



U.S. DEPARTMENT OF TRANSPORTATION  

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**OFFICE OF INSPECTOR GENERAL**

**Summary Report on Significant Single  
Audit Findings Impacting DOT Programs  
for the 3-Month Period Ending  
August 31, 2019**

Report No. SA2020001

October 16, 2019



## Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending August 31, 2019

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*Self-Initiated*

Office of the Secretary | SA2020001 | October 16, 2019

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### What We Looked At

We queried and downloaded 81 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between June 1, 2019 and August 31, 2019, 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 affected DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 11 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$1,005,222 for three 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 \$1,005,222, if applicable.




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## Memorandum

Date: October 16, 2019

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending August 31, 2019 | Report No. SA2020001

From: 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 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 81 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse<sup>3</sup> between June 1, 2019 and August 31, 2019. See the table

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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.

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

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 \$1,005,222.00, if applicable.

See exhibits A through K 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	Non-Federal Auditors	Areas of Noncompliance <sup>a</sup>	Non-Federal Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Utah Transit Authority, December 31, 2018	Keddington & Christensen, CPAs	Equipment and Real Property Management	2018-001	N/A	A
Navajo Nation, September 30, 2018	KPMG LLP	Allowable Costs/Cost Principles	2018-001	\$116,849	B
Federated States of Micronesia National Government, September 30, 2018	Deloitte & Touche LLP	Equipment and Real Property Management	2018-001	N/A	C
Government of Guam, September 30, 2018	Deloitte & Touche LLP	Equipment and Real Property Management	2018-004	N/A	D
Territory of American Samoa, September 30, 2018	Moss Adams LLP	a. Equipment and Real Property Management b. Cash Management	a. 2018-004 b. 2018-005	a. N/A b. \$881,844	E
Confederated Tribes of the Colville Reservation, September 30, 2018	Stauffer & Associates PLLC	a. Equipment and Real Property Management b. Special Tests and Provisions	a. 2018-006 b. 2018-009	a. N/A b. N/A	F
State of Mississippi, June 30, 2018	State of Mississippi, Office of the State Auditor	Subrecipient Monitoring	2018-010	N/A	G
National Railroad Passenger Corporation and Subsidiaries (Amtrak), September 30, 2018	Ernst & Young LLP	Equipment and Real Property Management	2018-002	N/A	H
Standing Rock Sioux Tribe, September 30, 2018	Moss Adams LLP	Activities Allowed or Unallowed & Allowable Costs/Cost Principles	2018-004	\$6,529	I
Allen County Regional Transit Authority, December 31, 2017	Ohio Auditor of State	Cash Management	2017-002	N/A	J
City of Dayton, December 31, 2018	Ohio Auditor of State	Reporting	2018-002	N/A	K

<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> Non-Federal auditor findings do not always result in questioned costs.

Source: Independent auditors' reports.

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## Exhibit A. Utah Transit Authority, Salt Lake City, UT

**Independent Auditor:** Keddington & Christensen, CPAs

**Report Date:** June 4, 2019

**Fiscal Year Ending:** December 31, 2018

**Applicable DOT Operating Administration and Programs:** Federal Transit Administration (FTA), Federal Transit Capital Investment Grants, Federal Transit Formula Grants, State of Good Repair Grants Program, Bus and Bus Facilities Formula Program (Federal Transit Cluster); FTA Enhanced Mobility of Seniors and Individuals with Disabilities Program

**Finding Number:** 2018-001<sup>5</sup>

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

**Condition:** During the auditor's tests of compliance over Equipment and Real Property Management, it was noted that in their sample of 40 items, in 3 instances the sampled item could not be located.

**Independent Auditor's Recommendation:** The independent auditor recommends the Authority more carefully plan and perform inventory counts over smaller equipment.

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<sup>5</sup> Caused a qualified opinion on the Federal Transit Cluster and the Enhanced Mobility of Seniors and Individuals with Disabilities Program.

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## Exhibit B. Navajo Nation, Window Rock, AZ

**Independent Auditor:** KPMG LLP

**Report Date:** June 18, 2019

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

**Applicable DOT Operating Administrations and Programs:** Federal Highway Administration (FHWA), Highway Planning and Construction Program; Federal Transit Administration (FTA), Formula Grants for Rural Areas

**Finding Number:** 2018-001

**Compliance Requirement:** Allowable Costs/Cost Principles

**Condition:** The Arizona State Unemployment Tax Act (AZ-SUTA) expenditures and related liability were overstated by \$3,133,382 for Navajo Nation Federal programs as of September 30, 2018. As payroll was processed and related expenses were charged to the programs throughout the year, the Nation utilized an estimated rate to charge amounts to programs, but did not adjust those costs to actual amounts paid to Arizona resulting in overstating AZ-SUTA expenditures. Although this was identified by Navajo Nation management, the adjusting entry recorded to correct the overstated expenditures was incorrectly recorded to the General Fund rather than adjusting each individual grant.

**Independent Auditor's Recommendation:** The independent auditor recommends the Navajo Nation perform a review and monitoring of payroll and benefits system set-up to ensure all employer costs are appropriately calculated, adjusted to actual costs once known, and be adjusted at the individual business unit level. In addition, management should perform a thorough review of all adjusting entries and related supporting documentation prior to recording the adjusting entries.

**Questioned Costs Identified:** FHWA: \$82,160; FTA: \$34,689

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## Exhibit C. Federated States of Micronesia National Government, Palikir, Pohnpei, FM

**Independent Auditor:** Deloitte & Touche LLP

**Report Date:** June 28, 2019

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

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

**Finding Number:** 2018-001<sup>6</sup>

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

**Condition:** The Federated States of Micronesia (FSM) National Government did not perform the required physical inventory of property acquired in whole or in part under a Federal award within the past two years and reconciliation of capital assets with property records does not periodically occur. The independent auditor was unable to assess the overall aggregate value of the deficiency.

**Independent Auditor's Recommendation:** The FSM National Government's program management should perform the required physical inventory at least once every two years and the results should be reconciled with the property records in accordance with the applicable equipment and real property management requirements. Purchases of capitalizable assets should be reconciled with equipment and property records. Adequate safeguarding and maintenance of Federally funded equipment should be performed to comply with applicable equipment and property management requirements.

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<sup>6</sup> Caused a qualified opinion on the Airport Improvement Program.



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## Exhibit D. Government of Guam, Hagatna, GU

**Independent Auditor:** Deloitte & Touche LLP

**Report Date:** June 20, 2019

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

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

**Finding Number:** 2018-004<sup>7</sup>

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

**Condition:** The Government of Guam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed. As of September 30, 2018, the required physical inventory and reconciliation were not performed. The independent auditor was unable to assess the overall cumulative monetary value of this deficiency. Additionally, reconciliation of capital assets was continuously ongoing 8 months after fiscal year end with numerous post-closing adjustments recorded to adjust capital assets. Lastly, construction costs were not easily identifiable by project. The capital asset subsidiary ledger included details of transactions from the general ledger and was not organized in a manner that can be identified by project.

**Independent Auditor's Recommendation:** The Government of Guam should complete the required physical inventory and reconciliations during fiscal year 2019 and should consider developing a more detailed corrective action plan with timetables for completing planned actions, such as requesting Federal assistance, processing required reconciliations and reports, training personnel, and coordinating with other governmental units on property management requirements.

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

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## Exhibit E. Territory of American Samoa, Pago Pago, AS

**Independent Auditor:** Moss Adams LLP

**Report Date:** June 21, 2019

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

### Finding 1 of 2:

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

**Finding Number:** 2018-004<sup>8</sup>

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

**Condition:** Equipment records maintained are incomplete and inaccurate or are not maintained at all. For four Federal programs including AIP, the independent auditor noted that the programs do not have formal controls in place to monitor Federally funded equipment purchases to ensure that property management records are updated and maintained.

**Independent Auditor's Recommendation:** The independent auditor recommends that the property management system be integrated to the general ledger. The account number/Federal funding source should also be added as a field on the master inventory listing maintained by property management to avoid the need for additional schedules and reconciliations between the two reports and systems. Until this occurs, the auditor recommends that the reconciliation process between the property management system and the general ledger be performed on at least a quarterly basis. Further, assets observed during onsite visits should be reconciled or updated to the master inventory listing on a timely basis.

### Finding 2 of 2:

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

**Finding Number:** 2018-005<sup>9</sup>

**Compliance Requirement:** Cash Management

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<sup>8</sup> Caused a qualified opinion on the Airport Improvement Program.

<sup>9</sup> Caused a qualified opinion on the Airport Improvement Program.

**Condition:** Of 14 drawdowns selected for testing, the independent auditor noted 3 instances in which the drawdown was performed and the funds were received in excess of 30 days prior to the related invoice being paid. Total payments for the three invoices noted above were \$384,491, \$451,646, and \$45,707, respectively.

**Independent Auditor's Recommendation:** The Territory should establish a control system to ensure that drawdowns are being performed in accordance with the Cash Management Improvement Act agreement.

**Questioned Costs Identified:** \$881,844

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## Exhibit F. Confederated Tribes of the Colville Reservation, Nespelem, WA

**Independent Auditor:** Stauffer & Associates PLLC

**Report Date:** June 28, 2019

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

### Finding 1 of 2:

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

**Finding Number:** 2018-006<sup>10</sup>

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

**Condition:** The Confederated Tribes of the Colville Reservation did not maintain a detailed capital asset listing and did not perform a physical inventory of the capital assets owned for fiscal year 2018, with the previous inventory being completed in fiscal year 2016.

**Independent Auditor's Recommendation:** The Confederated Tribes of the Colville Reservation should maintain detailed capital asset records and reconcile these records to the general ledger on an annual basis to ensure accurate accounting for assets. The independent auditor further recommends that physical inventories of capital assets be taken periodically and related records be timely and appropriately updated.

### Finding 2 of 2:

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

**Finding Number:** 2018-009<sup>11</sup>

**Compliance Requirement:** Special Tests and Provisions

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<sup>10</sup> Caused a qualified opinion on the Highway Planning and Construction Program.

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

**Condition:** Support was not provided by the Confederated Tribes of the Colville Reservation to confirm certified payroll had been received from the contractors.

**Independent Auditor's Recommendation:** The Confederated Tribes of the Colville Reservation should include in their policies and procedures a process that will help determine and monitor the wage rate requirements for the contracts applicable to this attribute.

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## Exhibit G. State of Mississippi, Jackson, MS

**Independent Auditor:** State of Mississippi, Office of the State Auditor

**Report Date:** June 28, 2019

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

**Applicable DOT Operating Administration and Programs:** Federal Highway Administration (FHWA), Highway Planning and Construction Program, and the Recreational Trail Program (Highway Planning and Construction Cluster)

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

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** The Mississippi Department of Transportation (MDOT) is not verifying that every subrecipient that expends \$750,000 or more during the respective fiscal year in Federal awards is having a single or program specific audit performed. MDOT only monitors subrecipients that they have paid \$750,000 or more. The independent auditor identified nine subrecipients as having expended over \$750,000 of Federal awards during the testing period that were not monitored for compliance by MDOT.

In addition, MDOT is not adequately monitoring their subrecipients for compliance with other Federal regulations or their own internal Project Development Manual.

Of the 22 subrecipients monitored, the independent auditor identified the following:

- Seven instances in which the subrecipient did not timely submit their reporting package to the Federal Audit Clearinghouse (FAC) and/or MDOT within 30 calendar days after receipt of the auditor's report without consideration and/or communication of taking enforcement action.
- Ten instances in which MDOT accepted a subrecipient report as received prior to the acceptance by the FAC.
- Three instances in which MDOT not only accepted a subrecipient report as received prior to the acceptance by the FAC, but also completed their review and removed the subrecipient from audit suspension prior to the subrecipient report being accepted by the FAC.

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

Lastly, MDOT is not adequately using the FAC to monitor and obtain report submission information on their subrecipients.

**Independent Auditor's Recommendation:** MDOT should strengthen controls to ensure compliance with the Subrecipient Monitoring requirements.

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## Exhibit H. National Railroad Passenger Corporation and Subsidiaries (Amtrak), Washington, D.C.

**Independent Auditor:** Ernst & Young LLP

**Report Date:** June 28, 2019

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

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

**Finding Number:** 2018-002

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

**Condition:** The following exceptions were observed by the independent auditor:

- For one of the equipment samples reviewed, it was observed that the serial number on the selected asset at the physical location could not be matched against the serial number indicated in the accounting records.
- It was also observed that for two of the sampled equipment assets, the Condition data or Location field in the asset records was blank and for one equipment sample the Condition field per the asset records did not match the actual physical condition of the asset.
- During procedures performed for one asset, the independent auditor identified that no inventory had occurred for the asset even though it had been placed in service over two years prior and would have required an inventory prior to the auditor's observation.

**Independent Auditor's Recommendation:** Amtrak should continue to work toward a full integration or reconciliation between PowerPlan<sup>13</sup> and the different equipment-tracking systems. Management should consider redesigning one of its key controls to help ensure that the monitoring of the observations are 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

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<sup>13</sup> PowerPlan is Amtrak's fixed assets accounting ledger.



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.

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## Exhibit I. Standing Rock Sioux Tribe, Fort Yates, ND

**Independent Auditor:** Moss Adams LLP

**Report Date:** June 28, 2019

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

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

**Finding Number:** 2018-004<sup>14</sup>

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

**Condition:** Multiple control deficiencies were identified in the general disbursements (non-payroll transactions) process from the total transactions tested. The Highway Planning and Construction Program was one of three Federal programs where out of 63 transactions tested, there was no supporting documentation maintained and provided for four transactions. Additionally, these control deficiencies resulted in known questioned costs for the Highway Planning and Construction Program of \$6,529.

**Independent Auditor's Recommendation:** The Tribe should re-evaluate their internal controls over the general disbursements process to ensure all transactions are properly reviewed, approved, and supporting documentation is maintained.

**Questioned Costs Identified:** \$6,529

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<sup>14</sup> Caused an adverse opinion on the Highway Planning and Construction Program.

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## Exhibit J. Allen County Regional Transit Authority, Lima, OH

**Independent Auditor:** Ohio Auditor of State

**Report Date:** June 13, 2019

**Fiscal Year Ending:** December 31, 2017

**Applicable DOT Operating Administration and Programs:** Federal Transit Administration (FTA), Federal Transit Formula Grants, and the Bus and Bus Facilities Formula Program (Federal Transit Cluster)

**Finding Number:** 2017-002<sup>15</sup>

**Compliance Requirement:** Cash Management

**Condition:** The Allen County Regional Transit Authority (ACRTA) requested and received \$387,000 in Federal Transit Formula Grant funding for the purchase of electronic fare box equipment. These funds were received on December 29, 2017; however, due to inadequate procedures and/or controls, only \$16,220 of these funds were spent in 2017 and the remaining funds were spent in 2018. This was a reimbursement grant and the funds should have been spent before the grant funds were received.

**Independent Auditor's Recommendation:** ACRTA should establish and implement procedures to verify that reimbursement requests for Federal funds are in accordance with the Federal grant guidelines. These policies and procedures should be approved and adopted by management, provided to employees, and monitored periodically by management to help ensure they are operating as intended and updated as necessary.

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<sup>15</sup> Caused a qualified opinion on the Federal Transit Cluster.

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## Exhibit K. City of Dayton, Dayton, OH

**Independent Auditor:** Ohio Auditor of State

**Report Date:** June 27, 2019

**Fiscal Year Ending:** December 31, 2018

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

**Finding Number:** 2018-002<sup>16</sup>

**Compliance Requirement:** Reporting

**Condition:** The City filed FAA Form 5100-127, Operating and Financial Summary, and FAA Form 5100-126, Financial Government Payment Record, for the year ending December 31, 2017, on July 2, 2018. The amounts reported in these reports related to fiscal year 2015 instead of 2017.

**Independent Auditor's Recommendation:** Policies and procedures should be established and implemented to verify the accuracy of reports being submitted to the grantors. Someone independent of the report preparation process should review the report for accuracy and reconcile the amounts to underlying support documentation.

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<sup>16</sup> Caused a qualified opinion on the Airport Improvement Program.

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