



OST

Report SA2023041
August 15, 2023

Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2023



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Self-Initiated

Office of the Secretary | SA2023041 | August 15, 2023

What We Looked At

We queried and downloaded 93 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between April 1, 2023, and June 30, 2023, 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 26 incidents of significant noncompliance with Federal guidelines related to 18 grantees that require prompt action from DOT's Operating Administrations (OA). Of the 26 significant findings, 13 were repeat findings related to 8 grantees. The auditors also identified questioned costs totaling \$2,892,004 for five grantees. Of this amount, \$2,550,676 was related to the Confederated Tribes of the Colville Reservation, Nespelem, WA. Additionally, we identified nonmonetary repeat findings that caused a qualified opinion for the Hydaburg Cooperative Association, Hydaburg, AK, the City of Fairburn, Fairburn, GA, and the Yankton Sioux Tribe, Wagner, SD.

Our Recommendations

We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$2,892,004, if applicable.



Memorandum

Date: August 15, 2023

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2023 | Report No. SA2023041

From: Dormayne "Dory" Dillard-Christian *D. 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 200 and 300 single audit reports are issued annually that include findings related to programs directly funded by the Department of Transportation (DOT).

We issue memoranda that summarize the 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 93 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse³ between April 1, 2023, and June 30, 2023. From these 93 single audit reports, we identified 82 DOT-related findings and reported

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, <https://facweb.census.gov/uploadpdf.aspx>, is a public database of completed single audits maintained by the U.S. Census Bureau on behalf of the Office of Management and Budget.

on 26 significant findings⁴ (32 percent). The auditors reported significant noncompliance with Federal guidelines related to 18 grantees that require prompt action from DOT's Operating Administrations (OA). Of the 26 significant findings, 13 were repeat findings related to 8 grantees. The auditors also identified questioned costs totaling \$2,892,004 from five grantees. Of this amount, \$2,550,676 was related to the Confederated Tribes of the Colville Reservation, Nespelem, WA.

Additionally, we identified the following nonmonetary repeat findings that caused qualified opinions.

Hydaburg Cooperative Association, Hydaburg, AK. The Association did not timely submit a reporting package to the Federal Audit Clearinghouse.

City of Fairburn, Fairburn, GA. The City did not verify whether two contractors were suspended or debarred, and appropriate suspension and debarment language was not included in contracts with the two contractors.

Yankton Sioux Tribe, Wagner, SD. The Tribe's Employee Policy Manual and Financial Procedures Manual have not been updated since 2015. Furthermore, documentation supporting a search for suspended and debarred vendors was not provided, and audited financial statements were not submitted timely to the Federal Audit Clearinghouse. Due to insufficient internal controls, reconciliation differences between the original Schedule of Expenditures of Federal Awards (SEFA) and the trial balance were noted. Reconciliation differences were corrected, and the final version of the SEFA reconciled to the general ledger.

We recommend that DOT:

1. Coordinate with impacted OAs to develop a corrective action plan to resolve and close the findings highlighted in this report.
2. Determine the allowability of the questioned transactions and recover \$2,892,004, if applicable.

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve⁵ our recommendations, and provide a target action date for implementation. We will track the recommendations until DOT provides documentation of final action. We will consider the recommendations closed

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 of opinion; or when a finding includes questioned costs over \$5,000.

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

upon our review and concurrence. If you have any questions, please email them to singleauditrequest@oig.dot.gov.

See exhibits A through R 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

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
Greater Roanoke Transit Company, Roanoke, VA, June 30, 2022	Cash Management	2022-005	Not mentioned	A
Highways Division, Department of Transportation, State of Hawaii, Honolulu, HI, June 30, 2022	a. Reporting b. Subrecipient Monitoring	a. 2022-003 b. 2022-004	a. \$0 b. \$0	B
Hydaburg Cooperative Association, Hydaburg, AK, December 31, 2021	a. Reporting b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles	a. 2021-006* b. 2021-008	a. None noted b. Actual and likely questioned costs is less than \$25,000	C
Native Village of Pointe Hope, Pointe Hope, AK, December 31, 2019	a. Reporting b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles	a. 2019-005 b. 2019-006	a. None b. Actual and likely questioned costs is less than \$25,000	D
Puerto Rico Highways and Transportation Authority, San Juan, PR, June 30, 2022	Matching	2022-002	None	E
State of Indiana, Indianapolis, IN, June 30, 2022	Special Tests and Provisions	2022-010	None identified	F
State of Nebraska, Lincoln, NE, June 30, 2022	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Subrecipient Monitoring	2022-057*	\$64,704	G
City of Fairburn, Fairburn, GA, September 30, 2022	Procurement and Suspension and Debarment	2022-002*	None	H

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Confederated Tribes of the Colville Reservation, Nespelem, WA, September 30, 2021	a. Equipment and Real Property Management b. Procurement and Suspension and Debarment	a. 2021-001* b. 2021-002*	a. Undetermined b. \$2,550,676	I
King Island Native Community, Nome, AK, December 31, 2021	Reporting	2021-001*	None	J
Municipality of Villalba, Villalba, PR, June 30, 2021	Procurement and Suspension and Debarment	2021-008	None	K
Sioux Falls Regional Airport Authority, Sioux Falls, SD, December 31, 2022	Reporting	2022-002	None reported	L
State of Rhode Island, Providence, RI, June 30, 2022	Allowable Costs/Cost Principles	2022-045	\$213,099	M
Bad River Band of Lake Superior Tribe of Chippewa Indians, Odanah, WI, September 30, 2021	Reporting	2021-004*	Not mentioned	N
Blue Water Area Transportation Commission, Port Huron, MI, September 30, 2022	Period of Performance	2022-001	\$33,494	O

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
Johnstown-Cambria County Airport Authority, Johnstown, PA, December 31, 2022	Allowable Costs/Cost Principles	2022-002	\$30,031	P
National Railroad Passenger Corporation and Subsidiaries (Amtrak), Washington, DC, September 30, 2022	a. Equipment and Real Property Management b. Reporting	a. 2022-001* b. 2022-002*	a. None b. None	Q
Yankton Sioux Tribe, Wagner, SD, September 30, 2021	a. Procurement and Suspension and Debarment b. Reporting c. Reporting d. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance	a. 2021-004* b. 2021-005* c. 2021-006* d. 2021-007*	a. None b. None c. None d. None	R

^a 2 CFR Part 200, Appendix XI, Compliance Supplement, Part 3 identifies and describes the 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. Greater Roanoke Transit Company, Roanoke, VA

Report Date: March 30, 2023

Fiscal Year Ending: June 30, 2022

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

Finding Number: 2022-005⁷

Compliance Requirement: Cash Management

Condition: A lack of cash flow and grant management oversight resulted in contractors not being paid timely for the construction of the bus transfer station.

Independent Auditor's Recommendation: A designated management level individual should have oversight to require timely drawdowns of capital grants and timely payment of invoices.

⁷ Caused a Qualified Opinion on FTA's Federal Transit Cluster.

Exhibit B. Highways Division, Department of Transportation, State of Hawaii, Honolulu, HI

Report Date: March 23, 2023

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: National Highway Traffic Safety Administration (NHTSA), Highway Safety Cluster

Finding Number: 2022-003

Compliance Requirement: Reporting

Condition: During our audit, we examined a non-statistical sample of seven subawards and found that the required subaward information was not reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System ("FSRS") as required under the Federal Funding Accountability and Transparency Act ("FFATA").

Independent Auditor's Recommendation: All personnel involved in the administration of a program for which federal funds are expended should receive adequate training about federal compliance requirements related to such program. In addition, an individual should be assigned the responsibility to monitor compliance with all related federal requirements for programs involving the expenditure of federal funds. Finally, the Highways Division should make a conscious effort to meet the reporting deadline as set in their new policies and procedures.

Finding 2 of 2

Applicable DOT Operating Administration and Program: NHTSA, Highway Safety Cluster

Finding Number: 2022-004

Compliance Requirement: Subrecipient Monitoring

Condition: During our audit, we examined a non-statistical sample of six subawards and found that the most recent Single Audit reports for the three subrecipients required to obtain Single Audits were not reviewed by program personnel.

Independent Auditor's Recommendation: All personnel involved in the administration of a program for which federal funds are expended should receive adequate training about federal compliance requirements related to such program. In addition, an individual should be assigned the responsibility to monitor compliance with all related federal requirements for programs involving the expenditure of federal funds. Finally, the Highways Division

should make a conscious effort to meet the compliance requirement as the Single Audit Reports become available for review through the Federal Audit Clearinghouse.

Exhibit C. Hydaburg Cooperative Association, Hydaburg, AK

Report Date: March 10, 2023

Fiscal Year Ending: December 31, 2021

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

Finding Number: 2021-006⁸ [**Repeat Finding:** 2020-007]

Compliance Requirement: Reporting

Condition: The Association did not adhere to the Uniform Guidance requirement of submitting the reporting package by the required date.

Independent Auditor's Recommendation: We recommend that management comply with Uniform Guidance and reporting requirements.

Finding 2 of 2

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

Finding Number: 2021-008⁹

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

Condition: We selected a sample of 19 payroll transactions for the program. Out of those transactions, we did not receive supporting documentation for 2 of the transactions. Additionally, we noted that one employee was underpaid by 40 hours. It does not appear the error was caught, and the employee was not paid retrospectively.

Independent Auditor's Recommendation: We recommend the Association adhere to their internal control policies to ensure accurate reporting of payroll transactions.

Questioned Costs: Actual and likely question costs is less than \$25,000

⁸ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

⁹ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit D. Native Village of Pointe Hope, Pointe Hope, AK

Report Date: February 6, 2023

Fiscal Year Ending: December 31, 2019

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

Finding Number: 2019-005¹⁰

Compliance Requirement: Reporting

Condition: The Village did not adhere to the Uniform Guidance requirement of submitting the reporting package within the earlier of 30 days after the receipt of the audit report, or the nine months after the end of the audit period.

Independent Auditor's Recommendation: We recommend the Village adhere to Uniform Guidance reporting requirements.

Finding 2 of 2

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

Finding Number: 2019-006¹¹

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

Condition: During our testing of payroll transactions for compliance for the Indian Housing Block Grant program we noted that one (1) of the twenty-five (25) transactions had no supporting documentation. An additional two (2) of the twenty-five (25) transactions did not have an accompanying approved timesheet. During our testing of internal controls for the Highway Planning and Construction Cluster we noted four (4) of the thirteen (13) transactions tested did not have an approved personal action form. All of these instances were for the same employee. Additionally, we noted one (1) transaction in which the timecard did not agree to the hours paid.

Independent Auditor's Recommendation: We recommend the Village adhere to their internal control policies to ensure accurate reporting of payroll transactions.

¹⁰ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

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

Questioned Costs: Actual and likely question costs is less than \$25,000

Exhibit E. Puerto Rico Highways and Transportation Authority, San Juan, PR

Report Date: March 30, 2023

Fiscal Year Ending: June 30, 2022

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

Finding Number: 2022-002

Compliance Requirement: Matching

Condition: From a sample of sixteen federal construction projects examined, we noticed that for three projects, the toll credit usage reported in the Authority's Toll Credits Report differed from the amounts reported in the Federal-Aid Project Agreements as approved by FHWA.

Independent Auditor's Recommendation: The Authority's management should strengthen its internal control structure over the approval, tracking, and reconciliation process of toll credits usage to ascertain compliance with the MOU requirements. This should include, among other, assigning the reconciliation process to an employee with the technical knowledge to understand toll credits management. Furthermore, we recommend management should strengthen its review and approval process over the toll credits report to timely identify any errors and/or discrepancies.

Exhibit F. State of Indiana, Indianapolis, IN

Report Date: March 31, 2023

Fiscal Year Ending: June 30, 2022

Applicable DOT Operating Administration and Program: Office of the Secretary of Transportation (OST), National Infrastructure Investments Program

Finding Number: 2022-010¹²

Compliance Requirement: Special Test and Provisions

Condition: Of the 60 certified payrolls reviewed, 22 were not submitted on a timely basis. One certified payroll submitted by a prime contractor was submitted 25 days after the payroll ending date, and another certified payroll submitted by a different prime contractor was submitted 26 days late. The remaining 20 untimely certified payrolls were submitted by 16 various subcontractors. The number of days between the payroll ending date and the submission date ranged from 14 to 151 days.

In addition, the INDOT was unable to provide tangible audit evidence to support their review and approval of 21 of the 60 certified payrolls tested. Of the 21 exceptions noted, 10 of the certified payrolls without an appropriate level of review or approval by the INDOT were submitted by the four prime contractors. The remaining 11 certified payrolls with no review or approval were submitted by 8 various subcontractors.

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Independent Auditor's Recommendation: We recommended that management of the INDOT establish a proper system of internal controls and develop policies and procedures to ensure all contractors and subcontractors are submitting weekly the required certified payrolls, and to follow-up with a contractor or subcontractor as necessary when a certified payroll is not submitted. We also recommended strengthening their policies and procedures to ensure documentation related to the review and approval of the weekly certified payrolls is maintained and available for audit.

¹² Caused a Qualified Opinion on OST's National Infrastructure Investments Program.

Exhibit G. State of Nebraska, Lincoln, NE

Report Date: March 29, 2023

Fiscal Year Ending: June 30, 2022

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

Finding Number: 2022-057¹³ [**Repeat Finding:** 2021-065]

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

Condition: The Agency lacked adequate documentation to support that payments were for allowable activities and in accordance with Federal cost principles. A similar finding was noted in the prior audit.

Independent Auditor's Recommendation: We recommend the Agency strengthen subrecipient monitoring procedures. We further recommend the Agency improve procedures to ensure expenditures are allowable and in accordance with Federal regulations.

Questioned Costs: \$64,704

¹³ Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas.

Exhibit H. City of Fairburn, Fairburn, GA

Report Date: May 10, 2023

Fiscal Year Ending: September 30, 2022

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

Finding Number: 2022-002¹⁴ [**Repeat Finding:** 2021-003]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During our testing of the Highway Planning and Construction program, it was discovered that the City did not verify whether two contractors were noted as excluded on the federal government's suspension and debarred lists and did not include the appropriate language in the contracts with those contractors.

Independent Auditor's Recommendation: We recommend the City establish procedures to properly include all suspension and debarment clauses in the contracts involving grant or cooperative agreement funds.

¹⁴ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit I. Confederated Tribes of the Colville Reservation, Nespelem, WA

Report Date: May 5, 2023

Fiscal Year Ending: September 30, 2021

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

Finding Number: 2021-001¹⁵ [Repeat Finding: 2020-002]

Compliance Requirement: Equipment and Real Property Management

Condition: 1) Management has not implemented an effective internal control system to ensure the inventory records are agreed to the capital asset ledger. 2) Property records were not maintained in FY 2021. 3) A physical inventory was not taken in 2020 or 2021 for all programs.

Independent Auditor's Recommendation: A physical inventory should be conducted and reconciled to the general ledger and the capital asset listing at least every two years. Inventory records should include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Finding 2 of 2

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

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

Compliance Requirement: Procurement and Suspension and Debarment

Condition: 3 of 4 individually important items and 4 of 5 procurement samples did not have any documentation that competitive bidding was performed.

Independent Auditor's Recommendation: Established procurement policies and procedures should be enforced requiring bid documentation be retained. We also recommend that the Department train staff to perform the following: (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at

¹⁵ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

¹⁶ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

<https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Questioned Costs: \$2,550,676

Exhibit J. King Island Native Community, Nome, AK

Report Date: April 28, 2023

Fiscal Year Ending: December 31, 2021

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

Finding Number: 2021-001¹⁷ [**Repeat Finding:** 2020-001]

Compliance Requirement: Reporting

Condition: The Community did not adhere to the Uniform Guidance requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report or nine months after the audit period.

Independent Auditor's Recommendation: We recommend that the Community comply with Uniform Guidance reporting requirements.

¹⁷ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Exhibit K. Municipality of Villalba, Villalba, PR

Report Date: May 22, 2023

Fiscal Year Ending: June 30, 2021

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

Finding Number: 2021-008¹⁸

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During the procurement, suspension, and debarment test, I noted the following conditions:

- The Municipality has a formal written procurement policy in place but it has not been updated to include written standards of conducts covering conflict of interests for employees engaged in the selection, award and administration of contracts;
- To test compliance with suspension and debarment, three (3) procurement transactions were selected. It was noted that for two (2) of the procurement transactions evaluated, the Municipality did not provide adequate supporting documentation demonstrating that a suspension and debarment search was conducted. These two (2) procurement transactions were related to the purchase of vehicles.

Independent Auditor's Recommendation: The Municipality should update the procurement procedures manual integrating the applicable requirements in order to comply with the Federal regulations. Also, the Municipality should follow procedures to determine whether vendors have been suspended or debarred prior to entering into contracts or purchase orders for all transactions and maintain documentation supporting this verification.

¹⁸ Caused a Qualified Opinion on FTA's Federal Transit Cluster.

Exhibit L. Sioux Falls Regional Airport Authority, Sioux Falls, SD

Report Date: May 15, 2023

Fiscal Year Ending: December 31, 2022

Applicable DOT Operating Administration and Program: Federal Aviation Administration,
(FAA), Airport Improvement Program

Finding Number: 2022-002¹⁹

Compliance Requirement: Reporting

Condition: The SF-425 annual report dated September 30, 2022, for award AIP3-46-0050-57 overreported the federal share of expenditures by \$1,347, while the SF-425 annual report dated September 30, 2022, for award AIP3-46-0050-61 underreported the federal share of expenditures by \$1,494,690.

Independent Auditor's Recommendation: Management should determine and formalize reporting responsibilities between the Airport and the State and establish review processes to ensure that amounts included in SF-425 reports agree with the underlying accounting records.

¹⁹ Caused a Qualified Opinion on FAA's Airport Improvement Program.

Exhibit M. State of Rhode Island, Providence, RI

Report Date: May 15, 2023

Fiscal Year Ending: June 30, 2022

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

Finding Number: 2022-045

Compliance Requirement: Allowable Costs/Cost Principles

Condition: We noted that costs related to two operating expense reimbursements were processed using the incorrect reimbursement rate based on the grant agreement.

Independent Auditor's Recommendation: We recommend that the Authority develop a control to ensure that the proper reimbursement rates are being applied in relation to the specific grants that funding is being requested from.

Questioned Costs: \$213,099

Exhibit N. Bad River Band of Lake Superior Tribe of Chippewa Indians, Odanah, WI

Report Date: June 21, 2023

Fiscal Year Ending: September 30, 2021

Applicable DOT Operating Administration and Program: FHWA, Indian Reservation Roads Program

Finding Number: 2021-004²⁰ [**Repeat Finding:** 2020-005]

Compliance Requirement: Reporting

Condition: The Tribe did not submit the single audit reporting package to the Federal Audit Clearinghouse within nine months (15 months under the COVID 19 extension) following their fiscal year-end as required.

Independent Auditor's Recommendation: Ensure your books are closed in a timely fashion and schedule audit work to begin early enough so that your reporting package will be submitted on time.

²⁰ Caused a Qualified Opinion on FHWA's Indian Reservation Roads Program.

Exhibit O. Blue Water Area Transportation Commission, Port Huron, MI

Report Date: June 23, 2023

Fiscal Year Ending: September 30, 2022

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

Finding Number: 2022-001

Compliance Requirement: Period of Performance

Condition: During our audit, we noted that expenses were charged to the award prior to the effective date of the award.

Independent Auditor's Recommendation: A second person should review the grant agreements and requests for funding to make sure the Commission is in compliance with the period of performance and other grant awards.

Questioned Costs: \$33,494

Exhibit P. Johnstown-Cambria County Airport Authority, Johnstown, PA

Report Date: June 8, 2023

Fiscal Year Ending: December 31, 2022

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

Finding Number: 2022-002

Compliance Requirement: Allowable Costs/Cost Principles

Condition: In response to the COVID-19 pandemic, the Authority was awarded grant 3-42-0045-055-2020 (AIP 55) to be used for the reimbursement of expenses related to the operations of the airport. In the process of submitting 2022 reimbursement requests to the FAA for AIP 55, the Authority erroneously double-counted expenses for reimbursement.

Independent Auditor's Recommendation: We recommend that management develop a process of tracking operating expenses used for reimbursement requests and implement an internal control procedure to avoid duplicating expenses from previous reimbursement requests. Based on our analysis of the Authority's 2022 operating expenses, the Authority has over \$100,000 in unsubmitted/unreimbursed operating expenses that appear eligible for AIP 55 to cover the questioned costs. Therefore, we also recommend the Authority contact the Federal Aviation Administration and inquire about the procedure to revise the reimbursement requests that included duplicate expenses. Further, we recommend that management review subsequent reimbursement requests to ensure accuracy and revise, if necessary.

Questioned Costs: \$30,031

Exhibit Q. National Railroad Passenger Corporation and Subsidiaries (Amtrak), Washington, DC

Report Date: May 25, 2023

Fiscal Year Ending: September 30, 2022

Applicable DOT Program: Federal Railroad Administration (FRA), National Railroad Passenger Corporation Grants

Finding Number: 2022-001 [**Repeat Finding:** 2021-001]

Compliance Requirement: Equipment and Real Property Management

Condition: The following exceptions to the criteria were observed during the performance of the audit procedures:

1. For one of the equipment samples reviewed, it was observed that the asset did not have a unique asset identifier in the originally provided equipment population.
2. For seventeen of the equipment samples reviewed, it was observed that for six of them, the Condition data or Location field in the asset records was blank and, for twelve equipment samples, the Location field and/or Condition data per the asset records did not match the actual physical location and/or condition of the asset. We understand that was due to the assets records not being updated in a timely manner with the actual status of the equipment in the field.
3. During our procedures performed for seven assets, we identified that no inventory had occurred for the asset, even though it had been placed in service over two years prior and would have required an inventory prior to our observation. As this came to our attention after the inventory was required and during our observation procedures, we investigated further and could not obtain alternative evidence to support that an inventory had occurred within the two-year period.
4. This is a repeat finding that has occurred over the last several audit periods. As such, Amtrak has not taken sufficient actions when instances of noncompliance are identified through audit findings to make necessary updates to their internal controls.

Independent Auditor's Recommendation: We recommend that Amtrak continue to work toward a full integration or reconciliation between Amtrak's fixed asset system of record and the different equipment-tracking systems. We recommend that management consider redesigning one of its key controls to help ensure that the monitoring of the observations is occurring on a preventive basis to help identify any exposure to non-compliance before it occurs. For example, Amtrak should consider an automated system report that would flag an asset proactively when a 2-year inventory deadline is approaching. During the observation process, management should

ensure there is a review control within the process to validate that the asset is accurately tagged and such identifying information matches the equipment-tracking system. Additionally, this review control should also be performed when the asset is first logged into the equipment-tracking system. In the interim, until such processes are fully implemented, Amtrak should enhance the current control procedures surrounding the asset documentation and ensure that field personnel are aware of and consistently and carefully updating the asset records such that clerical/human errors are minimized and that the asset records contain the necessary asset details in order to properly track equipment by federal requirements. This would include enhancing the asset chain of custody recordkeeping so that such changes are identified and reported timely.

Finding 2 of 2

Applicable DOT Program: FRA, Railroad Rehabilitation and Improvement Financing Program

Finding Number: 2022-002 [**Repeat Finding:** 2021-002]

Compliance Requirement: Reporting

Condition: The following exception to the criteria was observed during the performance of the audit procedures:

In the preparation of the Schedule of Expenditures of Federal Awards (SEFA) which was provided to EY in relation to FY22 Uniform Guidance audit, Amtrak incorrectly presented the balance of the federal program Assistance Listing #20.316 – Railroad Rehabilitation and Improvement Financing by not reducing the loan amount by the FY21 loan repayments of \$39 million. Amtrak provided EY an updated SEFA which corrected the presented balance to account for loan repayments made.

Independent Auditor's Recommendation: To address the Condition identified above, we recommend Amtrak to ensure that SEFA preparation policy and review procedures that have been established address appropriate preparation of the SEFA in accordance with 2 CFR 200 requirements for presentation and disclosure.

Additionally, management should consider requiring key Grants Management personnel take advanced Uniform Guidance training and annual updates, as made available.

Exhibit R. Yankton Sioux Tribe, Wagner, SD

Report Date: May 31, 2023

Fiscal Year Ending: September 30, 2021

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

Finding Number: 2021-004²¹ [Repeat Finding: 2020-005]

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Of the three transactions tested for procurement, no proof of a search for suspended and debarred vendors was provided.

Independent Auditor's Recommendation: We recommend the Governmental Department become familiar with the procurement regulations and standards identified in the Title 2 CFR §200(d) and follow established procurement policies and procedures to minimize any unauthorized or unallowable purchases.

Finding 2 of 4

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

Finding Number: 2021-005²² [Repeat Finding: 2020-006]

Compliance Requirement: Reporting

Condition: The Governmental Department's audited financial statements were not submitted to the Federal Audit Clearinghouse by the extended due date of December 31, 2022.

Independent Auditor's Recommendation: We recommend the Governmental Departments establishes procedures to ensure submission of the data collection form and reporting package to federal audit clearinghouse within nine months after end the of the audit period.

Finding 3 of 4

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

²¹ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

²² Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Finding Number: 2021-006²³ [**Repeat Finding:** 2020-007]

Compliance Requirement: Reporting

Condition: During fiscal year 2021, the Governmental Department did not have sufficient controls to ensure the SEFA accurately reflected each award's federal expenditures. There were differences noted in reconciling expenditures from the original SEFA to the trial balance, and it was discovered that certain adjustments for grants receivable, unearned revenues and grant revenue had not been made in order to properly report total federal expenditures. These errors were corrected through adjustments proposed as part of the audit, and the final version of the SEFA reconciles to the Governmental Department's general ledger.

Independent Auditor's Recommendation: We recommend that the Governmental Department becomes familiar with the SEFA reporting elements required by Uniform Guidance and develops and implements a review process to ensure compliance with those reporting requirements. These processes and controls should include reconciling SEFA federal expenditures to the current year general ledger expenditures and reviewing other grant related information to ensure accuracy.

Finding 4 of 4

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

Finding Number: 2021-007²⁴ [**Repeat Finding:** 2020-008]

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

Condition: During our review of internal controls related to the major programs listed above we tested 40 disbursements each for (1) Indian Law Enforcement, (2) Highway Planning & Construction and (3) Indian Law Enforcement and 60 disbursements for (1) Coronavirus Relief Fund and (2) Coronavirus State and Local Fiscal Recovery Funds (ARPA), resulting in a combined review of 240 disbursements. Of the 240 items selected for testing, 34 transactions had no backup documentation and 14 items lacked appropriate approval.

The sampling was not a statistically valid sample.

Independent Auditor's Recommendation: We recommend the Governmental Department becomes familiar with the requirements of 2 CFR, Part §200.313(a) and establishes appropriate internal control policies and procedures and that all staff be trained on those policies and procedures so they are familiar with the requirements. We further recommend the

²³ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

²⁴ Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

Governmental Department does not process payment for disbursements that do not contain sufficient, appropriate supporting documentation and necessary approvals.

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