



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 Regional Transportation Commission
of Southern Nevada
Report No. QC-2011-054
From: *Earl C. Hedges*
Earl C. Hedges
Program Director for Single Audit

Date: February 23, 2011

Reply To JA-20

Attn Of:

To: Regional Administrator, FTA, Region IX

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Regional Transportation Commission of Southern Nevada (Commission). This report presents the results of our Quality Control Review (QCR) of a single audit performed on the Commission by Piercy Bowler Taylor & Kern for the fiscal year ending June 30, 2009. During this period, the Commission expended about \$131 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	Capital Investment Grants Program	\$50,067,017	Yes	Yes
Federal Transit Administration	20.507	Formula Grants Program	\$76,978,905	Yes	Yes
Federal Transit Administration	20.500	Discretionary Bus & Facilities Program	\$294,000	Yes	No
Federal Transit Administration	20.507	Transit Capital and Operating Assistance	\$250,000	Yes	No
Federal Transit Administration	20.505	Section 5303 Planning Funds	\$906,704	No	Yes
Federal Highway Administration	20.205	Various Programs	\$2,846,320	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.

Piercy Bowler Taylor & Kern rendered an unqualified (clean) opinion on the Commission's financial statements and compliance with major Federal programs, and did not question any costs concerning DOT grant programs.¹

The purpose of our review was to determine: (1) whether the audit work complied with generally accepted government auditing standards as prescribed by the Comptroller General of the United States, the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133; and (2) the extent to which we could rely on the audit work.

RESULTS

Based on our QCR, we determined that Piercy Bowler Taylor & Kern's work was acceptable with deficiencies, and therefore generally met the requirements of generally accepted government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Piercy Bowler Taylor & Kern's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

However, we identified deficiencies in audit documentation that need to be corrected in future audits. Based on explanations that Piercy Bowler Taylor & Kern provided, we determined that these deficiencies did not alter the overall audit results. However, to adequately support audit conclusions, these deficiencies should be corrected in future audits. The deficiencies are related to the following areas:

1. Procurement and Suspension and Debarment (Specific Program Tests-Part IV of the Compliance Supplement).

Piercy Bowler Taylor & Kern's audit documentation did not support its compliance testing of Disadvantaged Business Enterprises (DBE) certifications, and Procurement of Vehicles and Facilities (compliance with Americans with Disabilities Act (ADA) of 1990). During our review, Piercy Bowler Taylor & Kern informed us that they reviewed procurement and contract files and the Commission's policies and procedures in order to determine compliance with DBE and ADA requirements. However, Piercy Bowler Taylor & Kern agreed to better document their work performed applicable to DBE and ADA requirements in future audits.

2. Reporting (Compliance Requirement L).

Piercy Bowler Taylor & Kern's audit documentation did not specify the accounting documents reviewed to determine the completeness and accuracy of the Financial Status and DBE reports. Piercy Bowler Taylor & Kern agreed to fully document its Financial Status Reports testing in future audits.

¹ The single audit report issued by Piercy Bowler Taylor & Kern is available upon request. Requests should be sent to singleauditrequest@oig.dot.gov.

3. Risk Assessment of Material Non-Compliance.

For those compliance requirements that are direct and material to the major program, the audit documentation included insufficient evidence that Percy Bowler Taylor & Kern had assessed the risk of material non-compliance and documented its basis for that assessment. Percy Bowler Taylor & Kern agreed to fully document its assessment of the risk of material non-compliance and their basis for that assessment in future audits.

4. Sampling Methodology.

Percy Bowler Taylor & Kern did not document its formal sampling plan and the methodology used to test internal controls and compliance related to the major programs direct and material compliance requirements. According to information Percy Bowler Taylor & Kern provided to us, the sampling methodology included adequate sample selections for testing major program compliance requirements. However, Percy Bowler Taylor & Kern agreed to fully document its identification and internal controls testing in future audits.

We also identified the following deficiencies as part of our desk review of the Commission's Fiscal Year 2009 Single Audit report:

- The Type A/Type B threshold was reported incorrectly on the Schedule of Findings and Questioned Costs and the Data Collection Form (DCF).
- The Federal Transit Administration Section 5307 and 5309 programs that Nevada Department of Transportation passed through to the Commission were incorrectly reported as direct awards on the Data Collection Form.
- The Federal Transit Administration was incorrectly titled as the Federal Transit Authority on the Schedule of Expenditures of Federal Awards (SEFA).

Percy Bowler Taylor & Kern agreed to prepare an Addendum to the Commission's fiscal year ending June 30, 2009 Single Audit report to correct the errors on the Schedule of Findings and Questioned Costs and the SEFA. Percy Bowler Taylor & Kern also agreed to submit a revised DCF to the Federal Audit Clearinghouse.

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.

#

cc: Audit Liaison, FTA, TBP-11
Audit Liaison, OST, M-1
Director of Finance, Regional Transportation Commission of Southern Nevada