



Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** Quality Control Review on the
Single Audit of the Transportation District
Commission of Hampton Roads
Report No. QC-2013-143

Date: September 30, 2013

From: George E. Banks, IV
Program Director for Single Audit

Reply to
Attn. of: JA-20

To: Regional Administrator, FTA, Region III

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Transportation District Commission of Hampton Roads (the District). This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of the District performed by Dixon Hughes Goodman LLP (DHG) for the fiscal year ending June 30, 2012. During this period, the District expended over \$62 million from DOT grant programs, as shown on the attached Schedule of Expenditures of Federal Awards. DHG determined that DOT's major program was the Federal Transit Cluster.

The Office of Management and Budget's (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires the auditor 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.

DHG rendered an unqualified opinion on the District's financial statements and compliance with DOT's major program requirements for the Federal Transit Cluster. However, DHG questioned approximately \$1,135,000 affecting the Federal Transit Cluster, and made recommendations to correct internal control and compliance deficiencies that affect the Federal Transit Administration.¹

¹ We advised FTA of these deficiencies in a separate memorandum. The single audit report issued by DHG is available upon request to singleauditrequest@oig.dot.gov.

SCOPE

The purpose of our QCR was to determine: (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and OMB Circular A-133; and (2) the extent to which we could rely on the auditors' work on DOT's major program, the Federal Transit Cluster.

RESULTS

We determined that DHG's audit work was *Acceptable with Deficiencies*, and therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that DHG's opinion on DOT's major program was inappropriate or unreliable.

While the deficiencies we identified in the audit documentation need to be corrected in future audits, we determined that the deficiencies did not alter the overall results of the audit report. The deficiencies relate to:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles - DHG needs to improve its audit documentation related to its compliance testing of Activities Allowed or Unallowed and Allowable Costs/Cost Principles to clarify how it determined that activities and costs were allowable.

Cash Management - DHG needs to improve its audit documentation related to its compliance testing of cash management to clearly show that the dates of vendor payments preceded requests for reimbursement.

Matching Requirements - DHG needs to improve its audit documentation related to its compliance testing of grant agreement matching requirements to clarify how it determined that specific matching requirements were met.

In addition, we identified the following deficiencies as part of our desk review of the Single Audit Report:

- The Summary Schedule of Prior Audit Findings was not correctly labeled and did not include the actual status of the prior year's finding.
- The Data Collection Form, Part III, Question 8, did not identify DOT as having a current or prior year audit finding related to direct funding.
- The Schedule of Expenditures of Federal Awards summary line was incorrectly labeled as "Total DOT Expenditures" instead of "Total Federal Expenditures."

DHG and the District agreed to revise the Summary Schedule of Prior Audit Findings, the Data Collection Form, and the Schedule of Expenditures of Federal Awards, and file them with the Federal Audit Clearinghouse.

If you have any questions concerning this report, please call me at (410) 962-1729, or John R. Sysak, DOT National Single Audit Coordinator, at (410) 962-2630.

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cc: Audit Liaison, FTA, TPM-2

Audit Liaison, OST, M-1

Chief Financial Officer, Transportation District Commission of Hampton Roads

Transportation District Commission of Hampton Roads

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Year	Federal Catalogue Number	Total Expenditures
Department of Transportation			
Direct Payments			
Federal Transit Administration Capital Improvements Grants			
VA 03-0107 Norfolk Light Rail Transit Proj (FFGA)	2007	20.500	\$ 95,124
VA 03-0116 Norfolk Light Rail Transit Proj	2007	20.500	704,953
VA 04-0035 Fixed Guideway Grant	2008	20.500	21,794
VA 04-0050 Southside Facility Project - Adm. Bldg.	2011	20.500	6,156,721
VA 05-0039 Fixed Guideway Grant	2008	20.500	(7,153)
VA 05-0040 Fixed Guideway Grant	2009	20.500	248,184
VA 05-0043 Fixed Guideway Grant	2009	20.500	1,154,905
VA 05-0045 Fixed Guideway Grant	2010	20.500	41,199
VA 37-X014 JARC Grant	2007	20.516	1,055,038
VA 57-X001 New Freedom Grant	2007	20.521	454,935
VA 58-0001 Southside Facility Project - Clean Fuels Grant	2010	20.519	540,000
VA 66-X004 ARRA STP LRT - Norfolk LRT	2010	20.500	474,723
VA 90-X189 Capital Assistance	2000	20.500	(457)
VA 90-X262 Capital Assistance	2005	20.500	176,183
VA 90-X282 Capital Assistance	2006	20.500	193,911
VA 90-X294 Light Rail Transit Project	2007	20.500	41
VA 90-X304 Capital Assistance	2007	20.500	216,164
VA 90-X320 Capital Assistance	2008	20.500	485,385
VA 90-X344 Capital Assistance	2009	20.500	624,158
VA 90-X359 5307 Capital Grant	2010	20.500	2,306,267
VA 90-X369 5307 Capital Grant	2011	20.500	1,469,386
VA 90-X381 5307 Preventative Maintenance	2012	20.500	14,928,988
VA 95-X001 LRT STP Grant	2007	20.500	2,067,406
VA 95-X014 MAX/Port Shuttle	2009	20.500	244
VA 95-X063 Patrick Henry Mall Trans/VB Rail Study	2009	20.500	516,261
VA 95-X064 Hybrid Buses	2010	20.500	4,086,749
VA 95-X070 Southside Facility	2010	20.500	3,686,606
VA 95-X080 CMAQ Newport News Shelters	2010	20.500	88,000
VA 95-X095 LRT Oper/Feeder Bus	2010	20.500	6,278,196
VA 95-X096 LRT RSTP CMAQ	2010	20.500	10,861,780
VA 95-X097 Transit Resigning	2011	20.500	6,741
VA 96-X003 ARRA 5307 Grant	2009	20.500	1,704,800
FY13 5307	2012	20.500	640,135
Department of Environmental Quality			61,277,368
Brownfield Assessment Grant	2011	66.818	23,682
Department of Homeland Security			
2007-RL-17-0017 Transit Security Grant	2007	97.075	14,250
2009-PU-R1-0378 Transit Security Grant	2009	97.056	31,531
Urban Area Security Initiative Grant	2008	97.008	112,422
Urban Area Security Initiative Grant	2009	97.008	147,366
			305,569
Passed through from Department of Rail and Public Transportation			
47010-04 Regional TDM program Traffic	2010	20.507	11,517
47011-09 Regional TDM program Traffic	2011	20.507	709,870
Passed through from Southeastern Virginia Planning District Commission			
Federal Transit Administration Technical Studies Grant and Section 8 Grant	2010	20.507	376,356
Total Department of Transportation			\$ 62,704,362

* Represents a major program to the Transportation District Commission of Hampton Roads.

See accompanying notes to schedule of expenditures of federal awards.