



U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

**Quality Control Review on a Single Audit
of the New Mexico Department of
Transportation, Santa Fe, NM**

Report No. QC2019073

September 17, 2019



Quality Control Review on a Single Audit of the New Mexico Department of Transportation, Santa Fe, NM

Self-Initiated

Federal Highway Administration, National Highway Traffic Safety Administration, Federal Transit Administration | QC2019073 | September 17, 2019

What We Looked At

We performed a quality control review (QCR) on the single audit that CliftonLarsenAllen LLP (CLA) performed for the New Mexico Department of Transportation's (NMDOT) fiscal year that ended June 30, 2018. During this period, NMDOT expended approximately \$414 million from the U.S. Department of Transportation's (DOT) grant programs. CLA determined that DOT's major programs were the Highway Planning and Construction Cluster, the Highway Safety Cluster, and the Transit Services Programs 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 NMDOT's reporting package complied with the reporting requirements of the Uniform Guidance.

What We Found

CLA'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 CLA's opinion on each of DOT's major programs was inappropriate or unreliable. However, we identified an audit quality deficiency in CLA's work that should be corrected in future audits. We also identified a deficiency in NMDOT's reporting package that required correction and resubmission.

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Memorandum

Date: September 17, 2019

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the New Mexico Department of Transportation, Santa Fe, NM | Report No. QC2019073



From: George E. Banks, IV
Program Director

To: Division Administrator, Federal Highway Administration, NM Division Office
Regional Administrator, National Highway Traffic Safety Administration, Region 6
Regional Administrator, Federal Transit Administration, Region 6

The U.S. Department of Transportation (DOT) is the cognizant¹ Federal single audit² Agency for the New Mexico Department of Transportation (NMDOT). CliftonLarsonAllen LLP (CLA) performed the single audit for NMDOT's fiscal year that ended June 30, 2018.³ During this period, NMDOT expended approximately \$414 million from DOT grant programs. CLA determined that DOT's major programs were the Highway Planning and Construction Cluster, Highway Safety Cluster, and the Transit Services Programs Cluster.

CLA rendered an unmodified opinion on NMDOT's financial statements and compliance with DOT major program requirements and did not question any costs, but made recommendations⁴ to strengthen NMDOT's controls to ensure compliance with Federal requirements.⁵ We performed a quality control review

¹ A cognizant agency for audit is the Federal agency that provides the predominant amount of direct funding to a non-Federal entity that expends over \$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 more than \$750,000 of Federal funds during a fiscal year.

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

⁴ We advised FHWA of one of these recommendations in a separate memorandum.

⁵ 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.

(QCR) on CLA's audit work as it pertains to DOT's major programs included in the single audit and on NMDOT's reporting package.⁶

We appreciate the courtesies and cooperation of CLA 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, Federal Highway Administration, HCFB-32
Audit Liaison, National Highway Traffic Safety Administration, NFO-200
Audit Liaison, Federal Transit Administration, TSO-30
Principal, CLA LLP
Accounting Services Director and Chief Financial Officer, NMDOT

⁶ The reporting package that the grantee submits 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. A data collection form provides information about the auditee, its Federal programs, and audit results.

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 NMDOT's reporting package complied with the reporting requirements of the Uniform Guidance.

QCR Results

Our QCR entailed reviews of CLA's audit work and NMDOT's reporting package.

Review of Audit Work

CLA complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs, and we found nothing to indicate that CLA's opinion on each of DOT's major programs was inappropriate or unreliable. However, we identified a deficiency in CLA's audit work that should be corrected in future audits. Accordingly, we assigned CLA an overall rating of **pass with a deficiency**.⁷

We identified the following deficiency:

Documentation of Understanding of Major Programs' Internal Controls. CLA needs to enhance and strengthen the documentation of its understanding of internal controls applicable to some direct and material compliance requirements for DOT's major programs.

Review of Reporting Package

In our desk review of NMDOT's reporting package submitted to the Federal Audit Clearinghouse, we identified a deficiency that required correction and resubmission. The Data Collection Form reported audit finding number 2018-001 instead of the correct audit finding number, 2018-002, for the Recreational Trails Program, part of the Highway Planning and Construction Cluster.

⁷ 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.

After we identified this issue, CLA and NMDOT jointly re-submitted a corrected Data Collection Form to the Clearinghouse.

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Our Mission

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