



Report SA2023019
February 15, 2023

OST

Summary Report on Significant Single Audit Findings
Impacting DOT Programs for the 3-Month Period Ending
September 30, 2022



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Self-Initiated

Office of the Secretary | SA2023019 | February 15, 2023

What We Looked At

We queried and downloaded 74 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between July 1, 2022, and September 30, 2022, to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

What We Found

We found that reports contained a range of findings that impacted DOT programs. The auditors reported 17 incidents of significant noncompliance with Federal guidelines related to 13 grantees that require prompt action from DOT's Operating Administrations (OA). Seven of these were repeat findings related to six grantees. The auditors also identified questioned costs totaling \$3,546,767 for four grantees. Of this amount, \$1,250,359 was related to the State of Rhode Island, and \$1,350,319 was related to the Capital Area Transit System Baton Rouge, LA. Additionally, we identified nonmonetary findings that caused qualified opinions for the Chippewa Cree Tribe, the Government of Guam, the State of Illinois, the Klawock Cooperative Association, the City of Creswell, OR, and the Commonwealth Ports Authority of the Northern Marina Islands.

Recommendations

We recommend that DOT coordinate with the impacted OAs to develop corrective action plans to resolve and close the current and repeat findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$3,546,767, if applicable.



Memorandum

Date: February 15, 2023

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2022 | Report No. SA2023019

From: Dormayne "Dory" Dillard-Christian *M. Dillard-Christian*
Assistant Inspector General for Financial Audits

To: Deputy Assistant Secretary for Administration

The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors' single audit¹ reports. These auditors are required to perform the audits in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Uniform Guidance.² Between 250 and 300 single audit reports are issued annually that include findings related to programs directly funded by the Department of Transportation (DOT).

OIG issues memoranda that summarize single audit reports' significant findings and recommendations that require priority action by DOT. When warranted, we also recommend that DOT recover funds that were inappropriately expended by non-Federal entities.

To identify findings that affect directly-awarded DOT programs, we obtained 74 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse³ (FAC) between July 1, 2022, and September 30, 2022. From these 74 single audit reports, we identified

¹ A single audit, as required by the Single Audit Act of 1984, as amended, helps Government agencies and auditors oversee the expenditure of Federal funds by non-Federal entities.

² 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.

³ The Federal Audit Clearinghouse Image Management System is a public database of completed single audits—<http://harvester.census.gov/facweb/>—maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

63 DOT related findings and reported on 17 significant findings⁴ (27 percent). The auditors reported significant noncompliance with Federal guidelines related to 13 grantees that require prompt action from DOT's Operating Administrations (OA). Seven of these were repeat findings related to six grantees. The auditors also identified questioned costs totaling \$3,546,767 from four grantees. Of this amount, \$1,250,359 was related to the State of Rhode Island, and \$1,350,319 was related to the Capital Area Transit System, Baton Rouge, LA. Additionally, we identified the following nonmonetary findings that caused qualified opinions.

- **Chippewa Cree Tribe.** A physical inventory of fixed assets and respective reconciliation to books and records has not been performed within the last 2 years.
- **Government of Guam.** Since 2016, the required biannual physical inventory and reconciliation of property has not been performed. Assets selected for testing were not made available and could not be verified. Additionally, capital assets were disposed and surveyed but not removed from the capital asset ledger, and capital assets recorded in the general ledger were not identifiable by project.
- **State of Illinois.** Identifying information required by the Federal Funding Accountability and Transparency Act of 2006 for awards granted to subrecipients of the Federal Aviation Administration's (FAA) Airport Improvement Program was not reported.
- **Klawock Cooperative Association.** Prior to the procurement of goods or services, a determination of whether a contractor or subrecipient was suspended, debarred, or excluded from participating in a Federal award was not performed. Furthermore, Federal expenditures disbursed during the audit year, and reported on the annual activity report, did not agree with respective amounts reported in the general ledger.
- **City of Creswell, Oregon.** An SF-425 report, which documents cumulative award expenses incurred, was not filed for the period.
- **Commonwealth Ports Authority of the Northern Mariana Islands.** A complete physical inventory and reconciliation of capital assets was not performed. Capital asset records were unreliable and contained disposed, replaced, decommissioned, and non-functional assets, in addition to assets that have exceeded their useful life. Additionally, expenses were improperly capitalized, tag numbers assigned to assets did not match

⁴ We consider a finding significant when DOT is the cognizant agency and the single audit report contains DOT related program findings; when DOT is the oversight or awarding agency and the report includes a qualified opinion, adverse opinion, or disclaimer opinion; or when a finding includes questioned costs over \$5,000.

recorded tag numbers, asset descriptions in the fixed asset system did not agree with sighted assets, and decommissioned support was not provided for decommissioned assets.

See the table for a summary of significant single audit findings requiring DOT's most immediate attention.

We recommend that DOT

1. coordinate with impacted OAs to develop corrective action plans to resolve and close current findings highlighted in this report, and
2. determine the allowability of the questioned transactions and recover \$3,546,767, if applicable.

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve⁵ our recommendations and provide target action dates for implementation. We will track the recommendations until DOT provides documentation of final action. We will consider the recommendations closed upon our review and concurrence. If you have any questions, please email them to singleauditrequest@oig.dot.gov.

See exhibits A through M for details on the auditees; the non-Federal auditors' findings, including areas of noncompliance; the conditions identified; and the non-Federal auditors' recommendations.⁶

cc: The Secretary
DOT Audit Liaison, M-1
DOT Appointee for Single Audits
DOT Single Audit Liaison

⁵ Pursuant to DOT Memorandum, *Policy and Procedures for Expediting Action on Single Audit Report Recommendations*, May 2009.

⁶ These exhibits present verbatim information from reporting packages and Data Collection Forms that we downloaded from the Federal Audit Clearinghouse.

Table 1. Summary of Significant Single Audit Findings Impacting DOT Programs

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Chippewa Cree Tribe, Box Elder, MT, September 30, 2021	Equipment and Real Property Management	2021-003*	Not applicable	A
State of Rhode Island, Providence, RI, June 30, 2021	a. Special Tests and Provisions b. Period of Performance c. Activities Allowed or Unallowed, Allowable Costs/Costs Principles	a. 2021-049 b. 2021-051 c. 2021-057	a. \$25,422 b. \$7,470 c. \$1,217,467	B
Utah Transit Authority, Salt Lake City, UT, December 31, 2021	Cash Management	2021-004	None identified	C
Government of Guam, Hagatna, GU, September 30, 2021	Equipment and Real Property Management	2021-003*	\$0	D
State of Illinois, Springfield, IL, June 30, 2021,	Reporting	2021-036	Cannot be determined	E
Klawock Cooperative Association, Klawock, AK, September 30, 2020	a. Procurement and Suspension and Debarment b. Reporting c. Cash Management	a. 2020-003* b. 2020-004* c. 2020-006	a. \$0 b. Not mentioned c. \$0	F
Sequoyah County, Sallisaw, OK, June 30, 2020	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension Debarment, and Special Tests and Provisions	2020-012*	\$852,224	G

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
City of Baton Rouge and Parish of East Baton Rouge, Baton Rouge, LA December 31, 2021	Reporting	2021-005	Not applicable	H
Central Ohio Transit Authority, Columbus, OH, December 31, 2021	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2021-002	Not mentioned	I
Cherokee County, Canton, GA, September 30, 2021	Allowable Costs/Cost Principles	2021-001	\$93,865	J
City of Creswell, Creswell, OR, June 30, 2021	Reporting	2021-001	None	K
Capital Area Transit System, Baton Rouge, LA, December 31, 2021	Procurement and Suspension and Debarment	2021-006*	\$1,350,319	L
Commonwealth Ports Authority, Saipan, MP, September 30, 2021	Equipment and Real Property Management	2021-002*	\$0	M

^a 2 C.F.R. Part 200, Appendix XI, Compliance Supplement, Part 3 identifies and describes 12 types of compliance requirements.

^b Non-Federal auditor findings do not always result in questioned costs.

* Repeat finding

Source: Independent auditors' reports.

Exhibit A. Chippewa Cree Tribe, Box Elder, MT

Report Date: June 30, 2022

Fiscal Year Ending: September 30, 2021

Applicable DOT Operating Administration and Program: Federal Highway Administration (FHWA), Highway Planning and Construction Cluster

Finding Number: 2021-003⁷ [**Repeat Finding:** 2020-002]

Compliance Requirement: Equipment and Real Property Management

Condition: During our audit, we noted that a physical inventory of the Tribe's fixed assets had not been taken and reconciled with underlying property records and the general ledger within the last two years.

Independent Auditor's Recommendation: We recommend that a physical inventory of assets be taken at least every two years as required by Federal regulations. The physical inventory count should be performed by staff of the program and reviewed/approved by management.

⁷ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit B. State of Rhode Island, Providence, RI

Report Date: June 28, 2022

Fiscal Year Ending: June 30, 2021

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2021-049

Compliance Requirement: Special Tests and Provisions

Condition: The last formally approved quality assurance program (i.e., Master Schedule of Tests (MST)) was in 2012. Rhode Island Department of Transportation (RIDOT) submitted an updated plan in 2016 but only received verbal approval. There have been numerous changes to the MST, making both the 2012 and 2016 versions not reflective of the current program. Testing of the Quality Assurance program identified 4 of 81 items tested not meeting the criteria identified in the Master Schedule of Tests as follows:

- One test was not documented in the project's material test book, nor had it been provided to the Resident Engineer for review;
- Two required tests were not performed;
- The test identified in the materials test book did not agree to the same test requirement per the Master Schedule of Tests. However, the materials were in conformance with the respective requirement.

Independent Auditor's Recommendations:

- 2021-049a. Obtain formal approval of the Department's Quality Assurance Program.
- 2021-049b. Enhance coordination among the three sections of RIDOT that have shared responsibility for the overall operation of the Department's Quality Assurance Program. Enhance training for all project-related staff on the requirements of the Quality Assurance Program (23 CFR 637.205) and the Department's related policies, procedures and controls.

Questioned Costs: \$25,422

Finding 2 of 3

Applicable DOT Operating Administration and Program: Federal Transit Administration (FTA), Federal Transit Cluster

Finding Number: 2021-051

Compliance Requirement: Period of Performance

Condition: The Department’s controls are insufficient to ensure FTA awards are expended or obligated within the applicable period of performance.

We tested expenditures applied to 10 of the 12 Federal awards with expenditures incurred during fiscal 2021. We reviewed eight purchase orders that related to those expenditures (94% of the expenditures). The documentation (purchase order, contract or memorandum of understanding) for five of the eight purchase orders tested did not provide sufficient information (missing Federal award numbers) to determine that Federal awards: RI040009, RI550001, RI050104, RI050106, RI2016002, RI2016009, RI2019001, RI2019007 and RI2019008 were obligated during the period of performance.

Comprehensive procedures to track the periods of performance for each open grant have not been implemented by RIDOT.

FTA requires RIDOT to perform milestone reporting on a quarterly basis. Those quarterly milestone reports include the updated project completion dates and confirmation that FTA reviewed the updates. Through the milestone reporting process, FTA effectively approved the extension of the period of performance for grants tested during our audit period. This cleared most expenditures which initially appeared to be outside of the period of performance. A journal entry for grant RI55001 totaling \$7,470 remained outside the period of performance for that award and is therefore questioned.

RIDOT should implement procedures to track the period of performance for each open FTA award and incorporate any extension information that is a byproduct of the FTA milestone reporting process.

Independent Auditor’s Recommendations:

- 2021-051a Enhance the understanding of FTA period of performance compliance objectives and requirements for key personnel to support the design of controls to ensure compliance.
- 2021-051b Implement procedures to track the period of performance for each open FTA award and include relevant information from the FTA milestone reporting process which impacts period of performance timelines.

Questioned Costs: \$7,470

Finding 3 of 3

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster

Finding Number: 2021-057

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Condition: The Rhode Island Public Transit Authority has internal control policies and procedures in place to ensure compliance with activities allowed or unallowed and allowable costs/cost principles. The Rhode Island Public Transit Authority's internal control procedure to ensure compliance with these requirements is the approving initials of the Chief of Strategic Advancement or his designee and the approving initials of the Executive Director of Budget and Finance or his designee on the capital supply or operating requisition. During our testing of internal controls, we noted that although a requisition was properly approved for three charges to Federal award programs, the specific items were not included in the grant budget. The charges were for three 29-foot buses, but the grant budgets only included an expense line for 40-foot buses.

Independent Auditor's Recommendation: We recommend that more care be taken when reviewing and approving requisitions to ensure only charges included in the grant budget are approved or that approval from FTA be obtained to amend the grant agreement to include any changes in planned spending.

Questioned Costs: \$1,217,467

Exhibit C. Utah Transit Authority, Salt Lake City, UT

Report Date: June 17, 2022

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster

Finding Number: 2021-004

Compliance Requirement: Cash Management

Condition: We selected a sample of 60 disbursements to test whether the Authority had disbursed the funds prior to the date of the reimbursement request from the Department of Transportation. For four of the disbursement sample selections, management was unable to identify which specific reimbursement request the expenditure was included in and thus we were unable to identify whether the funds were properly disbursed prior to the reimbursement request.

Independent Auditor's Recommendation: We recommend that the Authority maintain detailed supporting documentation for each reimbursement request expenditures that reimbursement is being requested for.

Exhibit D. Government of Guam, Hagatna, GU

Report Date: July 13, 2022

Fiscal Year Ending: September 30, 2021

Applicable DOT Operating Administration and Program: FTA, Formula Grants for Rural Areas and Tribal Transit Program

Finding Number: 2021-003⁸ [**Repeat Finding:** 2020-003]

Compliance Requirement: Equipment and Real Property Management

Condition:

1. GovGuam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed. Since 2016 and as of September 30, 2021, the required biannual physical inventories and reconciliations have not been performed. We are unable to assess the overall cumulative monetary value of this deficiency. However, the table below summarizes each of the Government of Guam FY 2021 major programs that has a level of total capital outlays over the past five years that is material to the major program.

Table 1. Government of Guam Fiscal Year 2021 DOT Major Program With Material Capital Outlays⁹

Program	2021 Purchases	2020 Purchases	2019 Purchases	2018 Purchases	2017 Purchases	Total
20.509	\$400,000	NA	NA	NA	\$47,750	\$446,750

Capital Assets

2. Non-depreciable assets were overstated by \$20.9M and depreciable capital assets were understated by \$43.8M. The general ledger was not reconciled to subsidiary ledgers. An audit adjustment was proposed to correct this misstatement.

3. Depreciation expenditures were understated by \$59M. The general ledger was not adjusted to reflect current year depreciation. An audit adjustment was proposed to correct this misstatement.

⁸ Caused a Qualified Opinion on FTA’s Formula Grants for Rural Areas and Tribal Transit Program.

⁹ This table reflects DOT programs only.

4. All twelve (or 100%) of assets tested were not made available for verification of physical existence.

This condition is a reiteration of conditions in the prior year audit.

5. Capital assets were disposed and surveyed, but were not removed from the capital asset register.

Table 2. Capital Assets Disposed of but Not Removed from Capital Asset Register

Description	Cost
1. P906A04706-AMBULANCE VIN 1FDKE30M8LHB04252	\$ 78,091
2. P906A04706-AMBULANCE VIN 1FDKF38MXMNA04075	\$ 86,184

This condition is a reiteration of conditions in the prior year audit.

6. Capital assets were not recorded in accordance with the applicable capitalization policy. \$345K were less than the \$50,000 threshold per the applicable capitalization policy or were not capitalizable expenses. A subsequent adjustment was recorded to correct this misstatement.

Table 3. Capital Assets Not Recorded in Accordance with Capitalization Policy

Description	Cost
1. P156A03634-2016 FORD EXPLORER	\$49,290
2. P156A03634-2016 FORD EXPLORER	\$49,290
3. P166A04872-2016 FORD TRANSIT VAN (VIN: 1FBZX2YM7GKB26591)	\$48,698
4. P166A04872-2016 FORD TRANSIT VAN (VIN: 1FBZX2YM9GKB26592)	\$48,698
5. P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJGF1GC460444)	\$49,779
6. P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJFGGC480394)	\$49,779
7. P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJGF1GC460443)	\$49,779
Total	\$343,313

This condition is a reiteration of conditions in the prior year audit.

7. For one (or 10%) of ten samples tested, transaction for \$631,300 was capitalizable but not included in the capital asset register. A projected understatement of capital assets for current year of \$13M may be presented and included in the summary of uncorrected misstatements.

8. For one (or 50%) of two samples tested, a capitalized project was understated by \$782K (C180600540 and C180600541).

9. Construction costs were not easily identifiable by project. The capital asset subsidiary ledger included details of transactions from the general ledger and were not organized in a manner that can be identified by project. This condition is a reiteration of conditions in the prior year audit.

Auditor's Recommendations: GovGuam should complete the required biannual physical inventory and reconciliations during FY 2022 and should consider developing a more detailed corrective action plan with timetables for completing planned actions, such as requesting Federal assistance, processing required reconciliations and reports, training personnel, and coordinating with other governmental units on property management requirements.

GovGuam should continue implementing controls over timely tagging all equipment and over performing the required future inventories and recommendations in accordance with applicable equipment management requirements.

GovGuam should record capital assets in accordance with the Government's capitalization policy and should implement a policy to monitor replacements, disposals, transfers of assets and construction in progress by project. Additionally, we recommend management revisit the capitalization policy and consider including all vehicles as part of the reported capital asset inventory.

The Division of Accounts should investigate whether additional personnel well versed in accounting reconciliations and processes may be required to allow for timely review and recordation of capital assets, especially given the substantial capital asset construction that is undertaken by GovGuam. Furthermore, coordination with DPW and engineering firms must occur at project commencement so that accounts are established to track capital costs and to allow for the preparation of periodic reports documenting a project's percentage of completion.

Equipment management has been a continuing finding in prior audits, and GovGuam management continues to be in the process of effecting corrective action to develop and fund an equipment management system.

Exhibit E. State of Illinois, Springfield, IL

Report Date: June 24, 2022

Fiscal Year Ending: June 30, 2021

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2021-036¹⁰

Compliance Requirement: Reporting

Condition: IDOT failed to report information required by the Federal Funding Accountability and Transparency Act (FFATA) for awards granted to subrecipients of the Airport Improvement Program (AIP).

FFATA requires the State to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$30,000. Of the information required to be reported, the following key data elements are required to be audited:

1. Subawardee Name
2. Subawardee DUNS number
3. Amount of subaward
4. Subaward obligation or action date
5. Date of report submission
6. Subaward number
7. Subaward project description
8. Subawardee names and compensation of highly compensated officers

IDOT passed through approximately \$506,046,000 to subrecipients of the AIP program during the year ended June 30, 2021.

Auditor's Recommendation: We recommend IDOT establish procedures to identify awards subject to FFATA reporting requirements and report required subaward information in accordance with FFATA.

¹⁰ Caused a Qualified Opinion on FAA's Airport Improvement Program.

Exhibit F. Klawock Cooperative Association, Klawock, AK

Report Date: June 22, 2022

Fiscal Year Ending: September 30, 2020

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-003¹¹ [**Repeat Finding:** 2019-003]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Non-Federal organizations are prohibited from contracting with or making subawards to parties that are debarred or whose principals are suspended or debarred from performing under a Federal award. When a non-Federal organization enters into a contract with a party for goods or services in an amount greater than \$25,000, or enters into a subrecipient agreement irrespective of the award amount, the organization must verify that the entity and its principals are not suspended or debarred or otherwise excluded from participating in a Federal award. The Klawock Cooperative Association did not fully comply with the requirements as it relates to "Debarred and Suspended Parties."

Independent Auditor's Recommendation: The Federal agency recommends that debarred and suspended verification be accomplished through one of three methods. These methods include (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration, (2) collecting a separately executed certification from the entity, or (3) adding a clause or condition to the actual subcontract agreement with the contracting party. We recommend the use of option number 2 or 3 above over option number 1 because it provides better assurance that not only is the organization permitted to participate in a Federal award, but the principals are also permitted to work under a Federal grant.

Finding 2 of 3

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-004 [**Repeat Finding:** 2019-004]

Compliance Requirement: Reporting

Condition: As part of administering the Federal grant programs, certain reporting requirements are necessary. As part of testing the above noted Federal program, we had requested to receive

¹¹ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

copies of required reports - the annual activity report. This report had been prepared, however, the expenditure amount did not agree with the amount spent per the general ledger.

Auditor's Recommendation: While operating and administering the grant program, procedures need to be in place to ensure that all grant reporting requirements are met. All required reports need to be filed with proper amounts reported.

Finding 3 of 3

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-006

Compliance Requirement: Cash Management

Condition: As of September 30, 2020, the Association had \$1,636,524 of intergovernmental advances on grants but only had \$1,235,929 of governmental cash related to these advances. Based on this, \$400,595 of those advances had been used for other operational purposes, which is not in compliance with Federal grant requirements. For the Highway Planning and Construction Grant, the Association had advance on grants of \$662,496 and cash of \$297,562, therefore, \$364,934 had been used for other programs.

Independent Auditor's Recommendation: We recommend that the Association continually monitors its cash balance related to the grant programs to ensure that it is only using the cash advanced from grants for the grant for which the cash was received.

Exhibit G. Sequoyah County, Sallisaw, OK

Report Date: June 20, 2022

Fiscal Year Ending: June 30, 2020

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-012¹² [**Repeat Finding:** 2019-010]

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, and Special Tests and Provisions

Condition: From the test of compliance requirements of the Federal grant, we noted that the County received a payment of \$852,224 from Cherokee Nation as a sub-recipient of the Highway Planning and Construction Grant. Upon receipt of the grant monies, the County issued a single purchase order to a vendor (Oklahoma Department of Transportation) for \$852,224 as payment for the highway construction project. Therefore, the County was in noncompliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Procurement; and Special Tests and Provisions. Below is a summarization of each noncompliance.

Activities Allowed or Unallowed:

- The payment was issued prior to any work being performed and prior to the date of authorization to proceed.
- The Plan, Specification and Estimates (PS&E) could not be obtained.

Allowable Costs/Cost Principles:

- Costs were not adequately documented and an improper payment appears to have been made.
- Surface Transportation Program (STP) grant monies were also used for this project which were not allowed.

Procurement; and Special Tests and Provisions:

- The County did not follow bidding and awarding of contracts based on the compliance supplement.
- Procurement standards outlined in 2 CFR sections 200.318-200.326 were not followed.

¹² Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

- The County does not have quality assurance approved by the Federal Highway Administration.
- The expenditure was made prior to Federal approval.

Auditor's Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and design and implement internal controls to ensure compliance with these requirements.

Questioned Costs: \$852,224

Exhibit H. City of Baton Rouge and Parish of East Baton Rouge, Baton Rouge, LA

Report Date: June 29, 2022

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2021-005

Compliance Requirement: Reporting

Condition: Although the City-Parish prepared and submitted the SF-425 report, the report was not submitted timely.

Independent Auditor's Recommendation: The City-Parish should review applicable guidance and as it relates the timely submission of required reports.

Exhibit I. Central Ohio Transit Authority, Columbus, OH

Report Date: June 29, 2022

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster

Finding Number: 2021-002

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Condition: The Authority's internal controls over payroll approvals were not operating effectively. Auditors observed a rate of failure exceeding the major program's materiality threshold resulting in a material weakness. We identified during our testing 47 instances out of a sample size of 60 where an employee's timesheet was not approved by their department supervisor.

Independent Auditor's Recommendation: The Authority should review their current internal controls over the payroll process and ensure they are functioning as management intended.

Exhibit J. Cherokee County, Canton, GA

Report Date: July 30, 2022

Fiscal Year Ending: September 30, 2021

Applicable DOT Operating Administration and Program: FTA, Federal Transit Cluster

Finding Number: 2021-001¹³

Compliance Requirement: Allowable Costs/Cost Principles

Condition: Costs totaling \$93,865 were incorrectly charged to the program.

Independent Auditor's Recommendation: The County should maintain separate cost centers for each Federal funding source.

Questioned Costs: \$93,865

¹³ Caused a Qualified Opinion on FTA's Federal Transit Cluster.

Exhibit K. City of Creswell, Creswell, OR

Report Date: June 30, 2022

Fiscal Year Ending: June 30, 2021

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2021-001¹⁴

Compliance Requirement: Reporting

Condition: SF-425 report was not filed for the period.

Independent Auditor's Recommendation: The Finance Director should follow up with the Program Managers at the end of the fiscal year regarding the status of all grants expended during the period and receive copies of all financial reports filed in relation to the grants.

¹⁴ Caused a Qualified Opinion on FAA's Airport Improvement Program.

Exhibit L. Capital Area Transit System, Baton Rouge, LA

Report Date: June 30, 2022

Fiscal Year Ending: December 31, 2021

Applicable DOT Operating Administration and Program: FTA, Federal Transit Formula Grants Program

Finding Number: 2021-006¹⁵ [**Repeat Finding:** 2020-006]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: This is a repeat finding from 2019 and 2020. During our testing of purchases under the procurement regulations, for 4 out of 16 items selected for testing, the System was unable to provide supporting documentation that these items were procured in accordance with the standards in §200.320. The universe (population) from which the items were selected was all vendor payments in 2021 over \$10,000. This was 16 items totaling approximately \$11,897,000. A portion of these costs are funded through local revenue sources. Additionally, while the System does maintain written policies and procedures related to procurement standards, documentation addressing the acquisition of unnecessary or duplicative items was not present.

Independent Auditor's Recommendation: We recommend the System implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with §200.320. Additionally, we recommend that the System enhance its written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items.

Questioned Costs: \$1,350,319

¹⁵ Caused a Qualified Opinion on FTA's Federal Transit Formula Grants Program.

Exhibit M. Commonwealth Ports Authority, Saipan, MP

Report Date: July 22, 2022

Fiscal Year Ending: September 30, 2021

Applicable DOT Operating Administration and Program: FAA, Airport Improvement Program

Finding Number: 2021-002¹⁶ [**Repeat Finding:** 2020-003]

Compliance Requirement: Equipment and Real Property Management

Condition:

1. CPA conducted a capital assets inventory during fiscal year 2021; however, only a partial reconciliation was performed. Total fixed asset additions capitalized and related to CPA’s major program amounted to \$12,113,793, \$3,681,264, \$29,437,789, \$-0- and \$6,476,899 during fiscal years 2021, 2020, 2019, 2018 and 2017, respectively.

2. The capital assets schedule did not include the federal award identification number, who holds title, percentage of federal participation, location, use and condition of the assets.

Of fourteen items (or 10%) tested of a total population of one hundred and thirty-six FAA-funded capital assets, we noted deficiencies, as follows:

3. Four items (or 28%) are runways, and based on the acquisition date, they have outlived their 20-year life expectancy; as such, the assets should have been written-off.

Table 1. Assets Not Written Off

General Ledge Asset Number	System Number	Description	Acquisition Date	Acquisition Cost	Net Book Value
1520-111	000086	WEST APRON EXPANSION	04/01/97	\$4,520,630	\$0
1520-111	000040	RUNWAY (TTG) SPN	10/01/76	\$1,062,145	\$0
1520-100	000519	PARALLEL TAXIWAY	10/01/98	\$388,940	\$0
1520-211	000048	FAA 06-75-0003-01	10/01/79	\$2,193,714	\$0

¹⁶ Caused a Qualified Opinion on FAA’s Airport Improvement Program.

4. One item (or 7%) has been replaced or decommissioned and was tested in the FY2020 audit but was included in the FAA fixed asset listing as of FY2021.

Table 2. Replaced/Decommissioned Asset Included in Fixed Asset Listing

General Ledger Asset Account Number	System Number	Description	Acquisition Date	Acquisition Cost	Net Book Value
1510-111	000891	VAC Caterpillar Alternator	03/04/09	\$90,895	\$0

5. Three items (or 21%) were disposed of during FY2021, but were included in the FAA fixed asset listing as of FY2021.

Table 3. Disposed Assets Included in Fixed Asset Listing

General Ledger Asset Account Number	System Number	Description	Acquisition Date	Acquisition Cost	Net Book Value
1520-111	000688	AIRCRAFT DOCKING SYSTEM	09/01/05	\$15,107	\$0
1570-311	000863	Pavement Stripping Machine	08/24/09	\$56,015	\$0
1510-111	000036	MASTER PLAN - SPN	02/01/92	\$161,716	\$0

Non-Federal Capital Assets

Tests of non-Federal capital assets noted the following:

6. Three expense items were improperly capitalized. Management did not consider the amounts sufficiently material to the financial statements to warrant an adjustment.

Table 4. Expenses Improperly Capitalized

System Description	Location	System Number	In Service Date	Acquired Value	Net Book Value
SWING ALUMINUM GLASS DOORS (2 SETS)	Airport	001149	02/01/16	\$5,734	\$0
HYDRAULIC PUMP WITH REGULATOR ASSEMBLY	Airport	001158	03/01/16	\$8,134	\$0
20 TON TANDEM COMPRESSOR (2 SETS)	Airport	001345	07/01/18	\$16,387	\$0

7. For six assets, the tag number in the fixed asset system did not agree with the tag number sighted.

Table 5. Fixed Asset Tag Number Discrepancies

Asset Description	Location	System Number	Tag Number Per System	Tag Number Per Asset
VMS Workstations	Airport	001126	2096	2095
PELCRO Endura N5400 12 Series	Airport	001126	1965	1956
PELCO Monitor	Airport	001126	2091	2092
PELCO Monitor	Airport	001126	1988	1998
LINK SEAT UNIT GATE 1	Airport	000448	3858	3855
LINK 3 SEAT	Airport	000456	3839	3829
Gateway Intel Core i3 Computer	Airport	000945	2608	2068
3-ASUS DESKTOPO COMPUTER W/ 19" LCD MONITOR	Airport	001079	430	434
ASUS CM6730 DESKTOP COMPUTER (2)	Seaport	00214	1788	380

8. For fifteen assets, we were unable to determine physical existence, as we were advised that the asset had either been disposed of, replaced, or damaged. At September 30, 2021, the assets were included in the fixed asset subledger.

Table 6. Unverified Fixed Assets

System Description	Location	System Number	In Service Date	Acquired Value	Net Book Value
TAXI LIGHT REGULATOR ASSY.	Airport	000579	06/01/02	\$3,558	\$0
FORD ECONOLINE CARGO VAN	Airport	000612	06/01/03	\$17,154	\$0
JOHN DEERE RIDING MOWER	Airport	000704	04/01/05	\$12,995	\$0
SONY VAIO LAPTOP	Airport	000787	09/01/07	\$1,064	\$0
ASUS 15.6" NOTEBOOK	Airport	001103	09/01/14	\$3,144	\$0
3 TONS CENTRAL SPLIT UNIT	Airport	001179	06/01/16	\$5,344	\$0

System Description	Location	System Number	In Service Date	Acquired Value	Net Book Value
ALUMINU GLASS SKYLIGHT	Airport	001193	09/01/16	\$18,915	\$0
22,000 BTU SPLIC A/C UNIT	Airport	001239	02/01/17	\$1,280	\$0
APC MACHINE CABLING, INSTALLATION & CONFIGURATION	Airport	001262	07/01/17	\$27,485	\$4,123
18,000 BTU SPLIC A/C UNIT	Airport	001267	07/01/07	\$1,120	\$0
Computer Network	Seaport	000068	06/01/97	\$4,580	\$0
PRESSURE WASHER	Seaport	000120	11/01/03	\$1,170	\$0
Perimeter Fence	Seaport	000156	10/01/07	\$261,202	\$18,865
6 PCS. BOSCH VEZ-523-EW PTZ CAMERA	Seaport	000237	12/01/15	\$14,708	\$0
18,000 BTU SPLIT UNIT	Airport	001443	10/01/20	\$1,220	\$610

9. Two assets are not functional; however, the assets have not been decommissioned.

Table 7. Nonfunctional Assets Not Decommissioned

System Description	Location	System Number	In Service Date	Acquired Value	Net Book Value
CAMERA PTZ FOR SECURITY	Airport	000982	08/01/11	\$2,650	\$0
YAMAHA SECURITY CART	Seaport	000212	07/01/13	\$9,375	\$0

10. For six assets, the description in the fixed asset system did not agree with the sighted asset.

Table 8. Fixed Asset Description Discrepancies

System Number	Location	Tag Number Per System	Tag Number Per Asset
001345	Airport	ZPT166KCE-TFD-950	ZPT166KCE-TFD-250
001426	Airport	FVFZLC5NL40Y	FVFZLCZGL40Y
000455	Airport	SATELLITE-A135-S23S6	SATELLITE-A135-S2386
001432	Airport	FVF2LK5NL40Y	FVF2LC5NL40Y
000238	Airport	AIR COMPRESSOR - 30 GALLONS	AIR COMPRESSOR - 26 GALLONS

System Number	Location	Tag Number Per System	Tag Number Per Asset
001247	Airport	LOUNGE SEAT WITH ARMREST 50 pieces	LOUNGE SEAT WITH ARMREST 53 pieces

11. For four assets, the description comprises numerous units; however, we were not able to verify the physical existence of these units, as they have been decommissioned. Decommissioning documents were not provided.

Table 9. Unsupported Decommissioned Assets

System Description	Location	System Number	In Service Date	Number of Units Per Subledger	Number of Units that Could Not Be Verified for Existence	Acquired Value	Net Book Value
LOUNGE SEAT WITH ARMREST	Airport	001247	05/01/17	50	2	\$53,500	\$0
Radios (20ea) w/ Base Station	Seaport	000131	08/01/07	20	14	\$7,218	\$0
Radios (20ea) w/ Base Station	Seaport	000133	08/01/07	20	14	\$107,432	\$0
15-APX7000 DIGITAL PORTABLE RADIO	Seaport	000218	03/01/14	15	8	\$87,229	\$0

12. Of forty-six disposals tested, we noted the following:

- a. For three (or 7%), decommission forms were not provided.

Table 10. Unsupported Asset Disposals

Location	General Ledger Asset Account Number	System Number	Acquisition Date	Disposal Date	Acquired Value	Realized Gain or Loss
Airport	1510-100	000006	04/01/87	08/31/21	\$322,620	\$0
Airport	1510-100	000453	10/01/97	08/31/21	\$236,422	\$0
Airport	1520-100	000073	09/01/81	08/31/21	\$30,324	\$0

b. For one (or 2%), system no. 370 with an acquisition cost of \$22,770 was sold in November 2013, but was recorded as a disposal in FY2021.

c. For one (or 2%), system no. 1443 was replaced in FY2021; however, the decommission document for the old unit was not provided.

d. System no. 1443 was added as a fixed asset in October 2021, while the receiving report indicates the asset was received in September 2021.

Independent Auditor's Recommendation: CPA should adhere to property management requirements and perform monitoring activities to ascertain that the results of the annual physical inventory reconcile to the property records and that sufficient details are included in the capital assets subledger to specifically identify individual assets.

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