



U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

**Quality Control Review on a Single Audit
of the Santa Clara Valley Transportation
Authority, San Jose, CA**

FTA

Report No. QC2018106

September 26, 2018





Quality Control Review on a Single Audit of the Santa Clara Valley Transportation Authority, San Jose, CA

Self-Initiated

Federal Transit Administration | QC2018106 | September 26, 2018

What We Looked At

We performed a quality control review (QCR) on the single audit that Vavrinek, Trine, Day & Company, LLP (VTD) performed for the Santa Clara Valley Transportation Authority's (Authority) fiscal year that ended June 30, 2017. During this period, the Authority expended approximately \$148 million from the U.S. Department of Transportation's (DOT) grant programs. VTD determined that DOT's major program was the Federal Transit Cluster.

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 program and (2) the Authority's reporting package complied with the reporting requirements of the Uniform Guidance.

What We Found

VTD's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major program. We found nothing to indicate that VTD's opinion on DOT's major program was inappropriate or unreliable. However, we identified a deficiency in the Authority's reporting package that required correction and resubmission.

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Memorandum

Date: September 26, 2018

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the Santa Clara Valley Transportation Authority, San Jose, CA | Report No. QC2018106



From: George E. Banks, IV
Program Director

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

The U.S. Department of Transportation (DOT) is the cognizant¹ Federal single audit² Agency for the Santa Clara Valley Transportation Authority (Authority). Vavrinek, Trine, Day & Company, LLP (VTD) performed the single audit for the Authority's fiscal year that ended June 30, 2017.³ During this period, the Authority expended approximately \$148 million from DOT grant programs. VTD determined that DOT's major program was the Federal Transit Cluster.

VTD rendered an unmodified opinion on the Authority's financial statements and compliance with the requirements on DOT's major program and did not question any costs.⁴ We performed a quality control review (QCR) on VTD's audit work as it

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 (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.

pertains to DOT's major program included in the single audit and on the Authority's reporting package.⁵

We appreciate the courtesies and cooperation of VTD 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
Fiscal Recourses Manager, Santa Clara Valley Transportation Authority
Partner, Vavrinek, Trine, Day & Company, LLP

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 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 program and (2) the Authority's reporting package complied with the reporting requirements of the Uniform Guidance.

QCR Results

Our QCR entailed reviews of VTD's audit work and the Authority's reporting package.

Review of Audit Work

VTD complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major program, and we found nothing to indicate that VTD's opinion on DOT's major program was inappropriate or unreliable. Accordingly, we assigned VTD an overall rating of **pass**.⁶

We found the following in VTD's work that did not impact our overall rating.

VTD dated its auditor's report October 27, 2017, and the compliance report with the Schedule of Expenditures of Federal Awards (SEFA) opinion was dated November 27, 2017. However, in its audit documentation, VTD included only one management representation letter. Auditing standards require that two management representation letters be issued. VTD has obtained a second management representation letter from the Authority.

Review of Reporting Package

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

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.

On the SEFA, a program name associated with a Catalog of Federal Domestic Assistance Number was incorrect. After we identified this issue, VTD and the Authority jointly re-submitted a corrected reporting package to the Federal Audit Clearinghouse.

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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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