



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  
March 31, 2020**

Report No. SA2020032

May 4, 2020



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

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*Self-Initiated*

Office of the Secretary | SA2020032 | May 4, 2020

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### 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.



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## Memorandum

Date: May 4, 2020

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2020 | Report No. SA2020032

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

To: Deputy Assistant Secretary for Administration

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The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors' single audit<sup>1</sup> 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.<sup>2</sup> 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<sup>3</sup> 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.

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 resolve<sup>4</sup> 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](mailto:singleauditrequest@oig.dot.gov).

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

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<sup>4</sup> 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	Auditors	Areas of Noncompliance <sup>a</sup>	Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Commonwealth Ports Authority, September 30, 2018	Deloitte & Touche LLC	Equipment and Real Property Management	2018-002	N/A	A
Governmental Department of the Round Valley Indian Tribes, December 31, 2018	Moss Adams LLP	Procurement and Suspension and Debarment	2018-003	N/A	B
Qagan Tayagungin Tribe, September 30, 2017	Newhouse & Vogler	Reporting	2017-002	N/A	C
Native Village of Kwinhagak, June 30, 2018	Newhouse & Vogler	Reporting	2018-003	N/A	D
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
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 & Houlik, L.C.	Cash Management	2019-001	\$146,630	H
Puerto Rico Ports Authority, June 30, 2017	Kevane Grant Thornton LLP	Allowable Costs/Cost Principles, Cash Management and Matching	2017-004	\$19,989	I
Greater Roanoke Transit Company, June 30, 2019	Brown, Edwards & Company, L.L.P.	Cash Management	2019-003	N/A	J

Non-Federal Entities and End Dates of Audited Fiscal Years	Auditors	Areas of Noncompliance <sup>a</sup>	Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
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 d. Special Tests and Provisions	a. 2019-011 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

Non-Federal Entities and End Dates of Audited Fiscal Years	Auditors	Areas of Noncompliance <sup>a</sup>	Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
City of Round Rock, TX, September 30, 2019	Whitley Penn, LLP	Procurement and Suspension and Debarment	2019-001	\$391,441	Q

<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.

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## 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<sup>5</sup>

**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.

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<sup>5</sup> Caused a qualified opinion on AIP.



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## **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:** 2018-003<sup>6</sup>

**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.

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<sup>6</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster.

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## 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<sup>7</sup>

**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.

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<sup>7</sup> Caused a qualified opinion on the Highway Planning and Construction Program.

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## 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<sup>8</sup>

**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.

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<sup>8</sup> Caused a qualified opinion on the Highway Planning and Construction Program.

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## 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<sup>9</sup>

**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<sup>10</sup>

**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 manner.

**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.

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<sup>9</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster.

<sup>10</sup> 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:** 2018-008<sup>11</sup>

**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:** 2018-010<sup>12</sup>

**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.

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<sup>11</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster.

<sup>12</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster.

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## 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.

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## 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.

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## 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



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## 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

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## **Exhibit J.** Greater Roanoke Transit Company, Roanoke, VA

**Independent Auditor:** Brown, Edwards & Company, L.L.P.

**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:** 2019-003<sup>13</sup>

**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.

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<sup>13</sup> Caused a qualified opinion on the Federal Transit Cluster.

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## 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<sup>14</sup>

**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<sup>15</sup>

**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.

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<sup>14</sup> Caused a qualified opinion on the Federal Transit Cluster.

<sup>15</sup> 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:** 2018-011<sup>16</sup>

**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

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<sup>16</sup> Caused a qualified opinion on AIP.

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## 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:** 2019-011<sup>17</sup>

**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

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<sup>17</sup> 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:** 2019-013<sup>18</sup>

**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:** 2019-014<sup>19</sup>

**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.

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<sup>18</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster.

<sup>19</sup> Caused a qualified opinion on the Highway Planning and Construction Cluster.

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## 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:** 2018-003<sup>20</sup>

**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).

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<sup>20</sup> Caused a qualified opinion on the Federal Transit Cluster.

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## 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



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## Exhibit O. Pershing County, Nevada, Lovelock, NV

**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<sup>21</sup>

**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.

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<sup>21</sup> Caused a qualified opinion on AIP.

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## 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

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## 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

# U.S. DOT IG Fraud & Safety Hotline

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## 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  
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