



U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

**Summary Report on Significant Single
Audit Findings Impacting DOT Programs
for the 3-Month Period Ending
June 30, 2020**

Report No. SA2020041

August 5, 2020



Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2020

Self-Initiated

Office of the Secretary | SA2020041 | August 5, 2020

What We Looked At

We queried and downloaded 95 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between April 1, 2020 and June 30, 2020, 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 significant noncompliance with Federal guidelines related to 21 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$3,440,165 for 10 grantees.

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 \$3,440,165, if applicable.



Memorandum

Date: August 5, 2020

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2020 | Report No. SA2020041

From: Louis C. King *Louis C. King*
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 300 and 400 single audit reports are issued annually that include findings related to programs directly funded by DOT.

OIG issues memoranda that summarize the single audit reports' significant findings and recommendations that require priority action by the Department of Transportation (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 95 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse³ between April 1, 2020, and June 30, 2020. See the table for a summary of significant single audit findings requiring DOT's most immediate attention.

¹ A single audit, as required by the Single Audit Act of 1996, 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.

We recommend that DOT:

1. Coordinate with impacted Operating Administrations (OA) 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 \$3,440,165.00, if applicable.

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

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve⁴ 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 upon our review and concurrence. If you have any questions, please email them to singleauditrequest@oig.dot.gov.

cc: The Secretary
DOT Audit Liaison, M-1
DOT Appointee for Single Audits
DOT Single Audit Liaison
Deputy Assistant Secretary for Budget and Programs, B-1

⁴ Pursuant to DOT Memorandum, *Policy and Procedures for Expediting Action on Single Audit Report Recommendations* (2009).

Table. Summary of Significant Single Audit Findings Impacting DOT Programs

Non-Federal Entities and End Dates of Audited Fiscal Years	Non-Federal Auditors	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
County of Sonoma, CA, June 30, 2019	Eide Bailly LLP	Cash Management	2019-001	N/A	A
State of Alaska, June 30, 2019	Alaska State Legislature, Legislative Budget and Audit Committee	Allowable Costs/Cost Principles	2019-081	\$110,330	B
State of Washington, June 30, 2019	Office of the Washington State Auditor	Activities Allowed or Unallowed and Allowable Costs / Cost Principles	2019-020	\$1,093,061	C
Daniels County, MT, June 30, 2019	Olness & Associates, P.C.	Procurement and Suspension and Debarment	2019-008	N/A	D
State of Montana, June 30, 2019 (Biennial)	State of Montana, Legislative Audit Division	a. Special Tests and Provisions b. Activities Allowed or Unallowed and Allowable Costs / Cost Principles	a. 2019-026 b. 2019-027	a. N/A b. \$36,000	E
State of Louisiana, June 30, 2019	Louisiana Legislative Auditor	Procurement and Suspension and Debarment, and Subrecipient Monitoring	2019-014	N/A	F
State of Nebraska, June 30, 2019	Nebraska Auditor of Public Accounts	a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Subrecipient Monitoring b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Subrecipient Monitoring c. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Subrecipient Monitoring	a. 2019-070 b. 2019-071 c. 2019-072	a. \$144,664 b. \$387,563 c. \$30,918	G
State of Indiana, June 30, 2019	Indiana State Board of Accounts	Special Tests and Provisions	2019-003	N/A	H

Non-Federal Entities and End Dates of Audited Fiscal Years	Non-Federal Auditors	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
State of Vermont, June 30, 2019	CliftonLarsonAllen LLP	Matching, Level of Effort, Earmarking	2019-007	N/A	I
State of Pennsylvania, June 30, 2019	CliftonLarsonAllen LLP	Subrecipient Monitoring	2019-020	N/A	J
City of Madera, CA, June 30, 2019	The Pun Group, LLP	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2019-003	\$288,756	K
City of Lodi, CA, June 30, 2019	The Pun Group, LLP	Procurement and Suspension and Debarment	2019-006	\$402,202	L
San Francisco Municipal Transportation Agency, June 30, 2019	KPMG LLP	Cash Management	2019-001	\$762,592	M
Wyoming Department of Transportation, September 30, 2019	McGee, Hearne and Paiz, LLP	Allowable Costs / Cost Principles	2019-002	\$25,940	N
Musselshell County, MT, June 30, 2015	Wipfli LLP	Allowable Costs / Cost Principles	2015-014	N/A	O
State of Minnesota, June 30, 2019	Minnesota Office of the Legislative Auditor	Allowable Costs / Cost Principles	2019-012	\$5,693	P
Keystone Airpark Authority, September 30, 2019	Reddish and White, CPA's	Reporting	2019-001	\$152,446	Q
New Jersey Transit Corporation, June 30, 2019	Deloitte & Touche, LLP	Cash Management	2019-003	N/A	R
Territory of American Samoa, September 30, 2019	Larson & Company, PC	Special Tests and Provisions	2019-005	N/A	S

Non-Federal Entities and End Dates of Audited Fiscal Years	Non-Federal Auditors	Areas of Noncompliance ^a	Non-Federal Auditors' Finding Numbers	Questioned Costs ^b	Related Exhibits
State of Mississippi, June 30, 2019	Mississippi Office of the State Auditor	a. Subrecipient Monitoring b. Special Tests and Provisions c. Special Tests and Provisions	a. 2019-020 b. 2019-021 c. 2019-022	a. N/A b. N/A c. N/A	T
National Railroad Passenger Corporation and Subsidiaries (Amtrak), September 30, 2019	Ernst & Young LLP	a. Reporting b. Equipment and Real Property Management	a. 2019-001 b. 2019-002	a. N/A b. N/A	U

^a 2 CFR Part 200, Appendix XI (Part 3, Compliance Requirements) identifies and describes the 12 types of compliance requirements.

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

Source: Independent auditors' reports.

Exhibit A. County of Sonoma, Santa Rosa, CA

Independent Auditor: Eide Bailly LLP

Report Date: March 13, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-001

Compliance Requirement: Cash Management

Condition: The independent auditor noted the County has not established written procedures to implement the cash management requirements of 2 CFR Section 200.305 (Payments) related to AIP.

Independent Auditor's Recommendation: The independent auditor recommends that the County implement written policies and procedures to comply with the requirements of 2 CFR Section 200.305 (Payments).

Exhibit B. State of Alaska, Juneau, AK

Independent Auditor: Alaska State Legislature, Legislative Budget and Audit Committee

Report Date: February 26, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administrations and Programs: FAA, Airport Improvement Program (AIP); Federal Highway Administration (FHWA), Highway Planning and Construction Cluster (HPCC)

Finding Number: 2019-081

Compliance Requirement: Allowable Costs/Cost Principles

Condition: Independent auditor testing of a random sample of 60 indirect cost charges identified an error in the application of the fiscal year 2019 approved indirect cost rate, which resulted in the Department of Transportation and Public Facilities (DOTPF) claiming Federal reimbursement for indirect costs in excess of the federally approved rate for fiscal year 2019.

Independent Auditor's Recommendation: DOTPF's Division of Administrative Services director should improve monitoring controls over the application of indirect cost rates to ensure the Integrated Resource Information System is updated timely and indirect costs are accurately claimed for Federal reimbursement.

Identified Questioned Costs: AIP \$26,151; HPCC \$84,179

Exhibit C. State of Washington, Olympia, WA

Independent Auditor: Office of the Washington State Auditor

Report Date: March 24, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: Federal Transit Administration (FTA), Bus and Bus Facilities Formula and Discretionary Programs

Finding Number: 2019-020

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

Condition: The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program. The independent auditor examined 13 reimbursements, totaling \$4,709,162, made by the Department during the audit period. The independent auditor identified four reimbursements (31 percent) were missing supporting documentation required by the Department's Guide to Managing Your Public Transportation Grant, a total of \$1,093,061 of the requested reimbursement. Three reimbursements were made after receiving incomplete Vehicle Inspection Reports, and Road Test Forms for purchased vehicles. One additional reimbursement was made to a subrecipient who did not submit a Certificate of Insurance Coverage required for the newly acquired vehicle.

Independent Auditor's Recommendation: The independent auditor recommends that the State of Washington ensure staff responsible for reviewing subrecipient reimbursement requests follow Department policies and procedures when approving the requests, ensure all supporting records provided by the subrecipient are complete before reimbursing capital project expenses, and consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Identified Questioned Costs: \$1,093,061

Exhibit D. Daniels County, Scobey, MT

Independent Auditor: Olness & Associates, P.C.

Report Date: March 19, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-008⁵

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The County did not verify the eligibility for participation in the Federal program for all required parties on the AIP project. Only the prime contractor was verified for eligibility.

Independent Auditor's Recommendation: For future FAA funded projects, the county should develop a process to verify that all parties are not suspended or debarred or otherwise excluded from participation in the Federal program. Further, prime contractors should be required to comply with 2 CFR § 330 when entering into lower-tier transactions (e.g. subcontracts).

⁵ Caused a qualified opinion on the Airport Improvement Program.

Exhibit E. State of Montana, Helena, MT

Independent Auditor: State of Montana, Legislative Audit Division

Report Date: March 26, 2020

Fiscal Year Ending: June 30, 2019 (Biennial)

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

Finding Number: 2019-026⁶

Compliance Requirement: Special Tests and Provisions

Condition: The Montana Department of Transportation's internal controls were not effective in ensuring certified payrolls were received and reviewed for highway construction projects.

Independent Auditor's Recommendation: The independent auditor recommends the Montana Department of Transportation enhance internal controls to ensure all required certified payrolls are received for projects not being managed through the electronic payroll submission module, and obtain and review certified weekly payrolls from contractors and subcontractors for all active construction projects of the Highway Planning and Construction Program.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FHWA, HPCC

Finding Number: 2019-027

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

Condition: For projects with quantity overruns in excess of 25 percent on major items of work, the Montana Department of Transportation's documentation included in project files did not contain information to justify the reasonableness and necessity of quantity overruns and their associated costs.

Independent Auditor's Recommendation: The independent auditor recommends the Montana Department of Transportation continue to implement the directive of the Montana Division of the Federal Highway Administration to formally document adjustments to contracts

⁶ Caused a qualified opinion on the Highway Planning and Construction Cluster.

through change orders when major items of work have quantity overruns in excess of 25 percent.

Identified Questioned Costs: \$36,000

Exhibit F. State of Louisiana, Baton Rouge, LA

Independent Auditor: Louisiana Legislative Auditor

Report Date: March 26, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-014⁷

Compliance Requirement: Procurement and Suspension and Debarment, and Subrecipient Monitoring

Condition: The independent auditor found that the Louisiana Department of Transportation Development (DOTD) did not adequately monitor subrecipients of the HPCC programs.

Independent Auditor's Recommendation: The independent auditor recommends that DOTD develop a centralized method of tracking subrecipients for advance payment review to ensure all necessary documentation is obtained from subrecipients receiving cost disbursements within the required 60-day timeframe and should retain necessary documentation to support policy adherence. DOTD should also create an overall subrecipient risk assessment policy which outlines the responsibility of each section and develop a tracking mechanism to ensure risk assessments are performed and documented on all subrecipients, including state subrecipients, to determine the appropriate level of monitoring. In addition, DOTD should implement procedures to verify that subrecipients are not suspended or debarred at the time of subaward. Finally, DOTD should strengthen controls to ensure the review of all required subrecipient audit reports are obtained and reviewed timely.

⁷ Caused a qualified opinion on the Highway Planning and Construction Cluster.

Exhibit G. State of Nebraska, Lincoln, NE

Independent Auditor: Nebraska Auditor of Public Accounts

Report Date: March 16, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: FTA, Metropolitan Transportation Planning and State Non-Metropolitan Planning and Research

Finding Number: 2019-070

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

Condition: The Agency did not have adequate documentation on file to support that payments were for allowable activities and in accordance with allowable cost principles. The Agency also did not perform adequate subrecipient monitoring.

Independent Auditor's Recommendation: The independent auditor recommends the Agency implement procedures to monitor subrecipients. Additionally, the independent auditor recommends the Agency obtain and maintain adequate documentation to support that costs are allowable and in accordance with Federal requirements.

Identified Questioned Costs: \$144,664

Finding 2 of 3:

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

Finding Number: 2019-071⁸

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

Condition: The Agency did not have adequate subrecipient monitoring procedures. The Agency did not have adequate support that payments were for allowable activities and in accordance with allowable cost principles.

⁸ Caused a qualified opinion on the Formula Grants for Rural Areas Program.

Independent Auditor's Recommendation: The independent auditor recommends the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

Identified Questioned Costs: \$387,563

Finding 3 of 3:

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

Finding Number: 2019-072

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

Condition: The Agency did not have adequate documentation on file to support that subrecipient payments were for allowable activities and in accordance with allowable cost principles.

Independent Auditor's Recommendation: The independent auditor recommends the Agency improve procedures to ensure subrecipient expenditures are allowable and in accordance with Federal regulations.

Identified Questioned Costs: \$30,918

Exhibit H. State of Indiana, Indianapolis, IN

Independent Auditor: Indiana State Board of Accounts

Report Date: March 11, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-003⁹

Compliance Requirement: Special Tests and Provisions

Condition: Management of the Indiana Department of Transportation (INDOT) had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. Additionally, certified payrolls that were required to be submitted weekly were not received by the INDOT timely, nor certified by the appropriate contractor. Contracts entered into between the prime contractor and subcontractor did not contain the proper wage rate clauses, and were not signed by appropriate parties.

Independent Auditor's Recommendation: The independent auditor recommends that INDOT's management establish controls related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement to ensure the certified payrolls are received weekly, the proper wage rate clause is included in all contracts, including contracts between prime contractor and subcontractor, and the proper signatures are documented.

⁹ Caused a qualified opinion on the Highway Planning and Construction Cluster.

Exhibit I. State of Vermont, Montpelier, VT

Independent Auditor: CliftonLarsonAllen LLP

Report Date: March 30, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-007¹⁰

Compliance Requirement: Matching, Level of Effort, Earmarking

Condition: The independent auditor determined that the Governor's Highway Safety Program (GHSP) did not expend the required State funding in fiscal year 2019 in operation of the Section 405 programs. As result, as of September 2019, the State has identified the Vermont Agency of Transportation (VTrans) as the new lead state agency to monitor and ensure the required State aggregate expenditures are in compliance with the FAST Act Maintenance of Effort requirements. VTrans is currently awaiting approval from NHTSA for the change in lead State agency.

Independent Auditor's Recommendation: Upon receiving NHTSA approval, VTrans should implement and adhere to its policies and procedures for the monitoring and tracking of State expenditures to ensure the required FAST Act Maintenance of Effort (MOE) compliance requirements are met and also ensure that the State submits their NHTSA Region MAP-21 MOE information annually on March 31.

¹⁰ Caused a qualified opinion on the Highway Safety Cluster.

Exhibit J. Commonwealth of Pennsylvania, Harrisburg, PA

Independent Auditor: CliftonLarsonAllen LLP

Report Date: March 19, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-020¹¹

Compliance Requirement: Subrecipient Monitoring

Condition: The independent auditor's testing disclosed multiple audit exceptions regarding the Commonwealth agencies' review of subrecipient audit reports.

Independent Auditor's Recommendation: The independent auditor recommends that the weaknesses that cause untimely subrecipient single audit resolution, including untimely management decisions on findings, untimely review of the SEFA or alternate procedures, and late audit report submissions be corrected to ensure compliance with Federal requirements and Commonwealth management directives, and to better ensure more timely subrecipient compliance with program requirements. Commonwealth agencies should promptly pursue outstanding audits and implement remedial action steps in accordance with 2 CFR § 200.338 and Commonwealth Management Directive 325.8 on a timely basis, including withholding funding from subrecipients which do not comply with audit submission requirements.

¹¹ Caused a qualified opinion on the Highway Planning and Construction Cluster.

Exhibit K. City of Madera, Madera, CA

Independent Auditor: The Pun Group, LLP

Report Date: May 15, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-003

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

Condition: The independent auditor determined that the City did not comply with Federal requirements for direct payroll charges. Payroll costs were allocated to programs based on percentages provided by management and allocations were not supported by approved time samples or updated cost allocation methods/plan, or reconciled to actual time spent on the various programs. Employee timesheets did not record the actual labor efforts expended on grants.

Independent Auditor's Recommendation: The independent auditor recommends the City comply with Federal regulation requiring that any employee funded by Federal grant document the actual time they spend working on the grant's objectives. Documentation must reflect "actual" time spent by employees on awards being charged. The City should develop and implement policies and procedures that ensure that employees' compensation charged to Federal programs reflect a contemporaneous or after-the-fact distribution of employees' actual time and effort expended on Federal programs.

Identified Questioned Costs: \$288,756

Exhibit L. City of Lodi, Lodi, CA

Independent Auditor: The Pun Group, LLP

Report Date: February 10, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-006

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During the independent auditors testing of the Federal transit formula grants, the City could not provide the supporting documents demonstrating the department verified the project contractor selected for testing was not debarred from receiving Federal funding prior to awarding the vendor the contract. Though the vendor was licensed in California, their registration had been inactive in SAM for more than a year. Therefore, information was not available within the system.

Independent Auditor's Recommendation: The independent auditor recommends the City retain documentation of the monitoring of the suspension, and debarment process through a checklist in the vendor files to ensure vendors are not suspended or debarred from federally-funded purchases.

Identified Questioned Costs: \$402,202

Exhibit M. San Francisco Municipal Transportation Agency, San Francisco, CA

Independent Auditor: KPMG LLP

Report Date: March 27, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-001

Compliance Requirement: Cash Management

Condition: The independent auditor found that the San Francisco Municipal Transportation Agency did not have proper controls over cash draw down transactions.

Independent Auditor's Recommendation: The independent auditor recommends that management review the cash reimbursement report prior to submission and its controls and procedures to ensure accurate reporting of requested cash reimbursement amounts. Additionally, the auditor recommends reinforcement of new and existing reimbursement policies and procedures to personnel.

Identified Questioned Costs: \$762,592

Exhibit N. Wyoming Department of Transportation, Cheyenne, WY

Independent Auditor: McGee, Hearne & Paiz, LLP

Report Date: May 5, 2020

Fiscal Year Ending: September 30, 2019

Applicable DOT Operating Administration and Program: FTA, Bus and Bus Facilities Formula and Discretionary Programs

Finding Number: 2019-002

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor found that the program requested reimbursement for the full amount of an expenditure submitted by a sub-recipient that had not been paid in full at the time the reimbursement request was made. Specifically, the expenditure in question related to a reimbursement requested by the Town of Jackson, which had withheld a portion of payment due to unsatisfactory work from the vendor. However, the Department was unaware of the partial payment and requested reimbursement in full from the U.S. Department of Transportation after paying the full amount of the requested reimbursement to the Town of Jackson.

Independent Auditor's Recommendation: The independent auditor recommends that the Department contact the Federal agency, return the funds in question, including interest (if applicable) and request the return of the funds from the Town of Jackson. Also, the Town of Jackson should be notified that they can resubmit for reimbursement when the remaining funds have been paid to the contractor subject to the grant's period of availability. The auditor recommends the Department request Town of Jackson to submit proof of payment for all invoices submitted for reimbursement request in the future until such time the Department determines that Town of Jackson's procedures and internal controls ensure that payments submitted for reimbursement have been paid prior to submission. The auditor also recommends that the Department consider reminding other sub-recipients that only expenditures that have been paid are eligible for reimbursement.

Identified Questioned Costs: \$25,940

Exhibit O. Musselshell County, Roundup, MT

Independent Auditor: Wipfli LLP

Report Date: March 20, 2020

Fiscal Year Ending: June 30, 2015¹²

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

Finding Number: 2015-014¹³

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The independent auditor noted aviation fuel sales and merchant fees were being recorded netted on a cash basis, with deposits being up to one month behind. There is no reconciliation or analysis for a receivable or payable portion.

Independent Auditor's Recommendation: The independent auditor recommends that the County strengthen the level of captured revenue documentation over its aviation fuel sales transactions. Documentation should be available for individual transactions, evidencing gross sales and associated expenses separately. The gross revenues and expenses should be evaluated and accrued to ensure compliance with GAAP.

¹² The independent auditor performed this audit in accordance with OMB's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, which applies to single audits of fiscal years beginning before December 26, 2014. Otherwise, the Uniform Guidance would apply.

¹³ Caused a qualified opinion on the Airport Improvement Program.

Exhibit P. State of Minnesota, St. Paul, MN

Independent Auditor: Minnesota Office of the Legislative Auditor

Report Date: March 13, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: NHTSA, State and Community Highway Safety Program

Finding Number: 2019-012

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The Department of Public Safety did not properly approve three employee timesheets in compliance with state policy. Specifically, backup approvers approved the timesheets without documenting the reason for their approval instead of the primary approver.

Independent Auditor's Recommendation: The Department of Public Safety should implement internal controls to ensure it properly documents reasons for timesheet approval by backup approvers in compliance with State policy.

Identified Questioned Costs: \$5,693

Exhibit Q. Keystone Airpark Authority, Starke, FL

Independent Auditor: Reddish and White, CPAs

Report Date: March 9, 2020

Fiscal Year Ending: September 30, 2019

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

Finding Number: 2019-001¹⁴

Compliance Requirement: Reporting

Condition: The independent auditor found that some reimbursement requests to FAA incorrectly included the retainage amounts of the related construction costs. Since these retainage amounts had not been paid, they should not have been included in the reimbursement requests.

Independent Auditor's Recommendation: The independent auditor recommends the Authority establish internal controls to ensure that the contractor retainages are not included in the reimbursement requests.

Identified Questioned Costs: \$152,446

¹⁴ Caused a qualified opinion on the Airport Improvement Program.

Exhibit R. New Jersey Transit Corporation, Newark, NJ

Independent Auditor: Deloitte & Touche, LLP

Report Date: March 27, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: FTA, Bus and Rail Facilities Formula Program

Finding Number: 2019-003

Compliance Requirement: Cash Management

Condition: During its review of the compliance requirements associated with cash management, the independent auditor noted a payment totaling \$4,861 was not made within three days after receipt of fund from the grantor agency.

Independent Auditor's Recommendation: The independent auditor recommends the Corporation ensure its three-business day policy for disbursements of Federal funds are following the Uniform Guidance cash management and FTA Regulations Circular 5010-1E requirements.

Exhibit S. Territory of American Samoa, Pago Pago, AS

Independent Auditor: Larson & Company, PC

Report Date: April 28, 2020

Fiscal Year Ending: September 30, 2019

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

Finding Number: 2019-005¹⁵

Compliance Requirement: Special Tests and Provisions

Condition: The Territory does not currently have a quality assurance program in place for the Highway Planning and Construction grant. While there were no deviations noted in the independent auditor's sample, there are no monitoring controls in place to prevent, detect and correct potential misstatements on a timely basis.

Independent Auditor's Recommendation: The Territory should continue to work with FHWA to complete a plan for, and implement, a quality assurance program.

¹⁵ Caused a qualified opinion on the Highway Planning and Construction Cluster.

Exhibit T. State of Mississippi, Jackson, MS

Independent Auditor: Mississippi Office of the State Auditor

Report Date: April 30, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-020¹⁶

Compliance Requirement: Subrecipient Monitoring

Condition: The Mississippi Department of Transportation (MDOT) is not verifying that every subrecipient that expends \$750,000 or more in Federal awards during the respective fiscal year is having a single audit or program specific audit performed. MDOT only monitors subrecipients in which they have paid \$750,000 or more of CFDA 20.205 Federal awards during the respective fiscal year. Additionally, MDOT is not adequately using the FAC to monitor and obtain report submission information on their subrecipients.

Independent Auditor's Recommendation: The independent auditor recommends that MDOT strengthen controls to ensure compliance with subrecipient monitoring requirements.

Finding 2 of 3:

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

Finding Number: 2019-021¹⁷

Compliance Requirement: Special Tests and Provisions

Condition: MDOT is not requiring contractors or subcontractors to submit within 7 days after the regular payment date of the payroll period a statement with respect to the wages paid to each of its employees engaged in Federal projects. In addition, MDOT's Project Engineers are not providing MDOT's Compliance Officer reviewed payroll statements in a timely manner to determine if monthly Contractor's Estimates have required payroll statement submitted.

¹⁶ Caused a qualified opinion on the Highway Planning and Construction, Recreational Trails Program.

¹⁷ Caused a qualified opinion on the Highway Planning and Construction, Recreational Trails Program.

Independent Auditor’s Recommendation: The independent auditor recommends that MDOT strengthen controls to ensure compliance with Federal wage rate requirements.

Finding 3 of 3:

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

Finding Number: 2019-022¹⁸

Compliance Requirement: Special Tests and Provisions

Condition: MDOT is not properly authorizing Quality Assurance (QA) samples in SiteManager system utilized for the QA program. Proper authorization of the sample records is required to prevent further modifications to the details of the sample record. MDOT is not adequately performing the “Find Sample” report function in SiteManager to identify outstanding authorized sample records prior to project closing. In addition, sampling personnel at MDOT were able to unduly alter the sampling rates for materials of QA sampled projects.

Independent Auditor’s Recommendation: The independent auditor recommends the Mississippi Department of Transportation strengthen controls over their QA program approval process. Further, the auditor recommends MDOT strengthen controls to prevent, deter, and detect any unauthorized alteration of sample requirements.

¹⁸ Caused a qualified opinion on the Highway Planning and Construction, Recreational Trails Program.

Exhibit U. National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Independent Auditor: Ernst and Young LLP

Report Date: June 26, 2020

Fiscal Year Ending: September 30, 2019

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

Finding Number: 2019-001

Compliance Requirement: Reporting

Condition: The independent auditor noted two exceptions to the criteria during its performance of the audit. The auditor found that the award amount expended as of September 30, 2019, for FR-AMT-0014-18 had included \$10.9 million of expenditures that were initially allocated to this award; however, later within the fiscal year they were reprogrammed to FR-AMT-0015-18 and appropriately recorded. Upon this transfer, \$10.9 million was not excluded from FR-AMT-0014-18 records and, as such, was recorded twice within the SEFA. Amtrak subsequently provided an updated schedule which correctly reflected the \$10.9 million transfer.

Additionally, as part of its procedures relating to the testing requirement of Sections A, B, and H (Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance, respectively), the independent auditor found that Amtrak provided multiple iterations of the expenditure populations for awards in scope, which were used to support the amount reported on the SEFA. In preparation of the expenditure populations, Amtrak improperly initially included reversals of expenses that were posted in error and expenses that were incurred out of period. Subsequently, Amtrak was able to provide corrected updated populations that excluded these reversals and out of period expenses.

Independent Auditor's Recommendation: The independent auditor recommends that a process be established that would allow Amtrak to identify and review underlying populations of expenditures at a transaction level that support the amounts disclosed on the SEFA.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: FRA, National Railroad Passenger Corporation Grants

Finding Number: 2019-002

Compliance Requirement: Equipment and Real Property Management

Condition: The independent auditor noted three exceptions to the criteria during its performance of the audit. The auditor found that for three of the equipment samples reviewed, it was observed that for two of them the serial numbers on the selected assets at the physical location could not be matched against the serial number indicated in the accounting records, and one asset number, as indicated per the records, did not match the asset number on the equipment observed. Also, it was observed that for 3 of the sampled equipment assets, the condition data or location field in the asset records was blank and for 15 equipment samples the location field per the asset records did not match the actual physical location of the asset. Lastly, during its procedures performed for two assets, the auditor identified that no inventory had occurred for the asset even though it had been placed in service over 2 years prior and would have required an inventory prior to the observation.

Independent Auditor's Recommendation: The independent auditor recommends that Amtrak continue to work toward a full integration or reconciliation between PowerPlan and the different equipment-tracking systems. The auditor also recommends 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. 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 update 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.

U.S. DOT IG Fraud & Safety Hotline

hotline@oig.dot.gov | (800) 424-9071

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

Our Mission

OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

OFFICE OF INSPECTOR GENERAL
U.S. Department of Transportation
1200 New Jersey Ave SE
Washington, DC 20590



www.oig.dot.gov