



Memorandum

U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Subject: INFORMATION: Quality Control Review of
Single Audit on the Orange County
Transportation Authority
Report No. QC-2013-024

Date: December 7, 2012

Reply To JA-20
Attn Of:

From: Joann K. Adam
Acting Program Director for Single Audit

To: Regional Administrator, FTA, Region IV

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Orange County Transportation Authority (Authority). This report presents the results of our Quality Control Review (QCR) of a single audit performed by Vavrinek, Trine, Day & Co., LLP (VTD) on the Authority for the fiscal year ending June 30, 2011. During this period, the Authority expended nearly \$100 million from DOT grant programs, as shown on the attached Schedule of Expenditures of Federal Awards. The DOT program determined by VTD to be a major program was the Federal Transit Cluster.

The Office of Management and Budget's (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires the auditor 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.

VTD rendered an unqualified opinion on the Authority's financial statements. VTD also rendered an unqualified opinion on the Authority's compliance with the Federal Transit Cluster's requirements and did not question any costs. However, VTD made a recommendation to correct an internal control and compliance deficiency that directly affects the Federal Transit Cluster.¹

SCOPE

The purpose of our QCR was to determine: (1) whether the audit work complied with generally accepted Government auditing standards, the Single Audit Act of 1984, as amended (the Act), and OMB Circular A-133, and (2) the extent to which we can rely on the auditor's work.

¹ We advised FTA about this deficiency in a separate memorandum. VTD's single audit report is available upon request to singleauditrequest@oig.dot.gov.

RESULTS

We determined that VTD's work was *Acceptable with Deficiencies*. The audit work generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that VTD's opinion on the Authority's reports on internal control and compliance was inappropriate or unreliable.

However, we identified deficiencies in audit documentation that VTD needs to correct in future audits. Based on VTD's explanations, we determined that these deficiencies did not alter the overall results of the audit. The deficiencies, which should be corrected in future audits, are related to the following areas:

Cash Management. VTD needs to improve its documentation of cash management compliance testing to clearly show that vendor payment dates preceded reimbursement request dates. As part of its internal controls testing, VTD determined that before reimbursement requests can be processed, the Authority must pay its vendors.

Matching, Level of Effort, Earmarking. VTD needs to improve its documentation of matching compliance testing to clearly show how the Authority met its required matching percentage. During our review, VTD representatives explained how they used FTA's Transportation Electronic Award Management (TEAM) system and the Authority's EXCEL spreadsheet to support its compliance testing. In addition, as part of its internal control testing, VTD was able to verify that the Authority met its matching requirement.

Consideration of Non-Compliance on Each Major Program Opinion. VTD did not document how it considers non-compliance, both individually and in the aggregate, when it determines the overall opinion for each major program. Based on our review of the audit documentation, we agreed with VTD's opinion on DOT's major program.

In all cases, VTD agreed to improve its audit documentation in future audits.

If you have any questions concerning this report, please call me at (202) 366-1488 or John R. Sysak, DOT National Single Audit Coordinator, at (410) 962-2630.

#

cc: Audit Liaison, FTA, TPM-2
Audit Liaison, OST, M-1
Executive Director, Finance & Administration, OCTA