



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 Metropolitan Washington
Airports Authority
Report No. QC-2011-055
Earl C. Hedges
From: Earl C. Hedges
Program Director for Single Audit

Date: February 23, 2011

Reply To JA-20

Attn Of:

To: Regional Administrator, FTA, Region III

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Metropolitan Washington Airports Authority (Authority). This report presents the results of our Quality Control Review (QCR) of a single audit performed by Bert Smith & Co. on the Authority for the fiscal year ending December 31, 2009. During this period, the Authority expended about \$211 million from the following DOT grant programs:

DOT Operating Administration	CFDA* Number	Program Name	FY 2009 Expenditures	Major Program	Direct Award
Federal Transit Administration	20.500	Transit Capital Investment Grants Program	\$115,115,293	Yes	Yes
Federal Transit Administration	20.500	ARRA Transit Capital Investment Grants Program	\$77,260,000	Yes	Yes
Federal Aviation Administration	20.106	ARRA Airport Improvement Program	\$10,987,902	No	Yes
Federal Aviation Administration	20.106	Airport Improvement Program	\$7,290,179	No	Yes

* Catalogue of Federal Domestic Assistance

Office of Management and Budget (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.

Bert Smith performed the audit on the Authority's compliance with requirements applicable to each major program and the Authority's Schedule of Expenditures of Federal Awards. PricewaterhouseCoopers performed the audit on the Authority's

financial statements and issued an unqualified opinion. Our QCR's scope was limited to the work performed by Bert Smith. Bert Smith rendered an unqualified (Clean) opinion on the Authority's compliance with requirements applicable to each major program, and did not question any costs concerning DOT grant programs.¹

The purpose of our QCR was to determine: (1) whether the audit work complied with the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133; and (2) the extent to which we can rely on the audit work. Our review's scope was limited to the DOT major program identified by Bert Smith, the Transit Capital Investment Grants Program.

RESULTS

Based on our QCR, we determined that Bert Smith's work was acceptable with deficiencies, and therefore generally met the requirements of the Act, OMB Circular A-133, and the Transit Capital Investment Grants Program. We found nothing to indicate that Bert Smith's opinion or reports on internal control and compliance were inappropriate or unreliable. However, we identified audit documentation deficiencies and the need for expanded compliance testing in future audits. Based on explanations provided by Bert Smith in response to our concerns, we determined that these deficiencies did not alter the overall results of audit. The deficiencies and compliance testing should be corrected in future audits in order to adequately support audit conclusions. The deficiencies are related to the following areas:

1. Sampling Methodology

Bert Smith did not document the formal sampling plan and methodology it used to test direct and material major program compliance requirements. According to information Bert Smith provided, its sampling methodology included adequate sample selections for testing major program compliance requirements. However, Bert Smith agreed to document its formal sample selection methodology in future audits.

2. Reporting (Part 4-Compliance Requirement L)-Report of Disadvantaged Business Enterprise (DBE) Awards or Commitments and Payments

As part of its determination of direct and material compliance requirements, Bert Smith concluded that the Authority was not required to prepare semi-annual DBE reports and therefore, did not test this requirement. Bert Smith based their determination on a letter dated October 31, 2008 from FTA that indicated that the Authority was not required to submit regular updates to its DBE program as long as it remained in compliance with the DBE program.

¹ The single audit report issued by Bert Smith & Co. is available upon request. Requests should be sent to singleauditrequest@oig.dot.gov.

However, we contacted the FTA Office of Civil Rights and were informed that the requirement that the Authority submit semi-annual DBE reports remained in effect. In addition, FTA informed us that the Authority submitted its fiscal year 2009 semi-annual DBE reports in June 2010, and therefore, was not in compliance for fiscal year 2009. However, because Bert Smith did not test the Authority's submission of semi-annual DBE reports, this issue was not identified as a finding in the fiscal year 2009 single audit. We are not requiring Bert Smith to reissue the Authority's Fiscal Year 2009 Single Audit report because FTA confirmed that the Authority is now in compliance with DBE reporting requirements. However, in future audits, Bert Smith agreed to test the Authority's submission of its semi-annual DBE reports to FTA.

3. Special Tests and Provisions for Awards With ARRA Funding (Compliance Requirement N - OMB Addendum 1)

Bert Smith needs to better document its compliance testing of the Special Tests and Provisions for Awards with ARRA funding compliance requirements. The specific compliance requirements affected were the Separate Accountability for ARRA Funding (R1), and Presentation of ARRA Funds on the Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (R2). During our review, Bert Smith stated that they reviewed R1 and R2 as part of the SEFA reconciliation and Financial Status Reports testing. However, Bert Smith agreed to better document its compliance testing of the Special Tests and Provisions for Awards with ARRA funding in future audits.

If you have any questions concerning this report, please call me at (410) 962-1729, or John R. Sysak, DOT National Single Audit Coordinator, at (410) 962-2630.

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cc: Audit Liaison, FTA, TBP-11

Audit Liaison, OST, M-1

Acting VP for Finance and CFO, Metropolitan Washington Airports Authority