



OST

Report No. SA2022010
November 10, 2021

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



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Self-Initiated

Office of the Secretary | SA2022010 | November 10, 2021

What We Looked At

We queried and downloaded 75 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between July 1, 2021 and September 30, 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 \$9,236,974 for five grantees. Of this amount, \$44,115 was related to COVID-19 formula grants for the Federal Aviation Administration's CARES Act Airport Grant Agreement Program.

Our 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 \$9,236,974, if applicable.



Memorandum

Date: November 10, 2021

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2021 | Report No. SA2022010

From: Dormayne "Dory" Dillard-Christian 
Acting 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 audit¹ 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.² 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 75 single audit reports that were prepared by independent auditors and submitted to the Federal Audit Clearinghouse³ between July 1, 2021, and

¹ The Single Audit Act, as amended (Pub. L. 98-502 (1984); Pub. L. 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.

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, <http://harvester.census.gov/facweb/>, is a public database of completed single audits maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

September 30, 2021. 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 \$9,236,974 for five grantees. Of this amount, \$44,115 was related to COVID-19 formula grants for the Federal Aviation Administration's (FAA) CARES Act Airport Grant Agreement Program.⁴ 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 \$9,236,974, 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.⁵

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve⁶ 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

⁴ See exhibit P.

⁵ These exhibits present verbatim information from reporting packages and Data Collection Forms that we downloaded from the Federal Audit Clearinghouse.

⁶ 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 ^a	Independent Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Territory of American Samoa, Pago Pago, AS, September 30, 2020	Larson & Company, PC	Special Tests and Provisions	2020.04*	None	A
City of Phoenix, Phoenix, AZ, June 30, 2020	BKD, LLP	Activities allowed or unallowed, Allowable costs/cost principles, Matching, level of effort, earmarking	2020-001*	\$2,352,768	B
State of Mississippi, Jackson, MS, June 30, 2020	State of Mississippi, Office of the State Auditor	Special Tests and Provisions	2020-034*	N/A	C
City of Scottsboro, Scottsboro, AL, September 30, 2020	Gant, Croft Associates, P.C.	Special Tests and Provisions	2020-004	None	D
City of Wichita, Wichita, KS, December 31, 2020	Allen, Gibbs & Houlik, L.C.	Activities allowed or unallowed, Allowable costs/cost principles	2020-001	None	E
SouthWest Ohio Regional Transit Authority, Cincinnati, OH, December 31, 2020	CliftonLarson Allen LLP	Activities Allowed or Unallowed	2020-001	None	F
New Jersey Transit Corporation, Newark, NJ, June 30, 2020	Deloitte & Touche LLP	Equipment and Real Property Management	2020-001	Cannot be determined	G
Utah Transit Authority, Salt Lake City, UT, December 31, 2020	Crowe LLP	Activities allowed or unallowed, Allowable costs/cost principles	2020-002	None	H

Non-Federal Entities and End Dates of Audited Fiscal Years	Independent Auditors	Areas of Noncompliance ^a	Independent Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Crow Tribe of Indians, Crow Agency, MT, September 30, 2018	Stauffer & Associates PLLC	<ul style="list-style-type: none"> a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles b. Cash Management c. Equipment and Real Property Management d. Matching, level of effort, earmarking e. Period of Performance f. Procurement and Suspension and Debarment g. Reporting h. Special Tests and Provisions I. Activities Allowed or Unallowed, Allowable Costs/Cost Principles 	<ul style="list-style-type: none"> a. 2018-003* b. 2018-004* c. 2018-006* d. 2018-007* e. 2018-008* f. 2018-009* g. 2018-010* h. 2018-011* I. 2018-012* 	<ul style="list-style-type: none"> a. \$66,946 b. unknown c. unknown d. unknown e. unknown f. unknown g. unknown h. unknown I. \$2,262,517 	I
City of Atlanta, Atlanta, GA, June 30, 2020	KPMG LLP	Reporting	2020-012*	No Questioned Costs	J
City of New York, New York, NY, June 30, 2020	Grant Thornton LLP	Allowable Costs/Cost Principles	2020-006*	\$141,674	K
Pit River Tribe, Burney, CA, December 31, 2019	Stauffer & Associates PLLC	<ul style="list-style-type: none"> a. Allowable Costs/Cost Principles b. Equipment and Real Property Management c. Procurement and Suspension and Debarment d. Allowable Costs/Cost Principles 	<ul style="list-style-type: none"> a. 2019-011* b. 2019-012* c. 2019-013* d. 2019-014 	<ul style="list-style-type: none"> a. \$4,343,954 b. Not Applicable c. Not Applicable d. Known and likely questioned costs less than \$25,000 	L
Capital Area Transit System, Baton Rouge, LA, December 31, 2020	Postlethwaite & Netterville	Procurement and Suspension and Debarment	2020-006	Unknown	M

Non-Federal Entities and End Dates of Audited Fiscal Years	Independent Auditors	Areas of Noncompliance ^a	Independent Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Bad River Band of Lake Superior Tribe of Chippewa Indians, Odanah, WI, September 30, 2019	Midwest Professionals, PLLC	a. Allowable Costs/Cost Principles b. Reporting	a. 2019-001* b. 2019-002	a. None b. None	N
Metro Regional Transit Authority, Akron, OH, December 31, 2020	Ohio Auditor of State	Procurement and Suspension and Debarment	2020-002*	None	O
Port Authority of New York and New Jersey, Jersey City, NJ, December 31, 2020	KPMG LLP	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2020-001	\$44,115**	P

^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.

* Repeat finding.

** COVID-19 formula grants related.

Source: Independent auditors' reports and OIG analysis.

Exhibit A. Territory of American Samoa, Pago Pago, AS

Independent Auditor: Larson & Company, PC

Report Date: April 30, 2021

Fiscal Year Ending: September 30, 2020

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

Finding Number: 2020.04 [**Repeat Finding:** 2019-005]

Compliance Requirement: Special Tests and Provisions

Condition: The independent auditor stated that the Territory does not currently have a quality assurance program in place for the Highway Planning and Construction grant. While there were no deviations noted in the independent auditors' sample, they also stated that there are no monitoring controls in place to prevent, detect and correct potential misstatements on a timely basis.

Independent Auditor's Recommendation: The independent auditor recommended that the Territory should continue to work with the Federal Highway Administration to complete a plan for, and implement, a quality assurance program.

Exhibit B. City of Phoenix, Phoenix, AZ

Independent Auditor: BKD, LLP

Report Date: December 11, 2020

Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: Office of The Secretary's (OST) National Infrastructure Investments Program; Federal Transit Administration's (FTA) Transit Services Program Cluster; FHWA's Highway Planning and Construction Cluster; and Federal Aviation Administration's (FAA) Airport Improvement Program

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

Compliance Requirement: Activities allowed or unallowed, Allowable costs/cost principles, Matching, level of effort, earmarking

Condition: The independent auditor stated that the City does not have a formally documented and approved central service cost allocation plan (CAP). As a result, cost allocations were not in accordance with central service CAPs approved by the cognizant agency for indirect costs.

Independent Auditor's Recommendation: The independent auditor recommended that the Management should implement procedures to ensure that a formal central service CAP is prepared and submitted to its cognizant agency on an annual basis.

Identified Questioned Costs: \$2,352,768

Exhibit C. State of Mississippi, Jackson, MS

Independent Auditor: State of Mississippi, Office of the State Auditor

Report Date: March 24, 2021

Fiscal Year Ending: June 30, 2020

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

Finding Number: 2020-034⁷ [**Repeat Finding:** 2019-021]

Compliance Requirement: Special Test and Provisions

Condition: The independent auditor stated that the Mississippi Department of Transportation (MDOT) is not requiring contractors or subcontractors to submit within seven days after the regular payment date of the payroll period a statement with respect to the wages paid to each of its employees engaged in federal projects.

During review of 40 payroll submissions, the independent auditor identified 32 instances in which payrolls were submitted to MDOT's Project Office after the seven-day submission requirement. Nineteen instances were submitted 14 days after noted payroll week ending date. The latest submission was noted to be 32 days after contractor's payroll week ending date.

Independent Auditor's Recommendation: The independent auditor recommended that the Mississippi Department of Transportation strengthen controls to ensure compliance with federal wage rate requirements.

⁷ Caused a qualified opinion on the Highway Planning and Construction Program.

Exhibit D. City of Scottsboro, Scottsboro, AL

Independent Auditor: Gant, Croft Associates, P.C.

Report Date: June 30, 2021

Fiscal Year Ending: September 30, 2020

Applicable DOT Operating Administration and Program: FAA's Airport Improvement Program, including COVID-19 Grants for Airport Improvement Program

Finding Number: 2020-004

Compliance Requirement: Special Tests and Provisions

Condition: The independent auditor noted that none of statements of compliance accompanying the weekly payrolls submitted by one contractor were signed by the contractor.

Independent Auditor's Recommendation: The independent auditor recommended that the City design and implement improved controls for monitoring its contract, third-party engineering firm's grant management activities to ensure the City is complying with all applicable compliance requirements.

Exhibit E. City of Wichita, Wichita, KS

Independent Auditor: Allen, Gibbs & Houlik, L.C.

Report Date: June 25, 2021

Fiscal Year Ending: December 31, 2020

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

Finding Number: 2020-001

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

Condition: The independent auditor noted that there were three instances of employee's overtime rate being miscalculated.

Independent Auditor's Recommendation: The independent auditor recommended the City verify the overtime rates are being calculated properly by the payroll system.

Exhibit F. SouthWest Ohio Regional Transit Authority, Cincinnati, OH

Independent Auditor: CliftonLarsonAllen LLP

Report Date: July 20, 2021

Fiscal Year Ending: December 31, 2020

Applicable DOT Operating Administration and Program: FTA's Federal Transit Cluster Program, including COVID-19-Federal Transit Formula Grants Program

Finding Number: 2020-001

Compliance Requirement: Activities Allowed or Unallowed

Condition: The independent auditor noted one instance in which an employee was paid the incorrect amount.

Independent Auditor's Recommendation: The independent auditor recommended that management improve its review of time reports to assure that all employees are properly paid.

Exhibit G. New Jersey Transit Corporation, Newark, NJ

Independent Auditor: Deloitte & Touche LLP

Report Date: October 27, 2020

Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: FTA's Enhanced Mobility of Seniors and Individuals with Disabilities Program

Finding Number: 2020-001

Compliance Requirement: Equipment and Real Property Management

Condition: The independent audit stated that NJ Transit has corporate policies and procedures regarding the safeguarding of the equipment inventory. As part of the independent auditor's testing of the equipment compliance requirement, the independent auditor selected 60 equipment items were selected for physical observation. The independent auditor noted that three buses purchased in 1988 using Federal funds were included as part of equipment inventory as of June 30, 2020; however the independent auditor were not able to physically observe these three Buses.

Independent Auditor's Recommendation: The independent auditor recommended that the NJ Transit implement policies and procedures to track and identify equipment to ensure that they are recorded in accordance with NJ Transit policies. Also, NJ Transit should adhere federal regulations (2 CFR section 200.313(d)(2)).

Exhibit H. Utah Transit Authority, Salt Lake City, UT

Independent Auditor: Crowe LLP

Report Date: June 30, 2021

Fiscal Year Ending: December 31, 2020

Applicable DOT Operating Administration and Program: FTA's Federal Transit Formula Grants Program including COVID-19 related Grants

Finding Number: 2020-002

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

Condition: The independent auditor stated that the utility-related expenses are not reviewed and authorized for payment for prior to disbursement. Eight of the 60 randomly selected expenditures for the Federal Transit Cluster program related to utilities, and all lacked evidence of review and approval.

Independent Auditor's Recommendation: The independent auditor recommended that the Authority implement a formal process requiring utility invoices to be reviewed prior to payment. The review may include the proprietary of the location of the utility (if applicable), reasonableness of usage, and recalculation of extended amounts and tax rates.

Exhibit I. Crow Tribe of Indians, Crow Agency, MT

Independent Auditor: Stauffer & Associates PLLC

Report Date: August 11, 2021

Fiscal Year Ending: September 30, 2018

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program; FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-003⁸ [**Repeat Finding:** 2017-003]

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

Condition: The independent auditor states that the management has not implemented an effective internal control system.

FHWA's Highway Planning and Construction Cluster Program – During transactional testing the independent auditor noted:

- 57 out of 60 transactions had no support provided
- These 57 out of 60 transactions tested were not given consistent treatment and were not adequately documented.

FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance – During transactional testing the independent auditor noted:

- 58 out of 60 transactions had no support provided
- These 58 out of 60 transactions tested were not given consistent treatment and were not adequately documented.

Recommendation: The independent auditor recommended 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.

Identified Questioned Costs: \$66,946

Finding 2 of 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

⁸ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

Finding Number: 2018-004⁹ [**Repeat Finding:** 2017-004]

Compliance Requirement: Cash Management

Condition: The independent auditor stated that the 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. Thus, the Department is not in compliance since no support could be provided to show they are following cash management requirements.

Recommendation: The independent auditor recommended 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 recommended that 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 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-006¹⁰ [**Repeat Finding:** 2017-006]

Compliance Requirement: Equipment and Real Property Management

Condition: The independent auditor noted that

1. Management has not implemented an effective internal control system.
2. Property records were not maintained in FY 2018.
3. A physical inventory was not taken in 2017 or 2018.

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 9

Applicable DOT Operating Administration and Program: FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-007¹¹ [**Repeat Finding:** 2017-007]

Compliance Requirement: Matching, level of effort, earmarking

⁹ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

¹⁰ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

¹¹ Caused a disclaimer opinion on the FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

Condition: The independent auditor stated that the management has not implemented an effective internal control system to ensure the matching and earmarking requirements are being met. In addition, the Department did not provide any support that they are tracking matching or earmarking requirements.

Recommendation: The independent auditor recommended 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 follow Uniform Guidance matching and earmarking compliance requirements and keep adequate supporting documentation.

Finding 5 of 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-008¹² [**Repeat Finding:** 2017-008]

Compliance Requirement: Period of Performance

Condition: The independent auditor stated that the management has not implemented an effective internal control system. In addition, the Department could not provide any support that they are tracking period of performance for the major programs.

Recommendation: The independent auditor recommended 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 recommended 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 auditor recommended that the Department track expenditures for major programs so they are not being expended outside of the period of performance.

Finding 6 of 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-009¹³ [**Repeat Finding:** 2017-009]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The independent auditor noted that:

¹² Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

¹³ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

1. Management has not implemented an effective internal control system to ensure procurement, suspension and debarment requirements are being met.
2. The Tribe could not provide proper bidding support or supporting documentation that they were following their procurement policies for any of the major programs.
3. The Tribe could not provide supporting documentation that vendors were checked for suspension and debarment before contracting with them for any of the major programs.

Recommendation: The independent auditor recommended 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 recommended also recommend 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 7 of 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-010¹⁴ [**Repeat Finding:** 2017-010]

Compliance Requirement: Reporting

Condition: The independent auditor stated that the management has not implemented an effective internal control system for reporting. The independent auditor also stated that the Department did not provide supporting documentation for any required reports in FY 2018.

Recommendation: The independent auditor recommended 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 recommended that the Department's programs send the funding agency the required reports in a timely manner.

Finding 8 of 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-011¹⁵ [**Repeat Finding:** 2017-011]

Compliance Requirement: Special Tests and Provisions

Condition: The independent auditor stated that the management has not implemented an effective internal control system to ensure the special test requirements are being met for

¹⁴ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

¹⁵ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program.

federal programs. 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.

Recommendation: The independent auditor recommended 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 recommended that the Department maintain records in a way that allows them to be located and reviewed at any point in time.

Finding 9 of 9

Applicable DOT Operating Administration and Program: FHWA's Highway Planning and Construction Cluster Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Finding Number: 2018-012¹⁶ [**Repeat Finding:** 2017-012]

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

Condition: The independent auditor stated the Tribe's cash balance is not sufficient to cover the unearned revenue balances.

Recommendation: The independent auditor recommended that the Department pursue other means to increase its cash balance.

Identified Questioned Costs: \$2,262,517

¹⁶ Caused a disclaimer opinion on the FHWA's Highway Planning and Construction Program and FTA's TTP Road Maintenance 25%/Transit Planning and Maintenance Program

Exhibit J. City of Atlanta, Atlanta, GA

Independent Auditor: KPMG LLP

Report Date: December 18, 2020

Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: Office of the Secretary's (OST)
National Infrastructure Investments Program

Finding Number: 2020-012¹⁷ [**Repeat Finding:** 2019-007 and 2018-016]

Compliance Requirement: Reporting

Condition: The independent auditor stated that management did not maintain supporting documentation associated with amounts presented in any of the four quarterly Federal financial reports submitted to the awarding agency during the 2020 fiscal year. In addition, management's process does not include a documented management review of the completeness and accuracy of the quarterly Federal financial reports prior to submission.

Independent Auditor's Recommendation: The independent auditor recommended that management institute a process to ensure that an appropriate management review of all federal reports is performed and properly documented, and that source documents supporting the information included in federal reports is compiled and maintained.

¹⁷ Caused a qualified opinion on OST's National Infrastructure Investments Program.

Exhibit K. City of New York, New York, NY

Independent Auditor: Grant Thornton LLP

Report Date: August 4, 2021

Fiscal Year Ending: June 30, 2020

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

Finding Number: 2020-006 [**Repeat Finding:** 2019-004]

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor stated that certain salaries with respect to the calculation of payroll costs charged to the program were based upon an incorrect pay rate. From a sample of forty (40) salary charges subject to testing, the independent auditor identified three (3) exceptions; one (1) due to the application of a rate that was higher than the individuals' approved pay rate at the time the effort was incurred and two (2) that were based upon a lower rate. Total payroll costs charged to the program were \$30,127,255; total payroll charges subjected to testing were \$747,395; and, the payroll charges in excess of the pay rate in effect at the time the effort was incurred were \$3,515.

Independent Auditor's Recommendation: The independent auditor recommended that the DOT strengthen controls over the application of pay rates utilized in the calculation of payroll costs charged to federal awards

Identified Questioned Costs: \$141,674

Exhibit L. Pit River Tribe, Burney, CA

Independent Auditor: Stauffer & Associates PLLC

Report Date: August 30, 2021

Fiscal Year Ending: December 31, 2019

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

Finding Number: 2019-011¹⁸ [**Repeat Finding:** 2018-010]

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor stated that the Department's cash balance is not sufficient to cover the unearned revenue balance of \$4,343,954.

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

Identified Questioned Costs: \$4,343,954

Finding 2 of 4

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

Finding Number: 2019-012¹⁹ [**Repeat Finding:** 2018-011]

Compliance Requirement: Equipment and Real Property Management

Condition: The independent auditor stated that the Department does not follow a formal policy to maintain documentation on performance of physical inventory counts of equipment and real property acquired with federal funds.

Recommendation: The independent auditor recommended that the Department establish and follow 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 4

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

¹⁸ Caused a qualified opinion on the FHWA's Highway Planning and Construction Program.

¹⁹ Caused a qualified opinion on the FHWA's Highway Planning and Construction Program.

Finding Number: 2019-013²⁰ [**Repeat Finding:** 2018-012]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The independent auditor stated 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.

Recommendation: The independent auditor recommended 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.

Finding 4 of 4

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

Finding Number: 2019-014²¹

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor stated that 1 out of 60 transactions did not have an Employee Action Form (EAF) provided to document yearly raises and current pay rates.

Recommendation: The independent auditor recommended that all Employee Payroll/Record Change forms have all applicable requirements documented and retained.

Identified Questioned Costs: Known and likely questioned costs less than \$25,000

²⁰ Caused a qualified opinion on the FHWA's Highway Planning and Construction Program.

²¹ Caused a qualified opinion on the FHWA's Highway Planning and Construction Program.

Exhibit M. Capital Area Transit System, Baton Rouge, LA

Independent Auditor: Postlethwaite & Netterville

Report Date: June 25, 2021

Fiscal Year Ending: December 31, 2020

Applicable DOT Operating Administration and Program: FTA's Rolling Stock Grants program and Federal Transit Formula Grants program

Finding Number: 2020-006²²

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The independent auditor stated that during their testing of purchases under the procurement regulations, for 13 out of 28 items selected for testing, the System was unable to provide supporting documentation that these items were procured in accordance with the standards in § 200.320. The universe (population) from which the items were selected was all vendor payments in 2020 over \$10,000. This was 157 items totaling approximately \$16,396,000. Additionally, while the System does maintain written policies and procedures related to procurement standards, documentation addressing the acquisition of unnecessary or duplicative items was not present.

Independent Auditor's Recommendation: The independent auditor recommended the System implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with § 200.320. Additionally, the independent auditor recommended that the System enhance its written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items.

²² Caused a qualified opinion on the FTA's Rolling Stock Grants (applies to all grants) & FTA's Federal Transit Formula Grant (applies to all grants).

Exhibit N. Bad River Band of Lake Superior Tribe of Chippewa Indians, Odanah, WI

Independent Auditor: Midwest Professionals, PLLC

Report Date: September 23, 2021

Fiscal Year Ending: September 30, 2019

Applicable DOT Operating Administration and Program: FHWA's Indian Reservation Roads program

Finding Number: 2019-001²³ [**Repeat Finding:** 2018-001]

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor stated that the Tribe operated its indirect cost plan during the fiscal year without an approved indirect cost rate. To date no final approved rate has been issued.

Independent Auditor's Recommendation: The independent auditor recommended that the submission of the Tribe's indirect cost plan in a timely manner to Department of Interior, Interior Business Center (IBC) for plan and rate approval.

Finding 2 of 2

Applicable DOT Operating Administration and Program: FHWA's Indian Reservation Roads program

Finding Number: 2019-002²⁴

Compliance Requirement: Reporting

Condition: The independent auditor stated that the Tribe did not submit the single audit reporting package to the Federal Audit Clearinghouse within nine months following their fiscal year-end as required.

Recommendation: The independent auditor recommended that the Tribe ensure their books are closed in a timely fashion and schedule audit work to begin early enough so that your reporting package will be submitted on time.

²³ Caused a qualified opinion on the FHWA's Indian Reservation Roads program.

²⁴ Caused a qualified opinion on the FHWA's Indian Reservation Roads program.

Exhibit O. Metro Regional Transit Authority, Akron, OH

Independent Auditor: Ohio Auditor of State

Report Date: July 16, 2021

Fiscal Year Ending: December 31, 2020

Applicable DOT Operating Administration and Program: FTA's Urbanized Area Formula program

Finding Number: 2020-002²⁵ [**Repeat Finding:** 2019-001]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The independent auditor stated that the Authority entered into covered transactions with seven vendors included in the expense maintenance accounts that the Authority included in their federal reimbursement requests. The independent auditor also stated that the Authority did not verify that two of the seven (29%) vendors were not excluded or disqualified prior to entering into the contract or issuing payment.

Independent Auditor's Recommendation: The independent auditor recommended that the Authority should ensure vendors are not excluded or disqualified using one of the three allowable methods prior to entering into covered transactions. The independent auditor also recommended that if a search is performed on SAM (System for Award Management), the Authority should maintain documentation of the search prior to entering into a contract and issuing payment.

²⁵ Caused a qualified opinion on the FTA's Federal Transit Cluster program.

Exhibit P. Port Authority of New York and New Jersey, Jersey City, NJ

Independent Auditor: KPMG LLP

Report Date: March 3, 2021

Fiscal Year Ending: December 31, 2020

Applicable DOT Operating Administration and Program: FAA's Airport Improvement Program/COVID-19/ CARES Act Airport Grant Agreement

Finding Number: 2020-001

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

Condition: The independent auditor stated that the Port Authority was awarded a CARES ACT Airport Grant in fiscal year 2020. The grant agreement specified the types of expenditures that could be reimbursed under the grant and also specified that the expenditures may be incurred no earlier than January 20, 2020. As results of the independent auditor's testwork, it was determined that expenditures totaling \$44,115 were incurred and invoiced prior to January 20, 2020 and submitted as allowable expenditures under the grant. These unallowable expenditures were initially submitted in error. The Port Authority has other eligible expenditures which will be submitted as allowable replacement expenditures for the questioned costs identified as a result of the test work. The independent auditor stated that while the Port Authority has a process in place and internal controls designed to ensure that the costs charged to the grant are in accordance with the above compliance requirements, the review of these expenditures as part of the internal control over compliance was not operating effectively to ensure that the costs submitted for reimbursement were incurred no earlier than January 20, 2020.

Independent Auditor's Recommendation: The independent auditor recommended that the Port Authority strengthen its policies and procedures over the review of the expenses that are charged to the grant to ensure that costs are in compliance with the grant agreement. The independent auditor also recommended that the Port Authority ensure that internal controls in place surrounding review of the expenses are performed as designed.

Identified Questioned Costs: \$44,115

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