



U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

**Quality Control Review on a Single Audit
of the City of Charlotte,
Charlotte, NC**

Report No. QC2020048

September 23, 2020



Quality Control Review on a Single Audit of the City of Charlotte, Charlotte, NC

Self-Initiated

Federal Transit Administration, Federal Aviation Administration, and Federal Highway Administration | QC2020048 | September 23, 2020

What We Looked At

We performed a quality control review (QCR) on the single audit that Cherry Bekaert, LLP performed for the City of Charlotte's (City) fiscal year that ended June 30, 2018. During this period, the City expended approximately \$100 million from the U.S. Department of Transportation's (DOT) grant programs. Cherry Bekaert determined that DOT's major programs were the Federal Transit Cluster, the Airport Improvement Program, and the Highway Planning and Construction Cluster.

Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs; and (2) whether the City's reporting package complied with the reporting requirements of the Uniform Guidance.

What We Found

Cherry Bekaert's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found nothing to indicate that Cherry Bekaert's opinion on each of DOT's major programs were inappropriate or unreliable. However, we identified deficiencies in Cherry Bekaert's audit work that should be corrected in future audits. In addition, we identified a deficiency in each of the City's initial and revised reporting packages that required correction and resubmission.

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Memorandum

Date: September 23, 2020

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the City of Charlotte, Charlotte, NC | Report No. QC2020048



From: George E. Banks, IV
Program Director

To: Regional Administrator, Federal Transit Administration (FTA), Region 4
Regional Administrator, Federal Aviation Administration (FAA), Southern Region
Division Administrator, Federal Highway Administration (FHWA), North Carolina
Division Office

The U.S. Department of Transportation (DOT) is the cognizant¹ Federal single audit² Agency for the City of Charlotte. Cherry Bekaert, LLP performed the single audit for the City's fiscal year that ended June 30, 2018.³ During this period, the City expended approximately \$100 million from DOT grant programs. Cherry Bekaert determined that DOT's major programs were the Federal Transit Cluster, the Airport Improvement Program, and the Highway Planning and Construction Cluster.

Cherry Bekaert rendered an unmodified opinion on the City's financial statements, and did not report instances of noncompliance affecting DOT's major programs, or question any costs.⁴ We performed a quality control review (QCR)

¹ A cognizant agency is the Federal agency that provides the predominant amount of direct funding to a non-Federal entity that expends more than \$50 million in Federal funding.

² A single audit, as required by the Single Audit Act of 1984, as amended, combines a financial statement audit with other required audit coverage. Under the act, a single audit is required when a non-Federal entity expends \$750,000 or more of Federal funds during a fiscal year.

³ Copies of single audit reports prepared pursuant to the Office of Management and Budget's (OMB) Uniform Guidance are available for download at <https://harvester.census.gov/facweb/>.

⁴ 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.

on Cherry Bekaert's audit work as it pertains to DOT's major programs included in the single audit and on the City's reporting package.⁵

We appreciate the courtesies and cooperation of Cherry Bekaert representatives during this review. If you have any questions concerning this report, please call me at (202) 420-1116, or John R. Sysak, DOT's National Single Audit Coordinator, at (443) 602-4147.

cc: The Secretary
DOT Appointee for Single Audits
DOT Single Audit Liaison
Audit Liaison, FTA, TSO-30
Audit Liaison, FAA, AAE-100
Audit Liaison, FHWA, HCFB-32
Partner, Cherry Bekaert, LLP
Chief Accountant, City of Charlotte

⁵ The reporting package submitted by the grantee to the Federal Audit Clearinghouse includes the financial statements, the schedule of expenditures of Federal awards, the schedule of prior audit findings (if applicable), and the auditor's report(s) on (a) the financial statements; (b) internal control over financial reporting and compliance and other matters; and (c) compliance for each major program. In addition, a data collection form is submitted to provide information about the auditee, its Federal programs, and the results of the audit.

QCR Objectives

Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs; and (2) whether the City's reporting package complied with the reporting requirements of the Uniform Guidance.

QCR Results

Our QCR entailed reviews of Cherry Bekaert's audit work and the City's reporting package.

Review of Audit Work

Cherry Bekaert complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs, and we found nothing to indicate that Cherry Bekaert's opinion on each of DOT's major programs was inappropriate or unreliable. However, we identified deficiencies in Cherry Bekaert's audit work that should be corrected in future audits. Accordingly, we assigned Cherry Bekaert an overall rating of **pass with deficiencies**.⁶

Understanding of Major Programs' Internal Controls. Cherry Bekaert did not document its understanding of internal controls applicable to DOT's major programs' direct and material compliance requirements.

Federal Transit Cluster—Suspension and Debarment Compliance Testing. Cherry Bekaert did not perform testing on the City's compliance with the Federal Transit Cluster's suspension and debarment requirements.

⁶ The Council of Inspectors General on Integrity and Efficiency's Guide for QCRs of single audits provides a methodology for rating auditors' work with three possible ratings—pass, pass with deficiencies, and fail.

Review of Reporting Package

In our desk review⁷ of the City's reporting package submitted to the Federal Audit Clearinghouse, we identified the following deficiency that required correction and resubmission.

- On the Schedule of Expenditures of Federal Awards (SEFA), the total federal expenditures presented for the Federal Transit Administration was incorrect because it included expenditures from the Airport Improvement Program and the Federal Highway Planning and Construction Program.

After we identified this issue, Cherry Bekaert and the City jointly re-submitted a corrected reporting package to the Federal Audit Clearinghouse.

However, we identified the following deficiency in the revised reporting package that required correction and resubmission.

- On the SEFA, the National Infrastructure Investments program and expenditures were incorrectly presented as part of the Federal Transit Administration's programs.

After we identified this issue, Cherry Bekaert and the City jointly re-submitted a corrected reporting package to the Federal Audit Clearinghouse.

⁷ The objectives of a desk review include determining whether an audit report is acceptable under the reporting requirements of the Uniform Guidance and identifying any quality issues that may warrant follow-up audit work and/or revisions to the reporting package.

U.S. DOT IG Fraud & Safety Hotline

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Our Mission

OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

OFFICE OF INSPECTOR GENERAL
U.S. Department of Transportation
1200 New Jersey Ave SE
Washington, DC 20590



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