



U.S. Department of  
Transportation  
Office of Inspector General

# Memorandum

Subject: **INFORMATION:** Quality Control Review  
on the Single Audit of the Antelope Valley  
Transit Authority,  
Lancaster, CA  
Report No. QC2017103

Date: September 26, 2017

From: George E. Banks, IV  
Program Director for Single Audit

Reply to  
Attn. of: JA-20

To: Regional Administrator, FTA, Region 9

The U. S. Department of Transportation (DOT) is the oversight Federal single audit Agency for the Antelope Valley Transit Authority (Authority) of Lancaster, CA. This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of the Authority that Windes, Inc. performed for the Authority's fiscal year that ended June 30, 2016. During this period, the Authority expended approximately \$9 million from DOT grant programs. Windes determined that DOT's major programs were the Federal Transit Cluster and Job Access and Reverse Commute Program.

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.

## SCOPE

The purpose of our QCR was to determine (1) whether the audit work and reporting package complied with the Single Audit Act of 1984, as amended, and the Uniform Guidance and (2) the extent to which we could rely on the auditors' work on DOT's major programs, the Federal Transit Cluster and Job Access and Reverse Commute Program.

## RESULTS

### Audit Work

Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Based on our QCR, we assigned an overall rating of *fail* to Windes' work. Therefore, Windes did not meet the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs, the Federal Transit Cluster and Job Access and Reverse Commute Program. We found the following deficiencies that affect the reliability of Windes' opinion on DOT's major programs:

#### The Federal Transit Cluster

- **Incorrect local Government determination.** Windes incorrectly concluded that the Authority is not a local Government entity and therefore, did not perform internal controls and compliance testing on some of the Federal Transit Cluster's direct and material compliance requirements.
- **Internal controls understanding, planning, and testing.** Windes did not gain an understanding of, plan, and test internal controls to support its low assessed level of control risk on the following direct and material compliance requirements: (1) cash management; (2) procurement, suspension and debarment; (3) reporting; and (4) special tests and provisions.
- **Compliance testing.** Windes did not perform compliance testing on the following direct and material compliance requirements: (1) cash management; (2) earmarking; (3) procurement (Buy America, the Disadvantaged Business Enterprises, and Americans with Disabilities Act of 1990); (4) reporting; and (5) special tests and provisions (environmental review and wage rate determination).
- **Compliance Supplement, Part 4.** Windes did not adequately document its consideration of the Compliance Supplement's Part 4 requirements.
- **Determination of direct and material compliance requirements.** Windes did not document its rationales that certain compliance requirements were not direct and material to the Federal Transit Cluster.

#### The Job Access and Reverse Commute Program

- **Determination of direct and material compliance requirements.** Windes did not determine the direct and material compliance requirements.

- **Internal controls understanding, planning, and testing.** Windes did not gain an understanding of, plan, and test internal controls.
- **Compliance testing.** Windes did not perform any compliance testing.

### **Reporting Package**

During our desk review of the Authority's fiscal year 2016 single audit reporting package that was submitted to the Federal Audit Clearinghouse (FAC), we identified the following items:

- **Data Collection Form.** The total for the Job Access and Reverse Commute Program on the Federal awards tab was also included in the Federal Transit Cluster total, causing an overstatement in the amount for the Federal Transit Cluster.

We provided Windes with a draft of our QCR on June 8, 2017. In its response (see attachment), Windes disagreed with our overall rating of *fail*, stating that "auditors are allowed judgement in determining the level of testing in obtaining evidence to support the audit opinion." While it is not required to perform additional audit work to support its opinion on each of DOT's major programs, Windes has elected to do so to address the deficiencies identified in our QCR. Therefore, we will continue to categorize Windes' work as a *fail* rating, and will perform follow-up procedures when Windes completes and submits its revised and amended audit documentation.

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 (410) 962-2630.

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cc: The Secretary  
Audit Liaison, FTA, TSO-30  
Partner, Windes, Inc.  
Chief Financial Officer, Antelope Valley Transit Authority  
California Board of Accountancy, State of California  
Associate Director, Professional Ethics, Professional Ethics Division,  
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June 30, 2017

U.S. Department of Transportation  
Office of Inspector General  
Mr. George E. Banks, IV, Program Director for Single Audit

Re: Quality Control Review on Antelope Valley Transit Authority Single Audit (Report No. QC2017103)

Dear Mr. Banks,

As the auditors for Antelope Valley Transit Authority (AVTA), we are writing in response to the findings noted on your quality control review (Report No. QC2017XXX) of AVTA's single audit for the fiscal year ended June 30, 2016.

First, we would like to thank the Office of Inspector General (OIG) on their review of our work papers related to AVTA's single audit. We appreciate the feedback and suggested improvements provided from the OIG's review. Overall, we believe the process was transparent with open communication on the OIG's progress of the review.

We have reviewed the OIG's report and respectfully disagree with the overall conclusion of a fail rating. We believe that audit procedures performed were sufficient enough to allow us to meet our responsibilities as auditor, which was to plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Uniform Guidance could have a direct and material effect on the major federal programs. As with any audit, auditors are allowed judgment in determining the level of testing in obtaining evidence to support the audit opinion. Therefore, we do not believe the deficiencies identified lead to a fail rating.

Nevertheless, Windes will work with AVTA to revise and amend our work papers to address the issues noted in the OIG report as follows:

**Federal Transit Cluster**

- Incorrect Local Government Determination: Windes will review the Single Audit Compliance Supplement and document testing of internal controls and compliance on areas that were specific to local governments.
- Internal Controls Understanding, Planning, and Testing: Windes will document internal control and test controls to support a low assessed level of control risk for the following compliance areas: 1) cash management; 2) procurement, suspension, and debarment; 3) reporting; and 4) special tests and provisions.
- Compliance Testing: Windes will document compliance testing on the following areas: 1) cash management; 2) earmarking; 3) procurement; 4) reporting; and 5) special tests and provisions.
- Compliance Supplement Part 4: Windes will document how the Compliance Supplement was incorporated into the testing.
- Determination of Direct and Material Compliance Requirements: Windes will document which compliance areas were determined to be direct and material.

**Job Access and Reverse Commute**

- Determination of Direct and Material Compliance Requirements: Windes will document which compliance areas were determined to be direct and material.
- Internal Controls Understanding, Planning, and Testing: Windes will document internal control and test controls to support a low assessed level of control risk for the direct and material compliance areas.
- Compliance Testing: Windes will document compliance testing on the direct and material compliance areas.

**Reporting Package**

- Data Collection Form: Windes will review the data and ensure the data on the re-submission is accurately reported.
- Late Submission: It has been communicated to Windes that this finding will be dropped based on documentation provided to OIG supporting the fact the reporting package was submitted within the time frame allowed by the Uniform Guidance.

We want to thank the OIG's office for the opportunity to correct these deficiencies and will work with AVTA to resolve the deficiencies so that AVTA can maintain an unmodified Single Audit report. We anticipate the additional work to be performed in conjunction with the upcoming fiscal year's audit and plan to submit our revised work papers for OIG's review no later than October 31, 2017.

Sincerely,

*Windes, Inc.*