



# FHWA, NHTSA

Report QC2023028  
May 8, 2023

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Quality Control Review on a Single Audit of the Highways  
Division, Department of Transportation for the State of  
Hawaii, Honolulu, HI



## Quality Control Review on a Single Audit of the Highways Division, Department of Transportation for the State of Hawaii, Honolulu, HI

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*Self-Initiated*

Federal Highway Administration; National Highway Traffic Safety Administration | QC2023028 | May 8, 2023

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### What We Looked At

We performed a quality control review (QCR) on the single audit that Accuity LLP performed for the Highways Division, Department of Transportation for the State of Hawaii's (HIDOT) fiscal year that ended June 30, 2021. During this period, HIDOT expended approximately \$226.5 million from U.S. Department of Transportation programs. Accuity determined that DOT's major programs were the Federal Highway Administration's Highway Planning and Construction Cluster, and the National Highway Traffic Safety Administration's Alcohol Open Container Requirements program.

Our QCR objectives were to determine whether (1) 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 auditor's work on DOT's major programs and (2) HIDOT's reporting package complied with the reporting requirements of the Uniform Guidance.

### What We Found

Accuity complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found nothing to indicate that Accuity's opinion on DOT's major programs was inappropriate or unreliable. However, we identified deficiencies that require correction in future audits. Accordingly, we assigned Accuity an overall rating of pass with deficiencies.

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# Contents

Memorandum	1
QCR Objectives	3
QCR Results	3
<b>Appendix.</b> Nongovernmental Organization Responses	5



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## Memorandum

Date: May 8, 2023

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the Highways Division, Department of Transportation for the State of Hawaii, Honolulu, HI | Report No. QC2023028

From: Ingrid Harris, Program Director *IRH*

To: Program Integrity Team Leader, Federal Highway Administration, Office of the Chief Financial Officer

Audit and Internal Control Team, National Highway Traffic Safety Administration, Office of Financial Management

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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 Highways Division, Department of Transportation for the State of Hawaii (HIDOT). Accuity LLP performed the single audit for HIDOT's fiscal year that ended June 30, 2021.<sup>3</sup> During this period, HIDOT expended approximately \$226.5 million from DOT grant programs. Accuity determined that DOT's major programs were the Federal Highway Administration's Highway Planning and Construction Cluster, and the National Highway Traffic Safety Administration's Alcohol Open Container Requirements Program.

Accuity rendered an unmodified opinion on HIDOT's financial statements and compliance with the requirements of DOT's major programs. It did not

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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 or more 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://facdissem.census.gov/>.

question any costs.<sup>4</sup> We performed a quality control review (QCR) on Accuity's audit work as it pertains to DOT's major programs included in the single audit and on HIDOT's reporting package.<sup>5</sup>

We appreciate the courtesies and cooperation of Accuity's representatives during this review. If you have any questions concerning this report, please get in touch with me or Matthew Straw, DOT's National Single Audit Coordinator.

cc:     The Secretary  
          DOT Appointee for Single Audits  
          DOT Single Audit Liaison  
          Audit Liaison, Federal Highway Administration  
          Audit Liaison, National Highway Traffic Safety Administration  
          Partner, Accuity LLP  
          Administrative Services Officer, Highways Division Department of  
          Transportation for the State of Hawaii

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<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.

<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

The objectives of our QCR were to determine whether (1) 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 HIDOT's reporting package complied with the Uniform Guidance's reporting requirements.

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## QCR Results

Our QCR entailed a review of Accuity's audit work and HIDOT's reporting package.

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### Review of Audit Work

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

We identified the following deficiencies.

**Documentation of a Sample Plan.** Accuity's work papers on the Highway Planning and Construction Cluster did not contain a sample plan for a Subrecipient Monitoring test. In future audits, a sample plan must be prepared for each test performed.

**Direct and Material Determination.** Accuity determined that the Eligibility, Matching, Level of Effort and Earmarking, and the Procurement, Suspension and Debarment compliance requirements were not direct and material to the Alcohol Open Container Requirements Program. However, its determinations were not supported by a reasonable basis. In future audits, not direct and material determinations must be supported by a reasonable basis.

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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.

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## Review of Reporting Package

In our desk review<sup>7</sup> of HIDOT's reporting package submitted to the Federal Audit Clearinghouse, we did not identify any deficiencies that required correction and resubmission.

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<sup>7</sup> The objectives of this desk review include determining whether the audit report is acceptable under the Uniform Guidance's reporting requirements and identifying any quality issues that may warrant followup audit work and/or revisions to the reporting package.

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## Appendix. Nongovernmental Organization Responses

The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023<sup>8</sup> (NDAA) requires our office to inform nongovernmental organizations and business entities (NGOs) when they have been specifically identified in an OIG non-investigative report. NGOs have 30 days to review our report and may submit a written response. In accordance with the NDAA, we will notify NGOs and include their responses when applicable as required. Any claims or statements made within are wholly attributable to the NGOs alone. Any information or conclusions they may contain were not subject to generally accepted Government auditing standards or verification by the Office of Inspector General.

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<sup>8</sup> Pub. L. No. 117-263 (2022), Sec. 5274.





May 26, 2023

Ms. Dory Dillard-Christian  
Assistant Inspector General for Financial Audits  
U.S. Department of Transportation  
Office of Inspector General  
1200 New Jersey Avenue SE  
Washington, DC 20590

**RE: Response to Report on Quality Control Review on a Single Audit of the Highways Division,  
Department of Transportation for the State of Hawaii, Honolulu, HI (Report No. QC2023028)**

Dear Ms. Dillard-Christian:

We are pleased to provide our response on the U.S. Department of Transportation (the "DOT") Office of Inspector General's (the "OIG") report on Quality Control Review on a Single Audit of the Highways Division, Department of Transportation for the State of Hawaii, Honolulu, HI (the "Report").

We fully support the OIG's mission to enhance DOT's programs and operations and wish to convey our appreciation for the efforts and responsiveness of the OIG's staff during the inspection process. We are committed to performing quality audits and maintaining the highest level of quality control.

We respectfully accept the results of the quality control review, which did not identify any instances of noncompliance with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs and nothing to indicate that the Firm's opinion on DOT's major programs was inappropriate or unreliable. Furthermore, we accept the deficiencies identified related to documentation of a sample plan and direct and material determination. Based on the quality control report, we corrected these deficiencies in the subsequent year's single audit as follows:

Documentation of a Sample Plan

We included documentation of our sampling plan based on our risk assessments for each compliance requirement test performed.

Direct and Material Determination

For any compliance requirement determined to not be direct and material, we included documentation to support that determination, including specific details on the information obtained and inspected.

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We appreciate this opportunity to formally respond to the Report. We remain committed to working with the OIG in support of continuous improvement. We would be pleased to discuss any aspect of our response or any further questions you may have.

Respectfully,

*Accuity LLP*

U.S. Department of Transportation  
Office of Inspector General

# Fraud & Safety Hotline

<https://www.oig.dot.gov/hotline>

[hotline@oig.dot.gov](mailto:hotline@oig.dot.gov)

(800) 424-9071

## OUR MISSION

OIG enhances DOT's programs and operations by conducting objective investigations and audits on behalf of the American public.



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