



FTA

Report QC2023033
June 7, 2023

Quality Control Review on a Single Audit of the City of Santa Clarita, Santa Clarita, CA



Quality Control Review on a Single Audit of the City of Santa Clarita, Santa Clarita, CA

Self Initiated

Federal Transit Administration | QC2023033 | June 7, 2023

What We Looked At

We performed a quality control review (QCR) on the single audit that Eide Bailly LLP performed for the City of Santa Clarita's fiscal year that ended June 30, 2021. During this period, the City expended approximately \$25.4 million from U.S. Department of Transportation (DOT) programs. Eide Bailly determined that DOT's major program was the Federal Transit Administration's (FTA) Federal Transit Cluster.

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) the City of Santa Clarita's reporting package complied with the reporting requirements of the Uniform Guidance.

What We Found

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

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Memorandum

Date: June 7, 2023

Subject: FINAL REPORT: Quality Control Review on a Single Audit of the City of Santa Clarita, Santa Clarita, CA | Report No. QC2023023

From: Ingrid Harris, Program Director 

To: Single Audit National Coordinator, the Office of Program Oversight and Office of Transit Safety & Oversight, Federal Transit Administration

The U.S. Department of Transportation (DOT) is the oversight¹ Federal single audit² Agency for the City of Santa Clarita. Eide Bailly LLP performed the single audit for the City's fiscal year that ended June 30, 2021.³ During this period, the City expended approximately \$25.4 million from DOT grant programs. Eide Bailly determined that DOT's major program was the Federal Transit Administration's Federal Transit Cluster.

Eide Bailly rendered an unmodified opinion on the City's financial statements and compliance with the requirements of DOT's major program and did not question any costs.⁴ We performed a quality control review (QCR) on Eide Bailly's audit work as it pertains to DOT's major program included in the single audit and on the City of Santa Clarita's reporting package.⁵

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 are available for download at <https://facdissem.census.gov>.

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.

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.

We appreciate the courtesies and cooperation of Eide Bailly'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 Transit Administration
Partner, Eide Bailly LLP
Director of Administrative Services, City of Santa Clarita

QCR Objectives

Our QCR objectives were to determine whether (1) the audit work complied with the Single Audit Act of 1984, as amended, OMB's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major program and (2) the City of Santa Clarita's reporting package complied with the Uniform Guidance's reporting requirements.

QCR Results

Our QCR entailed reviews of Eide Bailly's audit work and the City of Santa Clarita's reporting package.

Review of Audit Work

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

We identified the following deficiencies.

Planned and performed adequate compliance testing. We identified five obligations that were not liquidated within 90 days of the end of the period of performance, as required by the Uniform Guidance. Payments against the obligations occurred after the 90 day period. According to the auditor's workpapers, the City of Santa Clarita timely obligated the funds based on a purchase agreement with a vendor to acquire buses. We found that these payments to the vendor were expected and aligned with the delivery of the buses. In future audits, Eide Bailly must verify obligations are liquidated within 90 days of the end of a period of performance.

Evaluation and disposal of exceptions identified. The auditor did not identify the untimely liquidation of obligations. As a result, the auditor did not perform an

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.

evaluation and disposal of the exception. In future audits, when an exception is identified, Eide Bailly must document its evaluation and disposal of the exception.

Review of Reporting Package

In our desk review⁷ of the City of Santa Clarita's reporting package submitted to the Federal Audit Clearinghouse, we did not identify any deficiencies that required correction and resubmission.

⁷ The objectives of this desk review are to determine whether the audit report is acceptable under the Uniform Guidance's reporting requirements and to identify any quality issues that may warrant followup audit work and/or revisions to the reporting package.

U.S. Department of Transportation
Office of Inspector General

Fraud & Safety Hotline

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