



U.S. DEPARTMENT OF TRANSPORTATION  

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OFFICE OF INSPECTOR GENERAL

**Quality Control Review on a Single Audit  
of the San Diego Association of  
Governments, San Diego, CA**

Report No. QC2018105

September 26, 2018



## Quality Control Review on a Single Audit of the San Diego Association of Governments, San Diego, CA

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*Self-Initiated*

Federal Transit Administration and Federal Railroad Administration | QC2018105 |  
September 26, 2018

### What We Looked At

We performed a quality control review (QCR) on the single audit that Davis Farr LLP performed for the San Diego Association of Governments' (SANDAG) fiscal year that ended June 30, 2017. During this period, SANDAG expended approximately \$190 million from the U.S. Department of Transportation's (DOT) grant programs. Davis Farr determined that DOT's major programs were the Federal Transit Cluster and the High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Program.

Our QCR objectives were to determine whether (1) the audit work complied with the Single Audit Act of 1984, as amended, 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) SANDAG's reporting package complied with the reporting requirements of the Uniform Guidance.

### What We Found

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

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# Contents

Memorandum	1
QCR Objectives	3
QCR Results	3

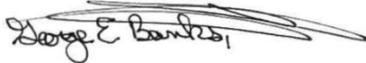


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## Memorandum

Date: September 26, 2018

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the San Diego Association of Governments, San Diego, CA | Report No. QC2018105



From: George E. Banks, IV  
Program Director

To: Regional Administrator, Federal Transit Administration (FTA), Region 9  
Regional Administrator, Federal Railroad Administration (FRA), Region 7

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The U.S. Department of Transportation (DOT) is the cognizant<sup>1</sup> Federal single audit<sup>2</sup> Agency for the San Diego Association of Governments (SANDAG). Davis Farr LLP performed the single audit for SANDAG's fiscal year that ended June 30, 2017.<sup>3</sup> During this period, SANDAG expended approximately \$190 million from DOT grant programs. Davis Farr determined that DOT's major programs were the Federal Transit Cluster and the High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Program.

Davis Farr rendered an unmodified opinion on SANDAG's financial statements and compliance with the requirements on each of DOT's major programs and did not question any costs.<sup>4</sup> We performed a quality control review (QCR) on

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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/>.

<sup>4</sup> 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.

Davis Farr's audit work as it pertains to DOT's major programs included in the single audit and on SANDAG's reporting package.<sup>5</sup>

We appreciate the courtesies and cooperation of Davis Farr 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, FRA, ROA-2  
Partner, Davis Farr LLP  
Finance Manager, San Diego Association of Governments

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<sup>5</sup> 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.

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## QCR Objectives

Our QCR objectives were to determine whether (1) the audit work complied with the Single Audit Act of 1984, as amended, 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) SANDAG's reporting package complied with the reporting requirements of the Uniform Guidance.

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## QCR Results

Our QCR entailed reviews of Davis Farr's audit work and SANDAG's reporting package.

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### Review of Audit Work

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

We identified the following deficiency:

**Determination of Direct and Material Compliance Requirements.** Davis Farr assessed the Program Income and Subrecipient Monitoring compliance requirements as not direct and material to the high-speed rail program, but did not document its rationale for the assessment. During our review, we determined that SANDAG did not generate any program income or have subrecipients.

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### Review of Reporting Package

In our desk review of SANDAG's reporting package submitted to the Federal Audit Clearinghouse (FAC), we identified the following deficiencies that required correction and resubmission.

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<sup>6</sup> 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.

The Compliance and Other Matter section in Davis Farr's *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* was missing a required statement that the tests of noncompliance did or did not result in instances of noncompliance.

On the Schedule of Expenditures of Federal Awards (SEFA), two Catalog of Federal Domestic Assistance numbers associated with a program were incorrect. Also on the SEFA, the Federal Transit Cluster and the Transit Services Program Cluster were not subtotaled as required.

After we identified these issues, Davis Farr and SANDAG jointly re-submitted a corrected reporting package to FAC.

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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.

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