



U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

**Quality Control Review on a Single Audit
of the City of Riverton, Riverton, WY**

FAA

Report No. QC2018077

August 27, 2018





Quality Control Review on a Single Audit of the City of Riverton, Riverton, WY

Self-Initiated

Federal Aviation Administration | QC2018077 | August 27, 2018

What We Looked At

We performed a quality control review (QCR) on the single audit that Anton Collins Mitchell LLP (ACM) performed for the City of Riverton's (City) fiscal year that ended June 30, 2017. During this period, the City expended approximately \$1.9 million from the U.S. Department of Transportation's (DOT) grant programs. ACM determined that DOT's major programs were the Airport Improvement Program and the Small Community Air Service Development 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) the City's reporting package complied with the reporting requirements of the Uniform Guidance.

What We Found

ACM's audit work did not comply with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found that ACM's audit documentation contained audit quality deficiencies that affected the reliability of the audit results applicable to both of DOT's major programs. These audit quality deficiencies required correction for the City's fiscal year 2017 single audit. We also identified a deficiency in the City's reporting package that required correction and resubmission.

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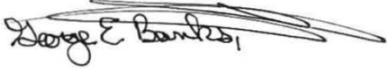
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Memorandum

Date: August 27, 2018

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the City of Riverton, Riverton, WY | Report No. QC2018077



From: George E. Banks, IV
Program Director

To: Regional Administrator, Federal Aviation Administration (FAA), Northwest Mountain Region

The U.S. Department of Transportation (DOT) is the oversight¹ Federal single audit² Agency for the City of Riverton (City). Anton Collins Mitchell LLP (ACM) performed the single audit for the City's fiscal year that ended June 30, 2017.³ During this period, the City expended approximately \$1.9 million from DOT grant programs. ACM determined that DOT's major programs were the Airport Improvement Program and the Small Community Air Service Development Program.

ACM rendered an unmodified opinion on the City's financial statements and compliance with the requirements on each of the DOT major programs and did not question any costs.⁴ We performed a quality control review (QCR) on ACM's

¹ An oversight agency is the Federal agency that provides the predominant amount of direct funding to a non-Federal entity that expends less 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 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.

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 ACM 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
Audit Liaison, FAA, ACO-100
Partner, Anton Collins Mitchell, LLP
Finance Director, City of Riverton, WY
Wyoming Board of Certified Public Accountants
Senior Manager, Professional Ethics, Professional Ethics Division, AICPA

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 programs; and (2) the City's reporting package complied with the reporting requirements of the Uniform Guidance.

QCR Results

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

Review of Audit Work

ACM did not comply with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found that ACM's audit documentation contained audit quality deficiencies that affected the reliability of the audit results applicable to both of DOT's major programs. The audit quality deficiencies required correction for the City's fiscal year 2017 single audit. Accordingly, we assigned ACM an overall rating of **fail**.⁶

We found the following deficiencies.

Airport Improvement Program

Equipment and Real Property Management. ACM's rationale for assessing the Equipment and Real Property Management compliance requirements were not direct and material to the Airport Improvement Program was not adequately supported. ACM's assessment was solely based on the City not having any equipment disposals. However, there are additional audit objectives from OMB's Compliance Supplement Part 3 that should have been considered by ACM.

Procurement, Suspension and Debarment (Buy America and Covered Transactions). ACM did not perform compliance testing of Buy America Act requirements. ACM's audit documentation stated that Buy America was not applicable to the Airport Improvement Program. However, we reviewed the Airport Improvement Program grant agreements for the City included in ACM's audit documentation and noted that the Buy America Act requirements had been

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.

agreed to by both the City and FAA. In addition, ACM did not perform compliance testing of covered transactions that equal or exceed \$25,000 related to suspension and debarment requirements.

Reporting. ACM did not perform compliance testing on the City's FAA Form 5100-126 & FAA Form 5100-127. AMC stated that the City of Riverton did not have to file those reports. We contacted FAA officials and were informed that the City should have filed those reports with FAA by October 28, 2017, but had not. Due to the lack of compliance testing and further inquiry, ACM did not report a compliance finding related to the City's failure to submit timely reports to FAA.

Special Tests and Provisions-Revenue Diversion. ACM did not perform compliance testing applicable to the Special Tests and Provisions (Revenue Diversion) compliance requirements.

Small Community Air Service Development Program

Compliance testing – Eligibility. ACM did not perform compliance testing related to eligibility because they incorrectly stated that this testing was not applicable to the Small Community Air Service Development Program. However, based on our review of the Catalogue of Federal Domestic Assistance documentation, eligibility requirements were applicable, and should have been tested.

Review of Reporting Package

In our desk review of the City's reporting package submitted to the Federal Audit Clearinghouse, we identified a deficiency that required correction and resubmission. ACM's reported compliance finding number 2017-004 lacked the required elements of a finding. After we identified this issue, ACM coordinated with the City and jointly re-submitted a corrected reporting package to the Federal Audit Clearinghouse.

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.

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