor states that 2 out of 2 transactions selected for testing did not have evidence that the vendors for contracts over $25,000 were verified to not be suspended or debarred on the excluded parties listing service.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Department more consistently follow the established internal controls and reiterate the importance of the controls to their staff members and adhere to the suspended and debarred compliance requirements.
Exhibit G. Central Midlands Council of Governments, Columbia, SC

Independent Auditor: Scott and Company LLC
Report Date: February 9, 2021
Fiscal Year Ending: June 30, 2020
Applicable DOT Operating Administration and Program: FTA’s Federal Transit Cluster
Finding Number: 2020-00319

Compliance Requirement: Cash Management

Condition: Of the 10 cash drawdowns that were selected for testing, the independent auditor noted 7 instances in which the drawdown was performed prior to payment of the related invoice. Total payments for the seven invoices noted above were $918,193.

Independent Auditor’s Recommendation: The independent auditor recommends that the Council should establish an internal control system to ensure that drawdowns are being performed after expenditures have been made, in accordance with Cash Management Uniform Guidance requirements.

19 Caused a qualified opinion on the Federal Transit Cluster.
Exhibit H. Charlottesville-Albemarle Airport Authority, Charlottesville, VA

Independent Auditor: Robinson, Farmer, Cox Associates PLLC
Report Date: January 19, 2021
Fiscal Year Ending: June 30, 2020
Applicable DOT Operating Administration and Program: Federal Aviation Administration’s (FAA) Airport Improvement Program
Finding Number: 2020-002
Compliance Requirement: Allowable Costs/Cost Principles
Condition: The independent auditor states that the Management submitted reimbursement requests for debt service payments paid prior to March 27, 2020. In addition, some project related invoices were requested for reimbursement.
Independent Auditor’s Recommendation: The independent auditor recommends that management review grant terms and conditions in their entirety prior to submitting reimbursement requests.
Identified Questioned Costs: $124,019
Exhibit I. Native Village of Selawik, Selawik, AK

Independent Auditor: Lisa Taylor, CPA

Report Date: December 25, 2020

Fiscal Year Ending: December 31, 2019

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

Finding Number: 2019-006

Compliance Requirement: Reporting

Condition: The independent auditor states no Quick Books reports were attached to the reports submitted and the independent auditor was unable to recreate the exact numbers through the accounting software. Additionally, the independent auditor states that their reports appear to be submitted past due. The Single Audit reports were not completed timely.

Independent Auditor’s Recommendation: The independent auditor recommends that these reports should be completed, reviewed and retained by either the Accounting Department or by the Program Directors with supporting Quick Books reports attached and that the Tribal Administrator review the reports with supporting documentation before signing. Copies of these reports should be retained by the Program Directors and the Accounting Department.

20Caused a qualified opinion on the Highway Planning and Construction Cluster.
Exhibit J. New Mexico Public Regulation Commission, Santa Fe, NM

Independent Auditor: Zlotnick, Laws & Sandoval, P.C.

Report Date: October 26, 2020

Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: Pipeline and Hazardous Materials Safety Administration’s (PHMSA) Pipeline Safety Program State Base Grant

Finding Number: 2020-001

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor states that they received a communication from the PRC Legal Division council regarding standby time charged by a program manager. We found that the program manager incurred 4,512 on-call hours during the fiscal year, averaging over 375 standby hours per month. At one-eighth (1/8) of employee pay rate, the program manager received $32,240 for on-call pay. Another issue raised in the report was that the employee was compensated at a higher pay rate than a program manager position. The program manager is currently serving a dual role at the Commission; if the lower rate was used, there’s a potential savings of 30.77 percent or $9,920. The Federal share of the savings would be approximately $5,950 or 60 percent.

Independent Auditor’s Recommendation: The independent auditor recommends that the supervisors approve employee timesheets, and the Commission should require all employees eligible for on-call status to rotate on a weekly basis per established policy. The independent auditor also recommends the Commission pay standby time at the lower program manager rate to the employee serving in the dual capacity.

Identified Questioned Costs: $5,950

Independent Auditor: Rodefer Moss & Co, PLLC

Report Date: February 4, 2021

Fiscal Year Ending: June 30, 2020

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

Finding Number: 2020-002

Compliance Requirement: Other

Condition: The independent auditor noted that transportation drivers were paid overtime rates starting at 37.5 hours instead of 40 hours.

Independent Auditor’s Recommendation: The independent auditor recommends that the ETHRA should ensure that they remain in compliance with wage costs and review processes.

Identified Questioned Costs: $29,759
Exhibit L. Douglas County Nevada, Minden, NV

Independent Auditor: Eide Bailly LLP

Report Date: February 19, 2021

Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: FTA’s Formula Grants for Rural Areas and Tribal Transit Program

Finding Number: 2020-011

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor noted 3 of 12 monthly claims in which the indirect costs charged to the program were not properly supported.

Independent Auditor’s Recommendation: The independent auditor recommends that the County implement policies and procedures to ensure indirect costs being charged to the program are appropriate.

Identified Questioned Costs: $26,204
Exhibit M. Commonwealth of Pennsylvania, Harrisburg, PA

Independent Auditor: CliftonLarsonAllen LLP

Report Date: December 14, 2020

Fiscal Year Ending: June 30, 2020

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

Finding Number: 2020-021\(^2\)

Compliance Requirement: Subrecipient Monitoring

Condition: The independent auditor states that under the Commonwealth of Pennsylvania's (Commonwealth) implementation of the Single Audit Act, review and resolution of subrecipient Single Audit reports is split into two stages. The Office of the Budget’s Bureau of Accounting and Financial Management (OB-BAFM) ensures the reports meet technical standards through a centralized desk review process. The various funding agencies in the Commonwealth are responsible for making a management decision on each finding within six months of the Federal Audit Clearinghouse’s (FAC) Management Decision Letter (MDL) start date for audits subject to Uniform Guidance and to ensure appropriate corrective action is taken by the subrecipient (except for Uniform Guidance audits under U.S. Department of Labor programs which are permitted 12 months for management decisions in accordance with 2 CFR Section 2900.21). Each Commonwealth agency is also responsible for reviewing financial information in each audit report to determine whether the audit included all pass-through funding provided by the agency in order to ensure pass-through funds were subject to audit. Most agencies meet this requirement by performing Schedule of Expenditures of Federal Awards (SEFA) reconciliations. The agency is also required to adjust Commonwealth records, if necessary.

Our fiscal year ended June 30, 2020 audit of the Commonwealth’s process for review and resolution of subrecipient Single Audits included an evaluation of the Commonwealth’s fiscal year ended June 30, 2019 subrecipient audit universe for audits due for submission to the FAC during the fiscal year ended June 30, 2020. We also evaluated the Commonwealth’s review of 39 subrecipient audit reports with findings in major programs/clusters which were identified on the Commonwealth agencies’ tracking lists during the fiscal year ended June 30, 2020, and required management decisions by Commonwealth agencies.

Our testing disclosed the following audit exceptions regarding the Commonwealth agencies’ review of subrecipient audit reports:

\(^2\) Caused a qualified opinion to the Highway Planning and Construction Cluster.
Department of Transportation (PennDOT): The time period for making a management decision on findings was approximately 13 months after the FAC MDL start date for one out of six subrecipient audit reports with findings.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the above weaknesses that cause untimely subrecipient Single Audit resolution, including untimely management decisions on findings, untimely review of the SEFA or alternate procedures, and late audit report submissions be corrected to ensure compliance with federal requirements and Commonwealth Management Directives, and to better ensure more timely subrecipient compliance with program requirements. The independent auditor also recommends Commonwealth agencies should promptly pursue outstanding audits and implement remedial action steps in accordance with 2 CFR §200.338 and Commonwealth Management Directive 325.8, Section 5 (a) and (b) on a timely basis, including withholding funding from subrecipients which do not comply with audit submission requirements.
Exhibit N. Commonwealth Ports Authority, Northern Mariana Islands, Saipan, MP

Independent Auditor: Deloitte & Touche LLC
Report Date: March 8, 2021
Fiscal Year Ending: September 30, 2019
Applicable DOT Operating Administration and Program: FAA’s Airport Improvement Program

Compliance Requirement: Equipment and Real Property Management
Condition: The independent auditor states that the CPA conducted a capital assets inventory during fiscal year 2019; however, only a partial reconciliation was performed. Total fixed asset additions capitalized and related to CPA’s major program amounted to $8,222,248, $0, $6,476,899, $5,294,765 and $0 during fiscal years 2019, 2018, 2017, 2016 and 2015, respectively. The capital assets schedule did not include the federal award identification number, who holds title, percentage of federal participation, location, use and condition of the assets.

Of forty items tested, the independent auditor noted deficiencies, as follows:

- Two items (or 5 percent) have been replaced; as such, assets should have been written-off.
- One item (or 3 percent) was tagged; however, the tag number was not documented in the entity’s records.
- Five expense items were improperly capitalized. Management did not consider the amounts sufficiently material to the financial statements to warrant an adjustment.
- For five assets, we were unable to determine physical existence as the serial number on the asset does not agree with the serial number on the subledger.
- For nine assets, we were unable to determine physical existence as the subledger lacked sufficient description (e.g., tag number or serial number) to match the asset to the fixed asset detail.
- For five assets, we were unable to determine physical existence as we were advised that the asset had either been disposed, replaced or damaged. At September 30, 2019, the assets were included in the fixed asset subledger.

22 Caused a qualified opinion on the Airport Improvement Program
• For six asset items, the description comprises numerous units, however, we were not able to verify physical existence for all units. At September 30, 2019, the assets were included in the fixed asset subledger.

• For eight assets, we were unable to determine physical existence as there was no information as to the asset’s location.

• For three assets, we were unable to determine physical existence as the asset could not be located.

• The assets are not functional, however, the assets have not been decommissioned.

**Independent Auditor’s Recommendation:** The independent auditor recommends that CPA should establish and implement controls over compliance with applicable property management requirements. Responsible personnel should perform monitoring activities to ascertain that the results of the annual physical inventory reconcile to the property records and that sufficient details are included in the capital assets subledger to specifically identify individual assets.
Exhibit O. City of Medina, Medina, OH

Independent Auditor: Ohio Auditor of State

Report Date: February 1, 2021

Fiscal Year Ending: December 31, 2019

Applicable DOT Operating Administration and Program: FHWA’s Highway Planning and Construction Cluster and FAA’s Airport Improvement Program


Compliance Requirement: Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment

Condition: The independent auditor states that the City has not updated their written procedures for any of the requirements listed in the table below:

- Cash Management
- Allowable Costs
- Procurement

Independent Auditor’s Recommendation: The independent auditor recommends that the City revises their policies to include, but not be limited to, the following elements:

- For cash management, how the City will ensure grants funded on an advance-basis will be spent within the required time frame specified by the grant. For grants funded on a reimbursement-basis, how the City will ensure costs have already been incurred prior to the submitting the draw down request;
- For determining allowable costs, how will the determination of allowable costs will be documented, which includes payroll related costs (time and effort), fringe benefits, and travel costs;
- For procurement, how the appropriate procurement method will be determined and documented, what documentation will maintained for the rationale of the choice of procurement method and actual purchase made, how many quotes will be adequate when using the small purchase threshold and competitive proposals, the method for evaluating technical elements in competitive proposals, and how a sole source provider or emergency situation will be determined and documented. Additionally, the policy should indicate employees who have a role in the selection, award, and administration of the contract shall not have a financial interest in the contract.

23 Caused a qualified opinion on the Highway Planning and Construction Cluster and the Airport Improvement Program.
Exhibit P. Community Transportation Association of America, Washington, DC

**Independent Auditor:** CliftonLarsonAllen LLP

**Report Date:** February 17, 2021

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

**Applicable DOT Operating Administration and Program:** OST’s National Center for Mobility Management

**Finding Number:** 2020-003

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

**Condition:** The independent auditor states that during testing, the independent auditor noted the Association did not appropriately allocate expenditures through multiple cost centers to programs that benefited from the expense.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Association should implement effective internal controls to ensure that it allocates expenditures appropriately for purposes of federal reimbursement.

**Intended Questioned Costs:** $110,784.
Our Mission

OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT’s programs to ensure a safe, efficient, and effective national transportation system.