



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** Quality Control Review on the
Single Audit of the Metropolitan Washington
Airports Authority, Washington, DC
Report No. QC-2014-118

Date: September 17, 2014

From: George E. Banks, IV
Program Director for Single Audit

Reply to
Attn. of: JA-20

To: Regional Administrator, FAA, Eastern Region
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, Washington, DC (MWAA). This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of MWAA for fiscal year ended December 31, 2013. The single audit was performed by both PriceWaterhouseCoopers (PWC) which audited the financial statements and by Bert Smith & Company (Bert Smith) which audited the federal expenditures. During this period, MWAA expended approximately \$95 million from DOT grant programs. Bert Smith determined that DOT's major programs were the Airport Improvement Program and the Federal Transit Cluster. We limited the scope of our QCR to the audit work performed by Bert Smith.

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.

Bert Smith rendered an unmodified opinion on MWAA's compliance with DOT's major program requirements for the Airport Improvement Program and the Federal Transit Cluster.¹

¹The single audit report issued by PWC and Bert Smith is available upon request to singleauditrequest@oig.dot.gov.

SCOPE

The purpose of our QCR was to determine: (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and OMB Circular A-133, and (2) the extent to which we could rely on the auditors' work on DOT's major programs, the Airport Improvement Program and the Federal Transit Cluster.

RESULTS

We determined that Bert Smith's audit work was *Acceptable with Deficiencies*, and therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Bert Smith's opinion on DOT's major programs was inappropriate or unreliable.

While the deficiencies we identified in the audit documentation need to be corrected in future audits, we determined that the deficiencies did not alter the overall results of the audit report. The deficiencies are related to:

Reporting (Airport Improvement Program): Bert Smith did not perform adequate compliance testing to meet the audit objective in the compliance supplement. MWAA did not submit its FAA Form 5100-126, *Financial Government Payment Report*, and FAA Form 5100-127, *Operating and Financial Summary*, to FAA in a timely manner. However, Bert Smith's audit documentation did not include any information related to the status of these two reports. Furthermore, Bert Smith's compliance report was dated April 15, 2014, but MWAA submitted the two reports to FAA on May 5, 2014; therefore, Bert Smith did not compliance test MWAA's two reports.

Special Tests and Provisions – Revenue Diversion (Airport Improvement Program): Bert Smith did not perform adequate compliance testing to meet the audit objective in the compliance supplement. During our QCR, Bert Smith told us that they relied upon the revenue testing that PricewaterhouseCoopers (PWC) performed as part of its financial statement audit work. However, PWC's audit procedures are not specifically designed to meet the revenue diversion audit objective. Furthermore, Bert Smith's lack of review of FAA Form 5100-126 and FAA Form 5100-127 also caused the revenue diversion audit objective not to be met.

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, TSO-30
Audit Liaison, FAA, AWP-100

Audit Liaison, FAA Eastern Region ADO, AEA-620

Audit Liaison, OST, M-1

Chief Financial Officer, Metropolitan Washington Airports Authority

Partner, Bert Smith & Company