Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2020

Report No. SA2020032

May 4, 2020
What We Looked At
We queried and downloaded 94 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between January 1, 2020, and March 31, 2020, to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

What We Found
We found that the reports contained a range of findings that affected DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 17 grantees that require prompt action from DOT’s Operating Administrations (OA). The auditors also identified questioned costs totaling $2,227,535 for seven 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 $2,227,535, if applicable.
Memorandum

Date: May 4, 2020


From: Louis C. King
Assistant Inspector General for Financial and Information Technology Audits

To: Deputy Assistant Secretary for Administration

The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors’ single audit 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. Between 300 and 400 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 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 94 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse between January 1, 2020, and March 31, 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 and;

2. Determine the allowability of the questioned transactions and recover $2,227,535, if applicable.

See exhibits A through Q 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
    B-1

<table>
<thead>
<tr>
<th>Non-Federal Entities and End Dates of Audited Fiscal Years</th>
<th>Auditors</th>
<th>Areas of Noncompliance</th>
<th>Auditors’ Finding Numbers</th>
<th>Questioned Costs</th>
<th>Related Exhibits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Ports Authority, September 30, 2018</td>
<td>Deloitte &amp; Touche LLC</td>
<td>Equipment and Real Property Management</td>
<td>2018-002</td>
<td>N/A</td>
<td>A</td>
</tr>
<tr>
<td>Governmental Department of the Round Valley Indian Tribes, December 31, 2018</td>
<td>Moss Adams LLP</td>
<td>Procurement and Suspension and Debarment</td>
<td>2018-003</td>
<td>N/A</td>
<td>B</td>
</tr>
<tr>
<td>Qagan Tayagungin Tribe, September 30, 2017</td>
<td>Newhouse &amp; Vogler</td>
<td>Reporting</td>
<td>2017-002</td>
<td>N/A</td>
<td>C</td>
</tr>
<tr>
<td>Native Village of Kwinhagak, June 30, 2018</td>
<td>Newhouse &amp; Vogler</td>
<td>Reporting</td>
<td>2018-003</td>
<td>N/A</td>
<td>D</td>
</tr>
</tbody>
</table>
| Hoonah Indian Association September 30, 2018             | BDO USA, LLP | a. Reporting  
b. Reporting  
c. Procurement and Suspension and Debarment  
d. Cash Management | a. 2018-006  
b. 2018-007  
c. 2018-008  
d. 2018-010 | a. N/A  
b. N/A  
c. N/A  
d. N/A | E |
<p>| New Mexico Department of Transportation, June 30, 2019   | REDW LLC | Subrecipient Monitoring | 2019-002 | N/A | F |
| Fort Worth Transportation Authority, September 30, 2018  | Weaver and Tidwell, L.L.P. | Activities Allowed or Unallowed and Allowable Costs/Cost Principles | 2018-003 | N/A | G |
| The City of Oklahoma City, June 30, 2019                 | Allen, Gibbs &amp; Houlik, L.C. | Cash Management | 2019-001 | $146,630 | H |</p>
<table>
<thead>
<tr>
<th>Non-Federal Entities and End Dates of Audited Fiscal Years</th>
<th>Auditors</th>
<th>Areas of Noncompliance</th>
<th>Auditors’ Finding Numbers</th>
<th>Questioned Costs</th>
<th>Related Exhibits</th>
</tr>
</thead>
</table>
| City of Atlanta, June 30, 2018                           | KPMG LLP | a. Matching, Level of Effort, Earmarking  
b. Procurement and Suspension and Debarment  
c. Special Tests and Provisions  
d. Activities Allowed or Unallowed and Allowable Costs/Cost Principles | a. 2018-009  
b. 2018-010  
c. 2018-011  
d. 2018-012 | a. N.A  
b. N/A  
c. $140,882  
d. $1,751 | K |
| State of West Virginia, June 30, 2019                    | Ernst & Young LLP | a. Period of Performance or Availability of Federal Funds  
b. Special Tests and Provisions  
c. Special Tests and Provisions  
b. 2019-012  
c. 2019-013  
d. 2019-014 | a. N/A  
b. $1,434,600  
c. N/A  
d. N/A | L |
| City of Terre Haute, December 31, 2018                   | Indiana State Board of Accounts | Procurement and Suspension and Debarment | 2018-003 | N/A | M |
| City of Culver City, June 30, 2019                       | The Pun Group, LLP | Cash Management | 2019-003 | $78,051 | N |
| Pershing County, Nevada, June 30, 2019                  | Eide Bailly LLP | Reporting | 2019-002 | N/A | O |
| Massachusetts Bay Transportation Authority, June 30, 2019 | KPMG LLP | a. Equipment and Real Property Management  
b. Allowable Costs/Cost Principles | a. 2019-003  
b. 2019-004 | a. N/A  
b. $14,191 | P |
<table>
<thead>
<tr>
<th>Non-Federal Entities and End Dates of Audited Fiscal Years</th>
<th>Auditors</th>
<th>Areas of Noncompliance&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Auditors’ Finding Numbers</th>
<th>Questioned Costs&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Related Exhibits</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Round Rock, TX, September 30, 2019</td>
<td>Whitley Penn, LLP</td>
<td>Procurement and Suspension and Debarment</td>
<td>2019-001</td>
<td>$391,441</td>
<td>Q</td>
</tr>
</tbody>
</table>

<sup>a</sup> 2 CFR Part 200, Appendix XI, Part 3, Compliance Requirements, identifies and describes the 12 types of compliance requirements.

<sup>b</sup> Auditor findings do not always result in questioned costs.

Source: Independent auditors’ reports.
Exhibit A. Commonwealth Ports Authority, Saipan, MP

**Independent Auditor:** Deloitte & Touche LLC

**Report Date:** December 30, 2019

**Fiscal Year Ending:** September 30, 2018

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

**Finding Number:** 2018-002\(^5\)

**Compliance Requirement:** Equipment and Real Property Management

**Condition:** Independent auditor tests of equipment and real property noted multiple exceptions concerning the Commonwealth Ports Authority’s (CPA) adherence to property management requirements.

**Independent Auditor’s Recommendation:** CPA should adhere to property management requirements such as performing 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.

\(^5\) Caused a qualified opinion on AIP.
Exhibit B. Governmental Department of the Round Valley Indian Tribes, Covelo, CA

Independent Auditor: Moss Adams LLP

Report Date: December 27, 2019

Fiscal Year Ending: December 31, 2018

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

Finding Number: 2018-0036

Compliance Requirement: Procurement and Suspension and Debarment

Condition: For six out of six items tested totaling $88,370, the independent auditor was not provided with documentation to support the procurement method used, whether bids were obtained, or justification for limiting competition. Additionally, for each selected procurement item, the independent auditor was not provided with evidence that a suspension and debarment check was completed prior to the procurement. The independent auditor verified the six vendors were not suspended or debarred during fiscal year 2018. The independent auditor was unable to determine if the services of $88,370 were procured in compliance with Federal guidelines.

Independent Auditor’s Recommendation: The independent auditor recommends the Tribes implement a supervisory review of the vendor files to ensure all procurement related documents are maintained, including support of suspension and debarment checks done prior to procurement and appropriately documented as sole source or not in accordance with the Tribe’s policy.

6 Caused a qualified opinion on the Highway Planning and Construction Cluster.
Exhibit C. Qagan Tayagungin Tribe, Sand Point, AK

Independent Auditor: Newhouse & Vogler

Report Date: November 15, 2019

Fiscal Year Ending: September 30, 2017

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

Finding Number: 2017-002

Compliance Requirement: Reporting

Condition: The Tribe did not submit its Federal single audit reports within the 9-month period requirement of year end.

Independent Auditor’s Recommendation: The independent auditor recommends that the Tribe devote the necessary resources to submit all required grant reports and ensure the audit is completed within nine months of year end.

\[Caused\ a\ qualified\ opinion\ on\ the\ Highway\ Planning\ and\ Construction\ Program.\]
Exhibit D. Native Village of Kwinhagak, Quinhagak, AK

Independent Auditor: Newhouse & Vogler

Report Date: October 28, 2019

Fiscal Year Ending: June 30, 2018

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

Finding Number: 2018-003

Compliance Requirement: Reporting

Condition: The Tribe did not submit its Federal single audit reports within the 9-month period requirement of year end.

Independent Auditor’s Recommendation: The independent auditor recommends that the Village devote the necessary resources to submit all required grant reports and ensure the audit is completed within nine months of year end.

*Caused a qualified opinion on the Highway Planning and Construction Program.*

Exhibit D. Native Village of Kwinhagak, Quinhagak, AK
Exhibit E. Hoonah Indian Association, Hoonah, AK

**Independent Auditor:** BDO USA, LLP

**Report Date:** November 26, 2019

**Fiscal Year Ending:** September 30, 2018

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

**Finding Number:** 2018-006

**Compliance Requirement:** Reporting

**Condition:** Reports were not formally reviewed and approved prior to submission and there was a lack of documentation retained to support the report.

**Independent Auditor’s Recommendation:** Procedures should be established to add controls over reporting to ascertain that the Association remains in compliance with grant reporting requirements.

Finding 2 of 4:

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

**Finding Number:** 2018-007

**Compliance Requirement:** Reporting

**Condition:** The Form SF-SAC for the fiscal year ended September 30, 2018 was not filed with the Federal Audit Clearinghouse in a timely matter.

**Independent Auditor’s Recommendation:** The independent auditor recommends that the steps be taken by the Association in the future to ensure that the Form SF-SAC be submitted in a timely manner in the future.

---

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

10 Caused a qualified opinion on the Highway Planning and Construction Cluster.
Finding 3 of 4:

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

Finding Number: 2018-0081

Compliance Requirement: Procurement and Suspension and Debarment

Condition: Multiple Uniform Guidance compliance attributes were not met due to inadequate documentation related to procurement.

Independent Auditor’s Recommendation: The independent auditor recommends that the steps be taken by the Association in the future to ensure that the procurement compliance requirements are followed.

Finding 4 of 4:

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

Finding Number: 2018-0101

Compliance Requirement: Cash Management

Condition: Advance payments for the programs were used to temporarily finance other operations.

Independent Auditor’s Recommendation: The independent auditor recommends management determine what amounts are collectible, draw those funds down and pay back the amounts borrowed.

11 Caused a qualified opinion on the Highway Planning and Construction Cluster.
12 Caused a qualified opinion on the Highway Planning and Construction Cluster.
Exhibit F. New Mexico Department of Transportation, Santa Fe, NM

Independent Auditor: REDW LLC

Report Date: October 31, 2019

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-002

Compliance Requirement: Subrecipient Monitoring

Condition: The independent auditor observed that each of the Department’s Districts perform their own procedures for monitoring their respective subrecipients, which makes the oversight function difficult to monitor department-wide compliance with monitoring of subrecipients.

Independent Auditor’s Recommendation: The independent auditor recommends the Department develop and implement a centralized subrecipient monitoring program over each of the five districts to ensure overall department-wide compliance.
Exhibit G. Fort Worth Transportation Authority, Fort Worth, TX

Independent Auditor: Weaver and Tidwell, L.L.P.

Report Date: December 16, 2019

Fiscal Year Ending: September 30, 2018

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

Finding Number: 2018-003

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

Condition: During year ended September 30, 2018, the Authority received grant awards that, in some instances, related to expenses incurred in prior years. During testing of these grant awards, payroll costs for fiscal years 2016 and 2017 were reviewed for specific departments of the Authority. For these fiscal years, documentation of supervisory approval was not retained or was not documented sufficiently and therefore did not allow for assessment/testing of internal controls over these costs.

Independent Auditor’s Recommendation: The independent auditor recommends that management implement a policy to ensure documentation of approval is maintained for periods that are subject to Federal reimbursement.
Exhibit H. The City of Oklahoma City, Oklahoma City, OK

**Independent Auditor:** Allen, Gibbs & Houlik, L.C.

**Report Date:** November 22, 2019

**Fiscal Year Ending:** June 30, 2019

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

**Finding Number:** 2019-001

**Compliance Requirement:** Cash Management

**Condition:** The Central Oklahoma Transportation & Parking Authority (COTPA) claimed $7,916,842 for Federal reimbursement for the Federal Transit Cluster, but only reported $7,769,852 in eligible expenditures incurred. COTPA requested and was reimbursed $146,630 for expenditures it had not yet reported to the Federal agency as incurred.

**Independent Auditor’s Recommendation:** The independent auditor recommends COTPA strengthen internal controls over the preparation and review of reimbursement requests, including reconciling the reimbursement request to the underlying Federal expenditures. The independent auditor also recommends that COTPA consult with the Federal agency to determine whether any interest is owed to the Federal government.

**Identified Questioned Costs:** $146,630
Exhibit I. Puerto Rico Ports Authority, San Juan, PR

Independent Auditor: Kevane Grant Thornton LLP

Report Date: July 12, 2019

Fiscal Year Ending: June 30, 2017

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

Finding Number: 2017-004

Compliance Requirement: Allowable Costs/Cost Principles, Cash Management; and Matching

Condition: During the independent auditor’s dual-purpose testing of disbursements, the auditor identified one disbursement that was requested for reimbursement for an amount greater than permitted by the grant. The amount reimbursed was more than 100% when it should have been 90%.

Independent Auditor’s Recommendation: The Authority should establish review controls to determine that all costs requested are allowable and the Federal share is according to the grant agreements and General Ledger.

Identified Questioned Costs: $19,989
Exhibit J. Greater Roanoke Transit Company, Roanoke, VA


Report Date: November 15, 2019

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-00313

Compliance Requirement: Cash Management

Condition: Management made erroneous drawdowns of capital grant funding and was untimely in use of funds for their required purpose. In addition, capital funding drawdowns were used for operating expenses.

Independent Auditor’s Recommendation: All drawdowns should be based on actual expenditure needs.

—

13 Caused a qualified opinion on the Federal Transit Cluster.
Exhibit K. City of Atlanta, Atlanta, GA

Independent Auditor: KPMG LLP

Report Date: February 11, 2020

Fiscal Year Ending: June 30, 2018

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

Finding Number: 2018-009

Compliance Requirement: Matching, Level of Effort, and Earmarking

Condition: The required matching amount of $3,050,000 for a grant was not met as of the end of the grant period of June 30, 2018.

Independent Auditor’s Recommendation: The City should enhance the design of its control activities over monitoring the progress and status of required matching provisions. Further, the City should ensure that documentation around amounts expended for matching is maintained.

Finding 2 of 4:

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

Finding Number: 2018-010

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During the independent auditor’s review of the total population of seven contracts with expenditures in fiscal year 2018 totaling approximately $581,000, the auditor noted the City did not maintain supporting documentation that procurements provided full and open competition for three contracts with expenditures totaling approximately $292,000. The auditor also noted for those three contracts, there was no evidence of the City’s verification of the vendors’ suspension or debarment status.

Independent Auditor’s Recommendation: The City should enhance the design of its control activities and policies and procedures to ensure documentation for procurement of contracts is maintained, including verification that vendors are not suspended or disbarred.

14 Caused a qualified opinion on the Federal Transit Cluster.
15 Caused a qualified opinion on the Federal Transit Cluster.
Finding 3 of 4

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

Finding Number: 2018-01116

Compliance Requirement: Special Tests and Provisions

Condition: During its review of 40 expenses, the independent auditor noted two items for which there was no direct relation to the airport operations. One invoice was for legal expenses which did not contain a description as to what the legal services related to and the second invoice was clearly identified as relating to parks and recreation. In addition to the results of our testing of 40 expenses noted herein, the auditor also became aware of payroll charged to the airport in error totaling $22,658 during the year ended June 30, 2018 and an additional $90,000 in legal fees charged to the airport in error. These amounts were subsequently reimbursed to the airport from the city’s general fund.

Independent Auditor’s Recommendation: The City should enhance the design of its control activities around the review of expenses and policies and procedures to ensure expenses are directly related to capital or operating costs of the airport.

Identified Questioned Costs: $140,882

Finding 4 of 4:

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

Finding Number: 2018-012

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

Condition: During the independent auditor’s review of 60 payroll items, the auditor noted two instances in which the related timesheet did not agree to the earnings statement.

Independent Auditor’s Recommendation: The City should enhance the design of its control activity around the review of timesheets to ensure that payroll charged to federal programs reflects the effort recorded in the associated timesheets.

Identified Questioned Costs: $1,751

16 Caused a qualified opinion on AIP.
Exhibit L. State of West Virginia, Charleston, WV

Independent Auditor: Ernst & Young LLP

Report Date: January 31, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-01117

Compliance Requirement: Period of Performance or Availability of Federal Funds

Condition: The West Virginia Division of Highway (the Division) had project agreements that had no period of performance ending dates (end dates) in the award agreements. Thus, it cannot be determined whether costs incurred pursuant to those agreements were incurred within the period of performance.

Independent Auditor’s Recommendation: The independent auditor recommends that the Division implement review and approval controls and policies and procedures to ensure that all project agreements have end dates and that no additional costs are incurred after such dates.

Finding 2 of 4:

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

Finding Number: 2019-012

Compliance Requirement: Special Tests and Provisions

Condition: For one of the forty projects selected for testing, there was no documentation that the certified payrolls were received or reviewed by an individual at the West Virginia Division of Highways (the Division).

Independent Auditor’s Recommendation: The independent auditor recommends that the Division implement more effective policies and procedures to ensure that certified payrolls are being submitted and reviewed timely by program personnel.

Identified Questioned Costs: $1,434,600

17 Caused a qualified opinion on the Highway Planning and Construction Cluster.
Finding 3 of 4:

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

Finding Number: 2019-01318

Compliance Requirement: Special Tests and Provisions

Condition: The West Virginia Division of Highways (the Division) was not able to provide a complete and accurate population of utility expenditures charged to the Highway Planning and Construction cluster that agreed to the accounting records. For one of the nine utility expenditures selected for testing at the West Virginia Division of Highway (the Division), the project should not have been included in the overall population. The project was a state project and not a Federal project.

Independent Auditor’s Recommendation: The independent auditor recommends that the Division implement more effective policies and procedures to ensure that populations are complete and accurate.

Finding 4 of 4:

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

Finding Number: 2019-01419

Compliance Requirement: Special Tests and Provisions

Condition: For six of the fourteen consultants selected for testing at the West Virginia Division of Highways (the Division), the consultant did not submit a “Certificate of Final Indirect Costs” to the Division; therefore, the Division did not accept the appropriate indirect cost rates.

Independent Auditor’s Recommendation: The independent auditor recommends that the Division implement policies and procedures to ensure that all consultants submit a “Certificate of Final Indirect Costs” so that the indirect cost rates can be accepted by the Division.

\[\text{Exhibit L. State of West Virginia, Charleston, WV}\]
Exhibit M. City of Terre Haute, Terre Haute, IN

Independent Auditor: Indiana State Board of Accounts

Report Date: December 17, 2019

Fiscal Year Ending: December 31, 2018

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

Finding Number: 2018-00320

Compliance Requirement: Procurement and Suspension and Debarment

Condition: The City did not obtain price or rate quotes for purchases of goods or services exceeding $3,500 from an adequate number of sources, which fell under the small purchase procedures. Additionally, the City did not document the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Small purchase procedures were applicable to over 90 percent of the dollar value of the total procurement of goods and services during the audit period.

Independent Auditor’s Recommendation: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

20 Caused a qualified opinion on the Federal Transit Cluster.
Exhibit N. City of Culver City, Culver City, CA

Independent Auditor: The Pun Group, LLP

Report Date: February 11, 2020

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-003

Compliance Requirement: Cash Management

Condition: During its review, the independent auditor noted that the City did not report Transportation Development Credits (TDC) for $780,745 under the Federal Share of Expenditures in the Federal Financial Reports (FFR) for all four quarters. In addition, the City miscalculated the TDCs in the FFR for the quarter ended December 31, 2018. The City drawdowns were in excess of the allowable amounts by $78,051.

Independent Auditor’s Recommendation: The independent auditor recommends the City attend FTA related training in order to obtain adequate and accurate information about grant requirements and communicate with Department of Transportation in a timely manner.

Identified Questioned Costs: $78,051
Independent Auditor: Eide Bailly LLP

Report Date: November 25, 2019

Fiscal Year Ending: June 30, 2019

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

Finding Number: 2019-002

Compliance Requirement: Reporting

Condition: During the independent auditor’s testing of reporting over the Federal fiscal year ended September 30, 2018 SF-425, Federal Financial Report, the auditor noted that the report due 90 days after the Federal fiscal year (December 31, 2018) was not submitted during Pershing County’s fiscal year. Additionally, during the audit testing of the SF-271, Outlay Report and Request for Reimbursement for Construction Programs, the auditor noted that the SF-271’s were marked as cash basis, however, the SF-271’s are prepared on the accrual basis.

Independent Auditor’s Recommendation: The independent auditor recommends Pershing County enhance controls to provide for the submission of required reports and the proper selection of basis on the SF-271.

Caused a qualified opinion on AIP.
Exhibit P. Massachusetts Bay Transportation Authority, Boston, MA

Independent Auditor: KPMG LLP

Report Date: February 10, 2020

Fiscal Year Ending: June 30, 2019

Applicable DOT Operating Administration and Program: Federal Transit Administration (FTA), Public Transportation Research

Finding Number: 2019-003

Compliance Requirement: Equipment and Real Property Management

Condition: The Authority’s equipment inventory policy appears to be outdated and is not followed by Authority personnel. The policy also does not include procedures to verify that the equipment values are reconciled to the financial statements/general ledger and disposals are recorded completely and accurately, nor does the Authority have a formal process in place to document the reconciliation. The independent auditor noted that a portion of the inventory was physically inspected; however, the reconciliation to the financial statements was not documented.

Independent Auditor’s Recommendation: The independent auditor recommends management strengthen the equipment management policy and procedures to help ensure that the Authority manages equipment in accordance with the Federal regulations and develop policies and procedures for monitoring the outsourcing contract for the tracking of real estate.

Finding 2 of 2:

Applicable DOT Operating Administration and Program: Federal Transit Administration (FTA), Public Transportation Emergency Relief Program

Finding Number: 2019-004

Compliance Requirement: Allowable Costs/Cost Principles

Condition: During the independent auditor’s testwork, the auditor noted an inconsistency in the calculation of the monthly allocation base for the Construction Department Administrative Pool for the November 2018 allocation entry for the Public Transportation Emergency Relief Program grant (CFDA 20.527), which resulted in an over allocation to the grant of $14,191.

Independent Auditor’s Recommendation: The Authority should review the Construction Department Administrative Pool allocations for the year ended June 30, 2019 to determine whether a) the cost base was calculated accurately, consistently from month to month, and in accordance with the methodology described in the Authority’s Cost Allocation Plan; and, b)
whether the resulting amounts allocated to Federal grants were accurate and proper. In addition, the Authority should implement a review process for the monthly indirect cost allocations to ensure that they are accurate and in compliance with both Federal requirements and Authority policy prospectively.

**Identified Questioned Costs:** $14,191
Exhibit Q. City of Round Rock, Round Rock, TX

Independent Auditor: Whitley Penn, LLP

Report Date: February 3, 2020

Fiscal Year Ending: September 30, 2019

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

Finding Number: 2019-001

Compliance Requirement: Procurement and Suspension and Debarment

Condition: During its audit, the independent auditor noted a vendor whose transportation services were last competitively procured in 2012. The City amended and extended the term of the agreement with the vendor in 2017 without utilizing a Federal competitive procurement method set forth in 2 CFR 200.

Independent Auditor’s Recommendation: The City should take appropriate steps to implement effective internal controls to ensure compliance with the Uniform Guidance.

Identified Questioned Costs: $391,441
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.