What We Looked At
The Department of Transportation’s (DOT) Operating Administrations (OA) receive billions to provide financial assistance to States and other entities. The Office of Management and Budget (OMB) requires recipients that expend $750,000 or more to perform single audits. OMB’s Uniform Guidance sets requirements for single audits. Recipients must submit reporting packages, including auditors’ reports, to the Federal Audit Clearinghouse (FAC) and develop plans to resolve findings. Because of the importance of single audits to tax dollar stewardship, we reviewed single audit processes at the Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), and Federal Transit Administration (FTA). Our audit objectives were to evaluate their processes for (1) verifying that single audits are completed and reports submitted to FAC in the timeframe required by the Uniform Guidance, (2) issuing timely management decisions on single audit findings, and (3) following up on findings and recommendations, including high-priority findings and recommendations we identify in quarterly reports.

What We Found
DOT does not ensure that single audit reports are completed and timely submitted to FAC, and does not have a single audit accountable official to ensure OAs fulfill Uniform Guidance requirements. DOT does not ensure the OAs verify that recipients complete single audits and submit timely packages. FAA, FHWA, and FTA’s processes for these activities are not sufficient. This lack of oversight could inhibit DOT’s ability to reduce improper payments. DOT also does not ensure OAs issue timely management decisions and track findings. Untimely management decisions inhibit OAs’ abilities to evaluate findings and recover funds. The OAs follow up on findings that we identify in our quarterly reports rather than all findings. Because it has not designated an SAAO, DOT does not ensure OAs perform required followup. The Uniform Guidance requires agencies ensure that recipients correct all findings. Our reports do not cover all single audit findings. DOT’s lack of oversight could increase the risk of improper payments.

Our Recommendations
OST concurred with our seven recommendations to help improve single audit process oversight. We consider all recommendations resolved but open pending completion of planned actions.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memorandum</td>
<td>1</td>
</tr>
<tr>
<td>Background</td>
<td>3</td>
</tr>
<tr>
<td>Results in Brief</td>
<td>5</td>
</tr>
<tr>
<td>DOT Does Not Ensure That Single Audit Reports Are Completed and</td>
<td>6</td>
</tr>
<tr>
<td>Timely Submitted to FAC</td>
<td></td>
</tr>
<tr>
<td>DOT Does Not Ensure That the OAs Issue Timely Management Decisions</td>
<td>8</td>
</tr>
<tr>
<td>and Track all Findings</td>
<td></td>
</tr>
<tr>
<td>DOT Follows Up Only on Single Audit Findings Identified by OIG</td>
<td>9</td>
</tr>
<tr>
<td>Conclusion</td>
<td>11</td>
</tr>
<tr>
<td>Recommendations</td>
<td>11</td>
</tr>
<tr>
<td>Agency Comments and OIG Response</td>
<td>12</td>
</tr>
<tr>
<td>Actions Required</td>
<td>12</td>
</tr>
<tr>
<td><strong>Exhibit A.</strong> Scope and Methodology</td>
<td>13</td>
</tr>
<tr>
<td><strong>Exhibit B.</strong> Organizations Visited or Contacted</td>
<td>15</td>
</tr>
<tr>
<td><strong>Exhibit C.</strong> List of Acronyms</td>
<td>16</td>
</tr>
<tr>
<td><strong>Exhibit D.</strong> Glossary of Terms</td>
<td>17</td>
</tr>
<tr>
<td><strong>Exhibit E.</strong> Major Contributors to This Report</td>
<td>19</td>
</tr>
<tr>
<td><strong>Appendix.</strong> Agency Comments</td>
<td>20</td>
</tr>
</tbody>
</table>
In fiscal year 2019, the Department of Transportation’s (DOT) Operating Administrations (OA) received $76.5 billion for grant programs. With these funds, the OAs provide Federal financial assistance to States, local governments, nonprofit entities, Tribes, and other entities. When a recipient expends $750,000 or more in Federal awards during a fiscal year, the Office of Management and Budget (OMB) requires the performance of a single audit on those expenditures.

The Single Audit Act of 1984, as amended, establishes requirements for single audits. In December 2013, OMB issued its Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly known as the Uniform Guidance,¹ which includes single audit guidelines. These audits—usually performed by non-Federal auditors, such as independent accounting firms—may reveal deficiencies in recipients’ financial management and internal control systems. Each auditor provides a single audit report to the recipient, which then must submit the report to the Federal Audit Clearinghouse (FAC)—the repository of record for single audit reports—and develop a corrective action plan to resolve the findings.

The Uniform Guidance requires each Federal agency to designate a single audit accountable official who is responsible for ensuring that the agency fulfills all Uniform Guidance requirements.² These requirements call for followup on all single audit findings to provide reasonable assurance that recipients take timely and appropriate actions to correct deficiencies. We perform oversight of auditors’

¹ See 2 CFR Part 200. The Uniform Guidance consolidates eight OMB circulars.
² 2 CFR § 200.513(c)(5).
single audit reports and on a quarterly basis, summarize significant\(^3\) single audit findings that impact departmental programs and recommendations requiring DOT action. When warranted, we also recommend that DOT recover funds inappropriately expended by recipients.

Because of the importance of single audits in the stewardship of taxpayer dollars, we reviewed three OAs with the majority of single audit findings during calendar year 2019—the Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), and Federal Transit Administration (FTA). Our audit objectives were to evaluate DOT’s processes for (1) verifying that single audits are completed and reports submitted to FAC in the timeframe required by the Uniform Guidance, (2) issuing timely management decisions on single audit findings, and (3) following up on findings and recommendations, including high-priority findings and recommendations we identify in our quarterly reports.

We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology. Exhibit B lists the entities we visited or contacted, exhibit C presents a list of acronyms used in this report and exhibit D a list of glossary terms.

We appreciate the courtesies and cooperation of Department of Transportation representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-8543 or Lissette Mercado, Project Manager, at (202) 366-1911.

cc: The Secretary
DOT Audit Liaison, M-1

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\(^3\) We consider a finding significant when DOT is the cognizant agency and the single audit report contains DOT related program findings; when DOT is the oversight or awarding agency and the report includes a qualified opinion, adverse opinion, or disclaimer opinion; or when a finding includes questioned costs over $5,000.
Background

In addition to setting requirements for awarding agencies and recipients, the Uniform Guidance sets requirements for auditors conducting single audits on expenditures of $750,000 or more. It requires auditors to render opinions on entities’ financial statements, identify inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

The Uniform Guidance requires each Federal agency to appoint a single audit accountable official (SAAO). The SAAO is responsible for ensuring that the agency complies with all Uniform Guidance requirements regarding single audits and using the single audit process to reduce improper payments and improve Federal program outcomes. The SAAO is also required to designate a key management single audit liaison (KMSAL) to serve as the agency’s management point of contact for the single audit process both within and outside the Federal Government.

The Uniform Guidance requires each recipient to submit a single audit reporting package to FAC that includes a proposed action plan for correcting the single audit findings. FAC is the repository of record for single audit reports. All Federal agencies, pass-through entities, and others interested in reporting packages and data collection forms must obtain them from FAC.

The Uniform Guidance also requires recipients to submit their reporting packages to FAC by the earlier of two dates: either 30 calendar days after receipt of the single audit report from the auditor or 9 months after the end of the audit period. It also requires Federal awarding agencies to ensure that recipients submit their packages timely to FAC. If a recipient submits a late reporting package, it no longer meets the Uniform Guidance’s requirements for being considered a low-risk recipient and becomes high-risk. Auditors are required to

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4 2 CFR § 200.513(c)(5). Federal agencies are required to provide to OMB the name of an SAAO appointed from among the agency’s senior policy officials.
5 An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
6 2 CFR § 200.512(b)-(c). A reporting package includes the auditor’s single audit report, the recipient’s financial statements, schedule of expenditures of Federal awards, schedule of prior audit findings, corrective action plan, and a Data Collection Form that provides information about the recipient, its Federal programs, and the audit results.
7 A pass-through entity is a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.
8 2 CFR § 200.512(a).
9 2 CFR § 200.520(a).
test larger percentages of high-risk recipients’ expenditures. This additional testing may result in higher audit expenses for the recipient.

As part of followup on single audits, the Uniform Guidance requires each Federal awarding agency to issue a management decision to the recipient on single audit findings. The management decision presents the agency’s written evaluation of the recipient’s proposed corrective action plan, and may indicate concurrence with the recipient’s plan or provide guidance to address the findings. The agency must provide its management decision to the recipient within 6 months of the management decision letter (MDL) start date—the date when FAC publishes the accepted audit report on its Image Management System website.

Each recipient must begin its corrective actions as rapidly as possible and no later than upon receipt of the auditor’s report. The Uniform Guidance requires the agency to provide a timetable for following up on the finding corrections. Specifically, the awarding agency must

- monitor recipients taking appropriate and timely corrective actions;
- use cooperative audit resolution mechanisms to improve Federal program outcomes through better audit resolution, followup, and corrective actions; and
- develop a baseline, metrics, and targets to track the effectiveness of the Federal agency’s process to follow up on audit findings and on the effectiveness of single audits in improving recipients’ accountability, and their use by Federal awarding agencies in making award decisions.

Per 2 CFR § 1201.106, the Department of Transportation (DOT) has delegated the responsibilities for implementing the Uniform Guidance to its OAs.

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10 The Uniform Guidance (2 CFR § 200.518(f)) requires auditors to test 20 percent of each low-risk recipient’s Federal expenditures and 40 percent of each high-risk recipient’s expenditures.
11 2 CFR § 200.513(c)(3) and § 200.521.
12 FAC’s Image Management System is a public database of completed single audits maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.
14 Cooperative audit resolution is the use of audit followup techniques that promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity.
Results in Brief

**DOT does not ensure that single audit reports are completed and timely submitted to FAC.**

The Uniform Guidance requires each Federal agency to appoint an SAAO responsible for ensuring that the agency fulfills all Uniform Guidance requirements, including that single audit reports are completed and timely submitted to FAC. DOT has not designated an SAAO to meet these responsibilities and ensure the OAs fulfill the Guidance’s requirements. DOT also does not have a process to ensure the OAs determine whether recipients complete\(^{15}\) single audits and submit reporting packages to FAC within the Uniform Guidance’s required timeframes. The Uniform Guidance requires recipients to submit their reporting packages to FAC by the earlier of two dates: either 30 calendar days after receiving the single audit report from the auditor or 9 months after the end of the audit period. DOT officials informed us that each OA is responsible for ensuring that its recipients complete required single audits and submit timely reporting packages to FAC. However, FAA, FHWA, and FTA have not implemented sufficient processes for these activities. We found 159 reporting packages listing DOT as the cognizant, or oversight, agency were not submitted timely. Of these 159, we reviewed 92—53 from FAA recipients, 28 from FTA recipients, and 11 from FHWA recipients. This lack of oversight for the single audit process could inhibit DOT’s ability to reduce improper payments and improve Federal program outcomes.

**DOT does not ensure that the OAs issue timely management decisions and track all findings.**

DOT does not have a process to ensure that OAs issue timely management decisions on single audit findings and track all findings. The Uniform Guidance requires awarding agencies to issue management decisions within 6 months of FAC’s acceptance of recipients’ reporting packages. DOT officials informed us that each OA is responsible for identifying single audit findings and issuing timely management decisions. However, the OAs we reviewed do not always issue management decisions or timely ones, or track all single audit findings. We sampled 43 single audit findings. Of these findings, 14 were for FAA recipients, 17 were FHWA recipients, and 12 were FTA recipients. We found that FAA did not issue six management decisions and issued five late decisions; FHWA did not issue two management decisions and issued two late decisions; and FTA did not issue nine management decisions and issued one late decision. This lack of timely

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\(^{15}\) While the Uniform Guidance does not define “complete,” the reporting package must include the completed auditor’s report and data collection form.
management decisions inhibits the OAs’ abilities to evaluate single audit findings, accept or propose corrective actions, and, if necessary, recover funds from recipients.

**DOT follows up only on single audit findings identified by OIG.**

The OAs follow up only on the single audit findings that we identify in our quarterly summary reports and action memoranda rather than all findings as the Uniform Guidance requires. Because it has not designated an SAAO responsible for overseeing single audit followup, DOT does not ensure that the OAs perform the required followup. The Uniform Guidance requires agencies to track and follow up on all single audit findings to ensure corrective actions are taken. Our reports and memoranda do not cover all DOT-related single audit findings. DOT’s lack of oversight could increase the risk of improper payments.

We made recommendations to help the Department improve its oversight of its single audit process.

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**DOT Does Not Ensure That Single Audit Reports Are Completed and Timely Submitted to FAC**

The Uniform Guidance requires each Federal agency, including DOT, to appoint a senior policy official as an SAAO responsible for ensuring that the agency fulfills all Uniform Guidance requirements. These requirements include the completion of single audit reports and their timely submission to FAC.

DOT has not designated an SAAO and does not have a process to ensure the OAs’ recipients complete single audits and timely submit reporting packages to FAC. The Uniform Guidance states that a single audit must be completed and the recipient must electronically submit its reporting package and data collection form to FAC. They must be submitted to FAC by the earlier of two dates—either 30 calendar days after receipt of the auditor’s report or 9 months after the end of the fiscal year of the audit period.\(^\text{16}\) However, the Department does not verify that the OAs determine whether recipients that meet the expenditure threshold complete single audits and timely submit reporting packages to FAC.

OST officials stated that the OAs are responsible for tracking their recipients’ single-audit-related activities. However, we found that the OAs’ policies and procedures for tracking single audits are insufficient. For example:

\(^{16}\) 2 CFR § 200.512.
• FHWA has a single audit tracking form and checklist that includes steps to verify that submissions to FAC comply with the 30-day and 9-month requirements, but FHWA’s guidance17 does not adequately describe how to ensure that recipients submit reporting packages within either of those timeframes.

• FTA’s procedures18 describe the process staff must use to ensure recipients complete single audits and submit reporting packages to FAC, but FTA does not maintain an inventory of completed single audits.

• FAA’s policies and procedures19 do not mention the Uniform Guidance’s 30-day and 9-month time requirements. They also state that FAA receives FAC-submitted single audit reports from OIG.

During calendar year 2019, FAC’s database contained 1,492 reporting packages that listed DOT as the cognizant, or oversight, agency.20 We found that 159 of these reporting packages had not been submitted timely.21 Among recipients that received grants from the three OAs we reviewed, 92 did not submit their packages timely. Of these 92, 53 were FAA recipients, 28 were FTA recipients, and 11 were FHWA recipients. Neither the Department nor the OAs informed us why these recipients submitted late packages to FAC. This lack of oversight for the single audit process could inhibit DOT’s ability to reduce improper payments and improve Federal program outcomes.

Late submissions of reporting packages increase the risk that DOT recipients will misuse grant funds because they inhibit DOT’s ability to track single audit findings and recipients’ corrective actions.

17 FHWA, Single Audit Compliance Procedures, September 2018. In October 2021, FHWA updated the procedures to require timely submissions of reporting packages to FAC but we did not audit the new procedures.
20 Each non-Federal entity that annually spends more than $50 million in Federal funds must have a cognizant agency for audit. The entity’s cognizant agency must be the Federal awarding agency that provides the predominant amount of direct funding to the entity unless OMB designates a specific cognizant for audit.
21 These 159 reporting packages—not submitted within the required period—were from recipients awarded grants by various OAs, not just the three OAs we reviewed.
DOT Does Not Ensure That the OAs Issue Timely Management Decisions and Track all Findings

DOT does not have processes to ensure that the OAs issue timely management decisions to recipients and track findings.

DOT Does Not Ensure That the OAs Issue Management Decisions in a Timely Manner

FAA, FHWA, and FTA do not always issue management decisions to recipients within the required 6 months of FAC’s acceptance of reporting packages. We also found that these OAs sometimes do not issue management decisions at all.

FAC has instructed Federal awarding agencies to use MDL start dates to determine when their management decisions are due to recipients. We reviewed a sample of 43 single audit findings for recipients of FAA, FHWA, and FTA funds. We added 6 months to each MDL start date to calculate the latest date that each OA should have issued its management decision. We found that

- for 14 findings, FAA did not issue 6 management decisions and issued 5 late decisions;
- for 17 findings, FHWA did not issue 2 management decisions and issued 2 late decisions; and
- for 12 findings, FTA did not issue 9 management decisions and issued 1 late decision.

DOT officials informed us that each OA is responsible for identifying single audit findings and issuing timely management decisions. However, the Uniform Guidance requires each SAAO to ensure that the agency fulfills all Uniform Guidance requirements. DOT has not designated an SAAO to meet these responsibilities and to ensure the OAs fulfill the Guidance’s requirements.

Untimely management decisions inhibit the OAs’ ability to identify and take action on high-risk22 and recurring single audit findings. High-risk audit findings

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22 2 CFR § 200.520, Criteria for a low-risk auditee. Any grantee that does not meet the low-risk criteria is considered high-risk.
could result in increased improper payments and weaken Federal program outcomes.

**DOT Does Not Require the OAs To Track Single Audit Findings**

DOT does not have a process that requires OAs to identify and track all single audit findings. FAC is the repository for single audits and the Uniform Guidance requires Federal agencies and pass-through entities to download reporting packages and data collection forms from it.  

We asked for a list of single audit findings from our review period but OST could not provide such a list. We instead obtained lists of findings from each of the three OAs as well as a list from FAC containing 399 DOT-related findings. We found that FAC listed

- 109 findings affecting FAA programs but FAA listed 51 findings;
- 200 findings affecting FHWA programs but FHWA listed included 124 findings; and
- 90 findings affecting FTA programs but the Agency listed 65 findings.

Officials from FHWA, FAA, and FTA informed us that they developed their lists based on findings and recommendations in our quarterly summary reports or action memoranda. However, our quarterly reports and memoranda do not cover all DOT-related single audit reports in FAC and therefore, do not provide a complete record of single audit findings.

The lack of a process that requires the OAs to track their single audit findings could inhibit DOT’s ability to be sure that recipients resolve their findings and use grant funds appropriately.

**DOT Follows Up Only on Single Audit Findings Identified by OIG**

According to the Uniform Guidance, each SAAO is responsible for ensuring that single audits are completed; that the awarding agencies follow up on audit

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23 2 CFR § 200.512(b)
24 Prior to quarterly summary reports, we issued monthly action memoranda.
findings; that recipients' corrective actions are timely; and that awarding agencies issue timely management decisions. The Guidance also requires each SAAO to designate a key management single audit liaison (KMSAL) to serve as the agency’s point of contact on single audits. The KMSAL’s duties include coordinating audit followup, identifying high-risk recipients, studying ways to use single audit results to improve Federal award accountability and practices, and overseeing training on the single audit process for management personnel.

Because DOT has not designated an SAAO, no one at the Department fulfills the SAAO’s single-audit related responsibilities or acts as KMSAL. OMB has referred to a DOT KMSAL by name but this individual informed us that they were unaware of KMSAL duties. According to DOT officials, the Assistant Secretary for Administration acts as SAAO but the Department has not provided OMB with this individual’s name and title, as required. In December 2020, the Department rescinded an Order on single audit procedures, issued in 1993, because it did not address the Uniform Guidance’s requirements, including appointment of KMSALs. DOT officials acknowledge that no one performs KMSAL duties for the Department.

As part of our oversight of single audits performed for DOT recipients, we download single audit reports from FAC on a quarterly basis. We analyze the reports’ findings and recommendations to determine whether they are significant. We then issue a summary report to DOT that identifies the significant findings affecting DOT programs. In each summary report, we recommended that DOT (1) coordinate with each impacted OA to develop a corrective action plan for resolving and closing the findings highlighted in the report and (2) determine the allowability of questioned costs and recover the funds, if applicable.

During the period covered by this audit, we issued 2 quarterly summary reports and 39 action memoranda with recommendations specific to each finding. Our last summary report issued during this audit covered the 3-month period ending September 30, 2021. We downloaded 75 single audit reports that identified 106

25 2 CFR § 200.513(c)(5)-(6).
26 2 CFR § 200.513 (c)(5).
28 These downloads identify findings that affect directly awarded DOT programs (DOT as the awarding, oversight, or cognizant agency).
Single audits are important tools for the Government’s stewardship of the expenditure of billions of dollars by non-Federal recipients. DOT’s lack of designated staff—an SAAO and KMSAL—for single audit process management seriously inhibits the Department’s ability to be sure that the OAs and their recipients fully comply with the provisions of OMB’s Uniform Guidance. As a result, the Department faces an increased risk that recipient expenditures of taxpayer dollars could be inefficient and even subject to fraud, waste, and abuse.

Recommendations

To help improve the DOT’s compliance with the Uniform Guidance, we recommend that the Assistant Secretary for Administration:

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30 From the 106 single audit findings, we excluded 78 because DOT was not the cognizant agency, the single audit report included an unmodified opinion, or questioned costs were less than $5,000.
31 OST, Financial Assistance Guidance Manual, December 2016. This document provides procedural guidance on awarding and monitoring DOT’s financial assistance to standardize the process for grant processing and management.
1. Designate a single audit accountable official (SAAO) responsible for ensuring that the OAs fulfill all the requirements of the Uniform Guidance and provide the official’s name and title to OMB.

2. Require the SAAO to designate a key management single audit liaison to serve as the Federal awarding agency’s management point of contact for the single audit process both within and outside the Federal Government and provide the official’s name and title to OMB.

3. Require the SAAO to develop and implement a policy to ensure Operating Administrations (OA) meet Uniform Guidance’s requirements for Federal awarding agencies.

4. Require the SAAO to develop and implement processes to ensure that OAs confirm its recipients’ single audits and reporting packages are completed and timely submitted to the Federal Audit Clearinghouse (FAC).

5. Require the SAAO to develop and implement processes that ensure OAs download single audit reports from FAC’s Image Management System and OAs identify and track single audit findings directly related to their programs.

6. Require the SAAO to develop and implement processes that ensure OAs issue timely management decisions on all single audit findings affecting their programs.

7. Require the SAAO to develop and implement processes that ensure OAs follow up on single audit findings and verify that OAs recipients took appropriate and timely corrective actions.

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**Agency Comments and OIG Response**

We provided OST with our draft report on January 28, 2022, and received its formal response on March 15, 2022. OST’s response is included in its entirety as an appendix to this report. OST concurred with our seven recommendations and provided appropriate actions and completion dates.

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**Actions Required**

We consider all recommendations resolved but open pending completion of the planned actions.
This performance audit was conducted between July 2020 and January 2022. We conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to evaluate DOT’s processes for (1) verifying that single audits are completed and reports submitted to the Federal Audit Clearinghouse in the time frame required by the Uniform Guidance, (2) issuing timely management decisions on single audit findings, and (3) performing followup on findings and recommendations, including high priority findings and recommendations we identify in our quarterly reports.

Our audit scope included single audit reports accepted by the Federal Audit Clearinghouse (FAC) during calendar year 2019, and single audit findings that affected directly funded DOT programs during this same period. We reviewed three Operating Administrations (OA) with the majority of single audit findings during this period—the Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), and Federal Transit Administration (FTA). We requested and obtained approval to reduce the audit scope to these three OAs. OST was notified of the change in audit scope.

To accomplish our objectives, we reviewed relevant laws and regulations—the Single Audit Act of 1984, as amended, and the Uniform Guidance—DOT policies, OIG and the Government Accountability Office (GAO) audit reports, GAO’s Standard for Internal Control in the Federal Government, and OA Policies, and procedures for single audits. We interviewed representatives from FHWA, FAA, FTA, and OST, and reviewed their single audit oversight programs’ policies and procedures, to gain an understanding of internal controls for oversight of their single audit programs and compliance with Uniform Guidance requirements. Furthermore, we determined whether OST had a designated a Single Audit Accountable Official and Key Management Single Audit Liaison as the Uniform Guidance requires.

Because OST could not provide an inventory of single audit reports and single audit findings from calendar year 2019, we queried FAC to manually compile this information. We compiled universes of single audit reports in which DOT was either cognizant or oversight Federal audit agency with direct single audit findings. We used these universes to assess whether the single audit reports were submitted timely in accordance with Uniform Guidance 30-days’ and 9 months’
requirements, and the timeliness of management decisions in accordance with the Uniform Guidance 6 months’ requirement.

Using our single audit report universe, we selected a sample of 65 single audit reports to test the 30-day Uniform Guidance requirement. To accomplish this testing, we sent emails to the auditors that performed the single audits in our sample requesting the date that they provided the single audit report to the recipient. This information is not available via internal OA or DOT sources or through FAC. We compared the date that each recipient received the audit report from the auditor to FAC’s acceptance date to determine whether the report was submitted in accordance with the Uniform Guidance requirement. Of the 65 single audit reports sampled, 35 related to reports that were over the 9 months, recipients that expended 100 percent funds as subrecipients, in which a pass-through entity was responsible for timeliness, or other reports related to OAs not in our audit scope.

To determine whether single audit reports were submitted timely to FAC, we identified 1,492 single audit reports in our single audit report universe. We determined that 1,333 of these reports were submitted timely and 159 that did not meet the Uniform Guidance’s 9-month requirement. Of those 159, 92 reports were on recipients that received funds from the OAs in our audit scope. We requested explanations from the OAs and OST for these instances.

Using our single audit finding universe, we selected a sample for testing of the OAs’ followup on audit findings and timeliness of management decisions. The universe to test timeliness of management decisions consisted of 399 single audit findings, including 109 FAA findings, 200 FHWA findings, and 90 FTA findings. In our sample of 59 findings, we determined that FAA, FHWA and FTA were responsible for 43 of these findings. We obtained the management decisions from the OAs and compared the date each decision was issued to the recipient to the MDL start date. The FAC website has instructed Federal agencies to use the MDL Start Dart to assess timeliness of management decisions.

We used the same sample to identify the findings from our action memoranda and summary reports. We reviewed OST’s followup applicable to the findings and recommendations in the three quarterly summary reports we issued between June 2019 to March 2020. We found no exceptions based on our review of OSTs followup on our high-priority findings and recommendations in our action memoranda and quarterly summary reports.
Exhibit B. Organizations Visited or Contacted

DOT Facilities

- OST Headquarters, Washington, DC
- FAA Headquarters, Washington, DC
- FHWA Headquarters, Washington, DC
- FTA Headquarters, Washington, DC
## Exhibit C. List of Acronyms

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<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tr>
<td>CFR</td>
<td>Code of Federal Regulations</td>
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<td>DOT</td>
<td>Department of Transportation</td>
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<tr>
<td>FAA</td>
<td>Federal Aviation Administration</td>
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<tr>
<td>FAC</td>
<td>Federal Audit Clearinghouse</td>
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<tr>
<td>FHWA</td>
<td>Federal Highway Administration</td>
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<td>FTA</td>
<td>Federal Transit Administration</td>
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<tr>
<td>KMSAL</td>
<td>key management single audit liaison</td>
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<tr>
<td>MDL</td>
<td>management decision letter</td>
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<td>OA</td>
<td>Operating Administration</td>
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<tr>
<td>OIG</td>
<td>Office of Inspector General</td>
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<td>OMB</td>
<td>Office of Management and Budget</td>
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<td>OST</td>
<td>Office of the Secretary of Transportation</td>
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<tr>
<td>SAAO</td>
<td>single audit accountable official</td>
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Exhibit D. Glossary of Terms

**cognizant agency.** A non-Federal entity expending more than $50 million a year in Federal awards must have a cognizant agency for audit. The designate cognizant agency for audit must be the Federal awarding agency that provides the predominant amount of funding directly.

**cooperative audit resolution.** The use of audit followup techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity.

**Federal Audit Clearinghouse Image Management System.** A public database at [http://harvester.census.gov/facweb/](http://harvester.census.gov/facweb/) of completed single audits maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

**Federal awarding agency.** A Federal agency that provides a Federal award directly to a non-Federal entity.

**improper payment.** Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

**management decision.** The Federal awarding agency’s or pass-through entity's written determination, provided to the auditee, of the adequacy of the auditee’s proposed corrective actions to address the findings, based on its evaluation of the audit findings and proposed corrective actions.

**non-Federal entity.** A State, local government, Indian tribe, Institution of Higher Education, or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

**Operating Administration.** A DOT agency, such as the Federal Aviation Administration, Federal Highway Administration, and Federal Transit Administration, that acts as Federal awarding agency.

**oversight agency.** A Federal awarding agency, not assigned as the cognizant agency, that provides the predominant amount of funding directly to a non-Federal entity.

**pass-through entity.** A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

**quarterly summary report.** A report generated by OIG on findings in single audit reports uploaded to the Federal Audit Clearinghouse Systems during a specific 3-month period, written to Deputy Assistant Secretary for Administration.

**recipient.** An entity, usually, but not limited to, a non-Federal entity, that receives a Federal award directly from a Federal awarding agency.

**reporting package.** A package submitted to the Federal Audit Clearinghouse that includes the auditor’s single audit report, the recipient’s financial statements, a schedule of expenditures of Federal awards, a schedule of prior audit findings, a corrective action plan, and a Data Collection Form that provides information about the recipient, its Federal programs, and the audit results.
**single audit.** An audit that examines a recipient’s financial records, financial statements, Federal award transactions and expenditures, general management of operations, internal control systems, and the Federal assistance received during the audit period; it also reviews the recipient’s compliance with laws, regulations, contracts, and grant agreements.

**Uniform Guidance.** The shortened title of OMB’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which consolidates eight OMB Circulars into a set of guidance on Federal awards in the Code of Federal Regulations at 2 CFR Part 200.
**Exhibit E. Major Contributors to This Report**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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</thead>
<tbody>
<tr>
<td>LISSETTE MERCADO</td>
<td>PROJECT MANAGER</td>
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<td>JOHN SYSAK</td>
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<td>SUPERVISORY MATHEMATICAL STATISTICIAN</td>
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U.S. Department of Transportation  
Office of the Secretary of Transportation

Date: March 15, 2022
From: Philip McNamara  
Assistant Secretary for Administration
To: Dormayne “Dory” Dillard-Christian  
Assistant Inspector General for Financial Audits

The Department of Transportation (DOT) provides grants to help build up and maintain a fast, safe, efficient, assessable, and convenient transportation system for the American people. As a steward of taxpayer dollars, DOT exercises rigorous management and oversight over its program expenditures. We consistently achieve payment accuracy rates above 98%, demonstrating robust internal controls at both the federal and recipient levels. DOT recognizes that effective internal control systems change over time to address emerging risks. We are committed to strengthening our single audit processes through enhanced oversight controls and updated processes for managing Federal funds. For example, DOT recently designated a single audit accountable official (SAAO) responsible for ensuring that the Department’s Operating Administrations fulfill all the requirements of the Uniform Guidance and will designate a key management single audit liaison (KMSAL) by June 30. The KMSAL will serve as the Department’s point of contact for the single audit process both within and outside the Federal Government.

Based on our review of the draft report, we concur with OIG’s seven recommendations to help improve DOT’s compliance with the Uniform Guidance as written. On February 18, 2022, we provided documentation to OIG of our actions designating an SAAO and requested that OIG close the recommendation within 30 days after issuing the final audit report. We plan to complete actions to implement recommendation 2 by June 30, 2022, and recommendations 3 -7 by March 31, 2023.
We appreciate the opportunity to review the OIG draft report. Please contact Willie Smith, Senior Procurement Executive, at 202-366-4212 with any questions.
U.S. Department of Transportation
Office of Inspector General

Fraud & Safety Hotline

https://www.oig.dot.gov/hotline
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(800) 424-9071

OUR MISSION
OIG enhances DOT’s programs and operations by conducting objective investigations and audits on behalf of the American public.