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Report SA2023026
May 3, 2023

Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2023



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Self-Initiated

Office of the Secretary | SA2023026 | May 3, 2023

What We Looked At

We queried and downloaded 74 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between January 1, 2023 and March 31, 2023, to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

What We Found

We found that reports contained a range of findings that impacted DOT programs. The auditors reported 36 incidents of significant noncompliance with Federal guidelines related to 15 grantees that require prompt action from DOT's Operating Administrations (OA). Of the 36 findings, 21 were repeat findings related to 8 grantees. The auditors also identified questioned costs totaling \$14,886,138 for six grantees. Of this amount, \$7,612,623 was related to the Crow Tribe of Indians, \$5,472,288 was related to Pit River Tribe, and \$1,146,291 was related to the COVID-19 formula grants of the Suburban Mobility Authority for Regional Transportation, Detroit, MI. Additionally, we identified nonmonetary repeat findings that caused a disclaimer of opinion for the Crow Tribe of Indians, Crow Agency MT.

Our Recommendations

We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$14,886,138, if applicable.



Memorandum

Date: May 3, 2023

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2023 | Report No. SA2023026

From: Dormayne "Dory" Dillard-Christian *D. Dillard-Christian*
Assistant Inspector General for Financial Audits

To: Deputy Assistant Secretary for Administration

The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors' single audit¹ reports. These auditors are required to perform the audits in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Uniform Guidance.² Between 200 and 300 single audit reports are issued annually that include findings related to programs directly funded by DOT.

OIG issues memoranda that summarize the single audit reports' significant findings and recommendations that require priority action by the Department of Transportation (DOT). When warranted, we also recommend that DOT recover funds that were inappropriately expended by non-Federal entities.

To identify findings that affect directly awarded DOT programs, we obtained 74 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse³ between January 1, 2023, and March 31, 2023. From these 74 single audit reports, we identified 74 DOT-related findings and reported

¹ A single audit, as required by the Single Audit Act of 1984, as amended, helps Government agencies and auditors oversee the expenditure of Federal funds by non-Federal entities.

² Under Title 2 of the Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the auditor is required 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.

³ The Federal Audit Clearinghouse Image Management System is a public database of completed single audits - <https://facweb.census.gov/uploadpdf.aspx> - maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

on 36 significant findings⁴ (49 percent). The auditors reported significant noncompliance with Federal guidelines related to 15 grantees that require prompt action from DOT's Operating Administrations (OA). Of the 36 findings, 21 were repeat findings related to 8 grantees. The auditors also identified questioned costs totaling \$14,886,138 from six grantees. Of this amount, \$7,612,623 was related to the Crow Tribe of Indians, \$5,472,288 was related to Pit River Tribe, and \$1,146,291 was related to the COVID-19 formula grants of the Suburban Mobility Authority for Regional Transportation, Detroit, MI.

Additionally, we identified the following nonmonetary repeat findings that caused a disclaimer of opinion:

Crow Tribe of Indians, Crow Agency, MT. For the Cash Management, Equipment and Real Property Management, Matching, Level of Effort, Earmarking, Period of Performance, Procurement Suspension and Debarment, Reporting, and the Special Test and Provisions compliance requirements, the Crow Tribe did not implement an effective internal control system. As a result, it did not provide support for advanced funds or use of the reimbursement payment method; complete physical inventories; track matching or earmarking requirements; provide documentation demonstrating that it followed procurement policies; provide documentation demonstrating that it checked vendors for suspension and debarment; submit required reports; or provide documentation that it was meeting special tests and provisions requirements.

We recommend that DOT:

1. Coordinate with impacted OAs to develop a corrective action plan to resolve and close the findings highlighted in this report.
2. Determine the allowability of the questioned transactions and recover \$14,886,138, if applicable.

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve⁵ our recommendations, and provide a target action date for implementation. We will track the recommendations until DOT provides documentation of final action. We will consider the recommendations closed upon our review and concurrence. If you have any questions, please email them to singleauditrequest@oig.dot.gov.

⁴ 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.

⁵ Pursuant to DOT Memorandum, *Policy and Procedures for Expediting Action on Single Audit Report Recommendations* (2009).

See exhibits A through O for details on the auditees; the non-Federal auditors' findings, including areas of noncompliance; the conditions identified; and the non-Federal auditors' recommendations.⁶

cc: The Secretary
DOT Audit Liaison, M-1
DOT Appointee for Single Audits
DOT Single Audit Liaison

⁶ These exhibits present verbatim information from reporting packages and Data Collection Forms that we downloaded from the Federal Audit Clearinghouse.

Table 1. Summary of Significant Single Audit Findings Impacting DOT Programs

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Allen County Regional Transit Authority, Lima, OH, December 31, 2021	Procurement and Suspension and Debarment	2021-001	Not mentioned	A
City of Winston-Salem, Winston-Salem, NC, June 30, 2022	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting	2022-001	Not mentioned	B
Productive Alternatives, Inc., Fergus Falls, MN, December 31, 2021	a. Activities Allowed or Unallowed b. Procurement and Suspension and Debarment c. Procurement and Suspension and Debarment	a. 2021-004 b. 2021-005* c. 2021-006	a. \$1,616 b. \$330,641 c. Not applicable	C
Bad River Band of Lake Superior Tribe of the Chippewa Indians, Odanah, WI, September 30, 2020	a. Allowable Costs/Cost Principles b. Equipment and Real Property Management c. Special Tests and Provisions d. Reporting	a. 2020-001 b. 2020-002 c. 2020-004 d. 2020-005*	a. Not mentioned b. Not mentioned c. Not mentioned d. Not mentioned	D
City of Albuquerque, Albuquerque, NM, June 30, 2022	Procurement and Suspension and Debarment	2022-006*	\$160,181	E

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Crow Tribe of Indians, Crow Agency, MT, September 30, 2020	a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles b. Cash Management c. Equipment and Real Property Management d. Matching, Level of Effort, Earmarking e. Period of Performance f. Procurement and Suspension and Debarment g. Reporting h. Special Tests and Provisions i. Activities Allowed or Unallowed, Allowable Costs/Cost Principles	a. 2020-012* b. 2020-013* c. 2020-015* d. 2020-016* e. 2020-017* f. 2020-018* g. 2020-019* h. 2020-020* i. 2020-021*	a. \$6,857,624 b. Unable to determine c. Unable to determine d. Unable to determine e. Unable to determine f. Unable to determine g. Unknown h. Unable to determine i. \$754,999	F
Ottawa County, Miami, OK, June 30, 2019	a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions c. Activities Allowed or Unallowed, Allowable Costs/Cost Principles	a. 2019-020* b. 2019-021 c. 2019-022	a. \$0 b. \$0 c. \$162,498	G
Southern California Regional Rail Authority, Los Angeles, CA, June 30, 2022	a. Procurement and Suspension and Debarment b. Other	a. 2022-002* b. 2022-003	a. None b. None	H

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Suburban Mobility Authority for Regional Transportation, Detroit, MI, June 30, 2022	Activities Allowed or Unallowed	2022-001	\$1,146,291**	I
Upper Sioux Community, Granite Falls, MN, September 30, 2021	Procurement and Suspension and Debarment	2021-002	None	J
Yankton Sioux Tribe, Wagner, SD, September 30, 2020	a. Procurement and Suspension and Debarment b. Reporting c. Reporting d. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance	a. 2020-005* b. 2020-006* c. 2020-007* d. 2020-008*	a. None b. None c. None d. None	K
City of Fort Worth, Fort Worth, TX, September 30, 2022	Special Tests and Provisions	2022-001	Unknown	L
Los Angeles County Metropolitan Transportation Authority, Los Angeles, CA, June 30, 2022	Special Tests and Provisions	2022-002	None	M
Pit River Tribe, Burney, CA, December 31, 2021	a. Allowable Costs/Cost Principles b. Procurement and Suspension and Debarment	a. 2021-004* b. 2021-005*	a. \$5,301,720 b. \$170,568	N
State of Colorado, Denver, CO, June 30, 2022	a. Subrecipient Monitoring b. Cash Management	a. 2022-076 b. 2020-077	a. \$0 b. \$0	O

^a 2 C.F.R. Part 200, Appendix XI, Compliance Supplement, Part 3 identifies and describes 12 types of compliance requirements.

^b Non-Federal auditor findings do not always result in questioned costs.

*Repeat Finding

**COVID 19 formula grants related.

Source: Independent auditors' reports.

Exhibit A. Allen County Regional Transit Authority, Lima, OH

Report Date: November 10, 2022

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: Federal Transit Administration (FTA), Federal Transit Cluster

Finding Number: 2021-001⁷

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The ACRTA purchased five Ford E-450 vans at a cost of \$70,277.95 each for a total of \$351,389.75 which was 10.1% of the total expenditures from the Federal Transit Cluster. The contract price of the vans contract exceeded the simplified acquisition threshold of \$250,000 which required the contract to use one of the procurement methods noted above.

The ACRTA did not use any of the formal procurement methods before awarding the contract for the five Ford E-450 vans.

The lack of an internal control for compliance with procurement contributed to noncompliance with this Federal program. Noncompliance may result in the loss of current or future federal funding.

Independent Auditor's Recommendation: The ACRTA should establish and implement policies and procedures to verify that all contracts paid with federal funds follow the correct procurement method.

⁷ Caused a Qualified Opinion on FTA's Federal Transit Cluster.

Exhibit B. City of Winston-Salem, Winston-Salem, NC

Report Date: November 23, 2022

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster

Finding Number: 2022-001

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs, Cost Principles, Period of Performance, Reporting

Condition: The City contracts its operations of the Winston Salem Transit Authority ("WSTA") to an outside contractor. During our testing, we noted that controls on reviewing invoices from the outside contractor were not considered adequate to properly prevent and detect errors on a timely basis. The City had implemented a more thorough review process for non-payroll related expenditures submitted by the outside contractor during fiscal year 2022, but had not implemented a similar process for the payroll related invoices submitted by the contractor.

Additionally, the contractor completed, reviewed, and submitted the City's Annual Operating Statistics Report to the North Carolina Department of Transportation on behalf of the City. While a City employee also reviewed the financial data prior to submission, no review of the nonfinancial components was noted by a City employee.

Independent Auditor's Recommendation: We recommend the City implement a more thorough control process for review of all the contractor's invoices, including payroll-related expenditures to ensure all costs are allowable, reasonable and within the period of availability of each grant agreement by an appropriate individual with direct knowledge of the services being provided. We also recommend the City implement proper controls to ensure a City employee reviews the nonfinancial information in the Annual Operating Statistics Report prior to submission.

Exhibit C. Productive Alternatives, Inc., Fergus Falls, MN

Report Date: January 10, 2023

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: FTA, Formula Grants for Rural Areas and Tribal Transit Program

Finding Number: 2021-004⁸

Compliance Requirement: Activities Allowed or Unallowed

Condition: During our testing we noted the Organization did not have adequate internal controls designed to ensure supporting evidence is retained for allowable costs and admin allocations that are charged to the grant.

Independent Auditor's Recommendation: The Organization should review their payroll software for the workers compensation allocations to the grant to ensure proper support is retained to be an allowable cost to the grant. They should also reconcile the time study allocation of admin staff time to ensure the allocation accurately reflects the actual work performed for the grant.

Questioned Costs: \$1,616

Finding 2 of 3

Applicable DOT Operating Administration and Program: FTA, Formula Grants for Rural Areas and Tribal Transit Program

Finding Number: 2021-005⁹ [**Repeat Finding:** 2020-003]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During our testing we noted the Organization did not apply any procurement procedures for five small purchases as they did not perform nor retain adequate documentation in accordance with Uniform Guidance. In addition, the Organization does not have a written procurement policy in accordance with Uniform Guidance for the entire audit year.

Independent Auditor's Recommendation: The Organization should review 2 CFR sections 200.318 through 200.326 requirements for procurement. The Organization should also provide

⁸ Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas and Tribal Transit Program.

⁹ Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas and Tribal Transit Program.

training to the various individuals involved in the procurement process to ensure they understand the applicable requirements.

Questioned Costs: \$330,641

Finding 3 of 3

Applicable DOT Operating Administration and Program: FTA, Formula Grants for Rural Areas and Tribal Transit Program

Finding Number: 2021-006¹⁰

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During our testing we noted the Organization does not have an internal control policy over the suspension and debarment rules.

Independent Auditor's Recommendation: The Organization should implement a formal internal control policy over the suspension and debarment rules and follow them before entering into a covered transaction with another entity.

¹⁰ Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas and Tribal Transit Program.

Exhibit D. Bad River Band of Lake Superior Tribe of the Chippewa Indians, Odanah, WI

Report Date: February 2, 2023

Fiscal Year Ending: September 30, 2020

Applicable DOT Operating Administration and Program: Federal Highway Administration (FHWA), Highway Planning and Construction Cluster

Finding Number: 2020-001¹¹

Compliance Requirement: Allowable Costs/Cost Principles

Condition: A weakness existed in the overall reconciliation/tie-in procedures, performed over the Tribe's financial statement accounts for the fiscal year. Financial accounts were either reconciled untimely or in other cases, accounts were not reconciled at all. Most of these accounts should be reconciled monthly. The major areas where reconciliation procedures were weak included:

- A) Bank Reconciliations
- B) Deposits in Transit
- C) Inventory
- D) Grant Receivables/Deferred Revenues-Grant Close Outs
- E) Accounts receivable, Net of Allowance
- F) 3rd Party Clinic Receivables
- G) Accounts Payable
- H) Accrued Liabilities
- I) Due to/Due from
- J) Cost Allocation Plans (Recoveries vs. Charges)

Independent Auditor's Recommendation: The Tribe should adopt written reconciliation and tie-in procedures into its financial policies and procedures manual. The written policy should not only identify each procedure to be performed and how often, but most importantly identify whose responsibility it is in the finance department to perform a given reconciliation or tie-in and who is responsible for monitoring to ensure these reconciliations are performed timely. Relying totally on the work of a single individual will not yield the desired, timely results. Staff "hands-on" training in those necessary areas is critical.

¹¹ Caused a Qualified Opinion FHWA's Highway Planning and Construction Cluster.

Finding 2 of 4

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-002¹²

Compliance Requirement: Equipment and Real Property Management

Condition: It was noted during the audit that documentation for a detailed listing of fixed assets, a depreciation schedule and periodic inventories for fixed assets have not been maintained.

Independent Auditor's Recommendation: Enforcement of a property management system based on already adopted written policies and procedures. These procedures should be reviewed and updated to, at a minimum, adhere to the newest federal guidelines under OMB Uniform Guidance. If possible, the accounting department should establish and maintain an asset register that will integrate within its financial reporting software. Physical inventories should be performed periodically and reconciled to the property management records. Property management records should also include copies of the original asset purchase documentation.

Finding 3 of 4

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-004¹³

Compliance Requirement: Special Tests and Provisions

Condition: Auditors selected six (6) payments to contractors that were subject to the provisions of the Davis Bacon Act. Related vendor contracts (containing a clause pertaining to wage rate requirements - "Davis Bacon Act clause") were not found in 2 out of the 6 tested and certified payroll forms (WH-347) were not furnished to the auditors in 3 out of the 6 tested.

Independent Auditor's Recommendation: Adopt policies that specifically address the reporting and monitoring requirements under the Davis-Bacon Act. Also provide training related to the Act to key staff members who will be responsible for compliance.

¹² Caused a Qualified Opinion FHWA's Highway Planning and Construction Cluster.

¹³ Caused a Qualified Opinion FHWA's Highway Planning and Construction Cluster.

Finding 4 of 4

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-005¹⁴ [**Repeat Finding:** 2019-002]

Compliance Requirement: Reporting

Condition: The Tribe did not submit the single audit reporting package to the Federal Audit Clearinghouse within nine months (18 months under the COVID 19 extension) following their fiscal year-end as required.

Independent Auditor's Recommendation: Ensure your books are closed in a timely fashion and schedule audit work to begin early enough so that your reporting package will be submitted on time.

¹⁴ Caused a Qualified Opinion FHWA's Highway Planning and Construction Cluster.

Exhibit E. City of Albuquerque, Albuquerque, NM

Report Date: December 15, 2022

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Federal Transit Formula Grants

Finding Number: 2022-006 [**Repeat Finding:** 2021-012]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During our testing, it was noted that the City did not follow federal procurement regulation nor its federal procurement policy.

Independent Auditor's Recommendation: We recommend the City design controls to ensure compliance with federal procurement regulation and its federal procurement policy.

Questioned Costs: \$160,181

Exhibit F. Crow Tribe of Indians, Crow Agency, MT

Report Date: January 26, 2023

Fiscal Year Ending: September 30, 2020

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-012¹⁵ [**Repeat Finding:** 2019-011]

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Costs Principles

Condition: Management has not implemented an effective internal control system.

Highway Planning and Construction Cluster (AL #20.205) – During transactional testing the following were noted:

- 53 out of 60 transactions sampled had no support provided (42 payroll and 18 non-payroll sampled).
- 7 out of 42 payroll samples had time sheets provided, but no other support provided.
- 14 out of 14 individually important items had no support provided.
- These 60 out of 60 transactions and 14 out of 14 individually important items tested were not given consistent treatment and were not adequately documented.

TTP Road Maintenance 25%/Transit Planning and Maintenance (AL #20.509) – During transactional testing the following were noted:

- 28 out of 60 transactions sampled had no support provided (54 payroll and 6 non-payroll sampled)
- 32 out of 54 payroll samples had time sheets provided, but no other support provided.
- 6 out of 6 individually important items had no support provided.
- These 60 out of 60 transactions and 6 out of 6 individually important items tested were not given consistent treatment and were not adequately documented.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to

¹⁵ Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

operations, reporting, and compliance. We also recommend all records be maintained and filed in a way that allows them to be located and reviewed at any point in time.

Questioned Costs: \$6,857,624¹⁶

Finding 2 of 9

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-013¹⁷ [**Repeat Finding:** 2019-012]

Compliance Requirement: Cash Management

Condition: Management has not implemented an effective internal control system.

In addition, the Department could not provide support for advanced funds or the reimbursement payment method of any of the major programs listed. Thus, the Department is not in compliance since no support could be provided to show it is following cash management requirements.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend all records be maintained and filed in a way that allows them to be located and reviewed at any point in time.

Finding 3 of 9

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-015¹⁸ [**Repeat Finding:** 2019-014]

Compliance Requirement: Equipment and Real Property Management

Condition: 1) Management has not implemented an effective internal control system. 2) Property records were not maintained in FY 2020. 3) A physical inventory was not taken in 2019 or 2020.

¹⁶ Of this amount \$6,399,452 is related to FHWA's Highway Planning and Construction Cluster and \$458,172 is related to FTA's Formula Grants for Rural Areas.

¹⁷ Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

¹⁸ Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. In addition, we recommend that physical inventory is taken and that the results are reconciled with the property records at least once every 2 years.

Finding 4 of 9

Applicable DOT Operating Administration and Program: FTA, Formula Grants for Rural Areas

Finding Number: 2020-016¹⁹ [**Repeat Finding:** 2019-005]

Compliance Requirement: Matching, Level of Effort, Earmarking

Condition: Management has not implemented an effective internal control system to ensure the matching and earmarking requirements are being met. In addition, the Department did not provide any support that it is tracking matching or earmarking requirements.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend that the Department follow Uniform Guidance matching and earmarking compliance requirements and keep adequate supporting documentation.

Finding 5 of 9

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-017²⁰ [**Repeat Finding:** 2019-016]

Compliance Requirement: Period of Performance

Condition: The Department could not provide any support that it is tracking period of performance. Management has not implemented an effective internal control system.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend all records be maintained and filed in a way that allows them to be located and reviewed at any point in time. In addition, we recommend that the Department track expenditures for major programs so they are not being expended outside of the period of performance.

¹⁹ Caused a Disclaimer of Opinion on FTA's Formula Grants for Rural Areas.

²⁰ Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

Finding 6 of 9

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-018²¹ [**Repeat Finding:** 2019-017]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: 1) Management has not implemented an effective internal control system to ensure procurement, suspension and debarment requirements are being met. 2) The Tribe could not provide proper bidding support or supporting documentation that it was following its procurement policies for any of the major programs. 3) The Tribe could not provide supporting documentation that vendors were checked for suspension and debarment before contracting with them for any of the major programs.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend that the Department conduct a training for staff to review the Department's procurement policies and procedures, and maintain all records in a way that allows them to be located and reviewed at any point in time.

Finding 7 of 9

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-019²² [**Repeat Finding:** 2019-018]

Compliance Requirement: Reporting

Condition: Management has not implemented an effective internal control system for reporting. The Department did not provide supporting documentation for any required reports in FY 2020.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend that the Department's programs send the funding agency the required reports in a timely manner.

²¹ Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

²² Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

Finding 8 of 9

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster; FTA, Formula Grants for Rural Areas

Finding Number: 2020-020²³ [**Repeat Finding:** 2019-019]

Compliance Requirement: Special Tests and Provisions

Condition: Management has not implemented an effective internal control system to ensure the special test requirements are being met for federal programs. In addition, the Department did not provide any supporting documentation that special tests and provision requirements were being met for any of the major programs.

Independent Auditor's Recommendation: We recommend that the Department use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend the Department maintain records in a way that allows them to be located and reviewed at any point in time.

Finding 9 of 9

Applicable DOT Operating Administration and Program: FTA, Formula Grants for Rural Areas

Finding Number: 2020-021²⁴ [**Repeat Finding:** 2019-020]

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Condition: The Tribe's cash balance is not sufficient to cover the unearned revenue balances.

Independent Auditor's Recommendation: We recommend the Department pursue other means to increase its cash balance.

Questioned Costs: \$754,999

²³ Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and FTA's Formula Grants for Rural Areas.

²⁴ Caused a Disclaimer of Opinion on FTA's Formula Grants for Rural Areas.

Exhibit G. Ottawa County, Miami OK

Report Date: November 22, 2022

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2019-020²⁵ [**Repeat Finding:** 2017-020]

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions

Condition: Through the process of gaining an understanding of the County's internal control structure for federal programs, it was noted that county-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed and implemented.

Independent Auditor's Recommendation: OSAI recommends the County implement a system of internal controls to ensure compliance with grant requirements.

Finding 2 of 3

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2019-021²⁶ [**Repeat Finding:** 2017-024]

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Ottawa County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

²⁵ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

²⁶ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Independent Auditor's Recommendation: OSAI recommends the County gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with all requirements.

Finding 3 of 3

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2019-022²⁷

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost principles

Condition: Upon inquiry, review, and testwork of thirty-eight (38) or 100% of major program expenditures, the following weaknesses were noted:

- One (1) invoice totaling \$150,910 could not be located.
- Five (5) right-of-way acquisitions totaling \$11,588 were not supported by adequate documentation.

Independent Auditor's Recommendation: OSAI recommends the County gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with all requirements.

Questioned Costs: \$162,498

²⁷ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit H. Southern California Regional Rail Authority, Los Angeles, CA

Report Date: January 31, 2023

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster; Federal Railroad Administration, Consolidated Rail and Safety Improvements Program

Finding Number: 2022-002 [**Repeat Finding:** 2021-001]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During our testing of SCRRRA's provisions for procurement requirements for the FTA program, we noted six (6) of the fourteen (14) contracts selected for testing where there was no evidence that SCRRRA verified the entity was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract, in accordance with SCRRRA's policy.

During our testing of SCRRRA's provisions for procurement requirements for the CRISI program, we noted four (4) of the four (4) contracts selected for testing where there was no evidence that SCRRRA verified the entity was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract, in accordance with SCRRRA's policy.

Independent Auditor's Recommendation: We recommend SCRRRA adhere to their procurement procedures requiring the suspension or debarment verification is performed prior to entering into a covered transaction.

Finding 2 of 2

Applicable DOT Operating Administration and Program: Federal Transit Administration; Federal Transit Cluster

Finding Number: 2022-003

Compliance Requirement: Other

Condition: SCRRRA reported expenditures on the current year SEFA that were previously reported as expenditures on the prior year SEFA.

Independent Auditor's Recommendation: We recommend SCRRRA enhance controls to ensure federal expenditures are accurately reported on the SEFA

Exhibit I. Suburban Mobility Authority for Regional Transportation, Detroit, MI

Report Date: November 21, 2022

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster

Finding Number: 2022-001

Compliance Requirement: Activities Allowed or Unallowed

Condition: The Authority disbursed a portion of its CARES Act funds to community partners; however, many of those partners offer only Section 5310 service for seniors and individuals with disabilities. Section 5310 program expenses are not allowable under the CARES Act.

Independent Auditor's Recommendation: When new awards are received, we recommend the Authority thoroughly analyze the compliance requirements, including the allowable uses.

Questioned Costs: \$1,146,291

Exhibit J. Upper Sioux Community, Granite Falls, MN

Report Date: January 30, 2023

Fiscal Year Ending: September 30, 2021

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2021-002²⁸

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Construction contracts were awarded through direct solicitation of multiple companies.

Independent Auditor's Recommendation: We recommend USC supplement their procedures and policies by developing procurement checklists. The checklists should be presented to the board for review when they approve the contracts.

²⁸ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit K. Yankton Sioux Tribe, Wagner, SD

Report Date: January 16, 2023

Fiscal Year Ending: September 30, 2020

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-005²⁹ [Repeat Finding: 2019-005]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Of the five transactions tested for procurement, no proof of a search for suspended and debarred vendors was provided.

Independent Auditor's Recommendation: We recommend the Governmental Departments become familiar with the procurement regulations and standards identified in the Title 2 CFR §200(d) and follow established procurement policies and procedures to minimize any unauthorized or unallowable purchases.

Finding 2 of 4

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-006³⁰ [Repeat Finding: 2019-006]

Compliance Requirement: Reporting

Condition: The Governmental Departments audited financial statements were not submitted to the Federal Clearinghouse by the extended due date of December 31, 2021.

Independent Auditor's Recommendation: We recommend that the Governmental Departments become familiar with reporting requirements for each award and implement procedures to ensure reports submitted are completed timely and accurately. We further recommend the Governmental Departments establish procedures to ensure submission of the data collection form and reporting package to federal audit clearinghouse within nine months after end the of the audit period.

²⁹ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

³⁰ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Finding 3 of 4

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-007³¹ [Repeat Finding: 2019-007]

Compliance Requirement: Reporting

Condition: During fiscal year 2020, the Governmental Departments did not have sufficient controls to ensure the SEFA accurately reflected each award's federal expenditures. There were differences noted in reconciling expenditures from the original SEFA to the trial balance, and it was discovered that certain adjustments for grants receivable, unearned revenues and grant revenue had not been made in order to properly report total federal expenditures. These errors were corrected through adjustments proposed as part of the audit, and the final version of the SEFA reconciles to the Governmental Departments' general ledger.

Independent Auditor's Recommendation: We recommend that the Governmental Departments become familiar with the SEFA reporting elements required by Uniform Guidance and develop and implement a review process to ensure compliance with those reporting requirements. These processes and controls should include reconciling SEFA federal expenditures to the current year general ledger expenditures and reviewing other grant related information to ensure accuracy.

Finding 4 of 4

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-008³² [Repeat Finding: 2019-008]

Compliance Requirement: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance

Condition: During our review of internal controls related to the major programs listed above we tested 40 disbursements each for (1) Indian Law Enforcement and (2) Highway Planning & Construction and 60 disbursements for the Coronavirus Relief Fund, resulting in a combined review of 140 disbursements. Of the 140 items selected for testing, 6 transactions had no backup documentation and 3 items lacked appropriate approval. The sampling was not a statistically valid sample.

Independent Auditor's Recommendation: We recommend the Governmental Departments become familiar with the requirements of 2 CFR, Part §200.313(a) and establish appropriate internal control policies and procedures and that all staff be trained on those policies and

³¹ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

³² Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

procedures so they are familiar with the requirements. We further recommend the Governmental Departments do not process payment for disbursements that do not contain sufficient, appropriate supporting documentation and necessary approvals.

Exhibit L. City of Fort Worth, Fort Worth, TX

Report Date: March 3, 2023

Fiscal Year Ending: September 30, 2022

Applicable DOT Operating Administration and Program: Federal Aviation Administration (FAA), Airport Improvement Program

Finding Number: 2022-001³³

Compliance Requirement: Special Tests and Provisions

Condition: The City did not obtain all of the required certified payrolls for contractor or subcontractor work performed during the fiscal year ended September 30, 2022. In addition, the City did not have internal controls in place to identify that these certified payrolls were not being obtained.

Independent Auditor's Recommendation: We recommend that the City design and implement internal controls to ensure compliance with the program's wage rates requirements. These controls should include monitoring construction contracts, tracking weekly certified payrolls or notification of no work performed and reviewing to ensure that the payrolls are properly certified for all contractor and subcontractor work performed.

³³ Caused a Qualified Opinion on FAA's Airport Improvement Program.

Exhibit M. Los Angeles County Metropolitan Transportation Authority, Los Angeles, CA

Report Date: February 16, 2023

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: Office of the Secretary of Transportation, National Infrastructure Investments

Finding Number: 2022-002

Compliance Requirement: Special Tests and Provisions

Condition: Staff was unable to provide evidence of controls in place to ensure contracts subject to wage rate requirements are appropriately monitored for compliance. There is no evidence of a review performed over certified payroll records and compliance documents performed in fiscal year 2022. Additionally, there is no evidence of communications with contractors available that demonstrate monitoring wage rate requirements.

Independent Auditor's Recommendation: We recommend LACMTA assess the timing and frequency of reviews performed over compliance with wage rate requirements to ensure they are occurring at a frequency that establishes an effective internal control. Additionally, we recommend that documentation of monitoring related communications be retained in accordance with LACMTA's retention policy.

Exhibit N. Pit River Tribe, Burney, CA

Report Date: March 22, 2023

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2021-004³⁴ [Repeat Finding: 2020-004]

Compliance Requirement: Allowable Costs

Condition: The Department's cash balance is not sufficient to cover the unearned revenue balance of \$5,301,720.

Independent Auditor's Recommendation: We recommend the Department pursue other means to increase its cash balance.

Questioned Costs: \$5,301,720

Finding 2 of 2

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2021-005³⁵ [Repeat Finding: 2020-005]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Procurement: For 3 out of 3 samples and 5 out of 5 individually important items selected for testing, the purchase requisition was approved, but no alternative bid documentation provided.

Independent Auditor's Recommendation: We recommend that the Department follows established internal controls and reiterate the importance of the controls to its staff/management and adhere to bidding compliance requirements. Additionally, we recommend the procurement policy be updated to meet Uniform Guidance requirements as the grace period ended on December 31, 2017.

Questioned Costs: \$170,568

³⁴ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

³⁵ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit O. State of Colorado, Denver, CO

Report Date: December 20, 2022

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: FHWA; Highway Planning and Construction Cluster

Finding Number: 2022-076³⁶

Compliance Requirement: Subrecipient Monitoring

Condition: We determined that the Department did not comply with subrecipient monitoring requirements for the Highway Planning and Construction Program during Fiscal Year 2022, as noted below:

- The Department did not perform a risk assessment for 6 of the 25 subrecipients (24 percent) we tested, including subrecipients where eligibility was determined by a MPO.
- The Department improperly included one vendor in our population of subrecipients. The nature of services provided by the vendor was personal services, therefore, did not require the execution of an IGA.
- The Department did not provide supporting documentation for reviews of any Fiscal Year 2022 financial and programmatic reports. As a result, we were unable to determine if any reviews were conducted during the fiscal year, as required.

Independent Auditor's Recommendation: The Department of Transportation should strengthen internal controls over and ensure that it complies with federal subrecipient monitoring requirements for the Highway Planning and Construction program by:

A. Updating its current subrecipient monitoring and risk assessment policy to clarify the frequency in which a risk assessment is required to be completed or updated, as applicable for contracts that span multiple fiscal years, as well as direction regarding when it is acceptable to forgo performing a risk assessment and updating the policy to address the nature in which subrecipient programmatic and financial reports are reviewed

B. Providing training to staff responsible for subrecipient monitoring activities related to the policies updated in Part A of the finding.

³⁶ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Finding 2 of 2

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2022-077³⁷

Compliance Requirement: Cash Management

Condition: We determined that the Department did not comply with the approved cash management draw patterns contained in the Agreements for the Highway Planning and Construction program for Fiscal Year 2022. Overall, 8 of the 25 draws (32 percent) were not made in accordance with the applicable Agreement, as follows:

- We noted that 6 of the 16 draws (38 percent) were not performed on the 5-day approved draw pattern in place after October 13, 2021 and instead, were performed on a 4-day draw pattern.
- We also noted that 2 of the 9 draws (22 percent) sampled from the first Agreement were not completed in accordance with the 4-day approved draw pattern in place prior to October 13, 2021 and, instead, were performed on a 5-day draw pattern

Independent Auditor's Recommendation: The Department Transportation (Department) should strengthen its internal controls and processes over and ensure that it complies with federal Cash Management Improvement Act requirements for the federal Highway Planning and Construction Program (Program) by:

A. Ensuring that Department personnel responsible for preparing and reviewing the cash draw requests are adequately informed of the draw pattern applicable for the current fiscal year, including any federally-approved changes that occur during the year.

B. Establishing procedures that specify draw request dates in relation to Program expenditures that ensure required draw patterns are met.

³⁷ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

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