Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending December 31, 2020

Report No. SA2021018
February 10, 2021
What We Looked At
We queried and downloaded 52 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between October 1, 2020 and December 31, 2020, 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 eight grantees that require prompt action from DOT’s Operating Administrations (OA). The auditors also identified questioned costs totaling $5,130,999 for three 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 $5,130,999, if applicable.
Memorandum

Date: February 10, 2021


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

To: Deputy Assistant Secretary for Administration

The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors’ single audit\(^1\) 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 combined, an average of 347 single audit reports have been issued. These reports have included findings related to programs directly funded by the Department of Transportation (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 52 single audit reports that were prepared by independent auditors and posted to the Federal Audit Clearinghouse\(^3\) between October 1, 2020, and December 31,

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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/](http://harvester.census.gov/facweb/)—maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.
2020. 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 $5,130,999, if applicable.

See exhibits A through H 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\(^4\) 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

Table. Summary of Significant Single Audit Findings Impacting DOT Programs

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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. The Navajo Nation, Window Rock, AZ

Independent Auditor: Moss Adams, LLP

Report Date: August 26, 2020

Fiscal Year Ending: September 30, 2019

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

Finding Number: 2019-006

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor states that the Nation’s Health Benefits internal service fund’s contributions were in excess of claims expenses by $23,549,691 for the fiscal year ending September 30, 2019.

Independent Auditor’s Recommendation: The independent auditor recommends that the Nation conduct an actuarial study to determine the appropriate level of self-insurance plan reserves that should be maintained, in excess of amounts already recorded as Claims Liabilities, given the self-insurance plan’s claim history, reinsurance and stop loss provisions, invested assets, and other plan coverage details.

Identified Questioned Costs: $ 43,061
**Exhibit B.** Joint Programs of the Shoshone and Arapaho Tribes of the Wind River Reservation, Fort Washakie, WY

**Independent Auditor:** Stauffer & Associates, PLLC  
**Report Date:** October 15, 2020  
**Fiscal Year Ending:** December 31, 2016  

**Applicable DOT Operating Administration and Program:** Federal Highway Administration's (FHWA) Highway Planning and Construction Cluster  
**Finding Number:** 2016-002

**Compliance Requirement:** Special Tests and Provisions  
**Condition:** The independent auditor states that the Joint Programs' cash balance was not sufficient to cover unearned revenue balances. The advance payments were not invested and kept available until expended for the purposes of the awards.  

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Joint Programs obtain financing from other resources to increase cash balance.  

**Identified Questioned Costs:** $4,701,122  

**Finding 2 of 2:**

**Applicable DOT Operating Administration and Program:** FHWA’s Highway Planning and Construction Cluster  
**Finding Number:** 2016-003

**Compliance Requirement:** Allowable Costs/Cost Principles  
**Condition:** The independent auditor states that during transactional testing of the Highway Planning and Construction (CFDA # 20.205) program, the following were noted:

- 2 out of 60 transactions tested was not provide a receipt to support the expenditure and PO noted.
- 39 out of 60 transactions tested did not have an approved payroll status form provided.

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5 Caused a disclaimer opinion on the Highway Planning and Construction Cluster Program.  
6 Caused a disclaimer opinion on the Highway Planning and Construction Cluster Program.  
7 We reported this finding and “Allowable Costs/Costs Principles, Equipment and Real Estate Property Management, Procurement and Suspension and Debarment and Reporting”-related findings for the same auditee for fiscal year 2015 in *Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Months Period Ending December 31, 2019* (OIG Report No. SA2020016), January 29, 2020.
• These 41 out of 60 transactions tested were not given consistent treatment and were not adequately documented.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the entity uses 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:** $17,602
Exhibit C. Virgin Islands Port Authority, St. Thomas, VI

Independent Auditor: BDO USA LLP

Report Date: June 30, 2020

Fiscal Year Ending: September 30, 2018 and 2017

Applicable DOT Operating Administration and Program: Federal Aviation Administration’s (FAA) Airport Improvement Program

Finding Number: 2018-008

Compliance Requirement: Procurement and suspension and debarment

Condition: In the independent auditor’s review of two (2) procurement transactions meeting the test threshold, the following was noted:

- The first selected transaction did not have evidence that a debarment search of the contractor had been conducted and that an Airport Improvement Program grant specific required clause had been included.
- The second selected transaction did not have evidence that an Airport Improvement Program grant specific required clause had been included.

Independent Auditor’s Recommendation: The independent auditor recommends that the Authority follow its internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services. There should be timely coordination and communication amongst all departments that are responsible for handling and managing procurement tasks.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FAA’s Airport Improvement Program

Finding Number: 2018-009

Compliance Requirement: Reporting

Condition: During the independent auditor’s review of the financial reports expected to be filed with the grantor agency, they noted that the Authority had failed to prepare and submit the annual SF-425 reports for all the grant awards. The independent auditor also selected seven (7) out of the thirty-four (34) required quarterly financial reports and noted two (2) instances where the selected reports were not available for review. Additionally, they selected eight (8) out of the

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8 Caused a qualified opinion on the Airport Improvement Program.
9 Caused a qualified opinion on the Airport Improvement Program.
twenty-two (22) required programmatic reports and noted two (2) instances where the selected reports were not available for review.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the Authority reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.
Exhibit D. Milwaukee County, Milwaukee, WI

Independent Auditor: Coleman & Williams LTD

Report Date: July 29, 2020

Fiscal Year Ending: December 31, 2019

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

Finding Number: 2019-001

Compliance Requirement: Procurement and suspension and debarment

Condition: The independent auditor states that the Department of Transportation (DOT) has a formal written procurement policy in place but it has not been updated to comply with some provisions of the Uniform Guidance as follows:

- CFR 200.320. The procurement policy needs to be updated for procurement procedures involved in procurement procedures for micro-purchases and the acquisition of supplies and services not exceeding $3,000 (or $2,000 in the case of construction) and small purchases securing services, supplies and other property that do not cost more than the simplified acquisition threshold of $150,000.

- CFR 200.318C. Procurement policy needs to include written standards of conduct that provide for disciplinary actions to be applied for violations of conflict of interest and governing actions standards by officers, employees, or agents of the non-Federal entity engaged in the selection, award and administration of contracts and any employee, officer, or agent that has solicited and/or accepted gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

- CFR 200.323. For awards exceeding the simplified acquisition threshold of $150,000, the procurement policy needs to be updated to indicate that a cost analysis and technical evaluation must be completed prior to awarding the award showing the most advantageous choice to the recipient, with price and other factors considered. Recipients must identify their evaluation factors and indicate the relative importance that each has towards the award.

Independent Auditor’s Recommendation: The independent auditor recommends that DOT monitors changes in federal legislation and implement controls, when necessary, to ensure its procurement procedures are updated to conform with federal requirements.

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10 DOT is designated as a cognizant Agency.

11 2 CFR Part 200 (Uniform Guidance) requires that a non-Federal entity must use its own documented procurement procedures that reflect applicable State and local laws and regulations, provided that the procedures conform to applicable Federal laws and standards.
Exhibit E. Central Indiana Regional Transportation Authority, Indianapolis, IN

Independent Auditor: Indiana State Board of Accounts

Report Date: September 30, 2020

Fiscal Year Ending: December 31, 2019

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

Finding Number: 2019-002

Compliance Requirement: Procurement and suspension and debarment

Condition: The independent auditor states that the Authority had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Authority adopted a procurement policy on April 23, 2019, which included suspension and debarment requirements; however, there were no effective internal controls to ensure compliance with the policy. The Authority was required to verify that the vendor of any covered transactions that were expected to equal or exceed $25,000 was not suspended or debared. The Authority added a clause to the vendor contracts to ensure compliance, but the threshold included in the clause was $100,000 instead of $25,000. Not all contracts included this clause, but those that did included the incorrect threshold for all vendors tested. In addition, there was no documentation that the Authority had searched all applicable vendors on the System for Award Management (SAM) to ensure that the vendors were not suspended or debared.

Independent Auditor’s Recommendation: The independent auditor recommends that the Authority’s management establish a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the Procurement and Suspension and Debarment compliance requirement, and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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12 Caused a qualified opinion on the Federal Transit Formula Grants Program.
**Exhibit F.** City of Atlanta, Atlanta, GA

**Independent Auditor:** KPMG, LLP

**Report Date:** December 17, 2019

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

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

**Finding Number:** 2019-00713

**Compliance Requirement:** Reporting

**Condition:** The independent auditor states that the 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 2019 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 recommends 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.

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13 Caused a qualified opinion on the National Infrastructure Investments Program.
Exhibit G. Round Valley Indian Tribes, Covelo, CA

Independent Auditor: Moss Adams, LLP

Report Date: December 18, 2020

Fiscal Year Ending: December 31, 2019

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

Finding Number: 2019-00614 [This is a repeat finding.]

Compliance Requirement: Special tests and provisions

Condition: The independent auditor states that the Tribes’ unexpended advance payments for grants pursuant to the ISDEAA as of December 31, 2019, is $1,338,015, of which $250,000 is deposited in bank accounts that are fully insured by the FDIC. The remaining advance grant cash under ISDEAA of $1,088,015 is uninsured, uncollateralized, and is not invested in obligations guaranteed by the United States as of December 31, 2019.

Independent Auditor’s Recommendation: The independent auditor recommends that the Tribes consider either entering into a collateralization agreement with a bank or invest the advanced federal grant payments in U.S. backed securities to ensure they are in compliance with grant agreements. The independent auditor noted that as of the date of this audit report, the Tribes are in the process of entering into a bank collateralization agreement to ensure that future advance funding is collateralized.

14 Caused a qualified opinion on the Highway Planning and Construction Cluster Program.
**Exhibit H. City of Phoenix, Phoenix, AZ**

**Independent Auditor:** BKD, LLP  
**Report Date:** December 13, 2019  
**Fiscal Year Ending:** June 30, 2019  
**Applicable DOT Operating Administration and Program:** OST’s National Infrastructure Investments  
**Finding Number:** 2019-002  
**Compliance Requirement:** Activities allowed or unallowed; Allowable costs/cost principles; and Matching, level of effort, earmarking  
**Condition:** The independent auditor states 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 recommends 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:** $369,214
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.