



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 Utah Transit Authority,
Salt Lake City, UT
Report No. QC2017101

Date: September 25, 2017

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

Reply to
Attn. of: JA-20

To: Regional Administrator, FTA, Region 8

The U.S. Department of Transportation (DOT) is the cognizant Federal single audit Agency for the Utah Transit Authority (UTA) of Salt Lake City, UT. This report presents the results of our Quality Control Review (QCR) on DOT's major grant program included in the single audit of UTA that Keddington & Christensen, LLC (K&C) performed for UTA's fiscal year ended December 31, 2015. During this period, UTA expended approximately \$60 million from DOT grant programs. K&C determined that DOT's major program was the Federal Transit Cluster.

Under Title 2 of the Code of Federal Regulations (C.F.R.), 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.

K&C rendered an unmodified opinion on UTA's financial statements and compliance with DOT's major program requirements and did not question any costs.¹

SCOPE

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

¹ A copy of K&C's single audit report is available by request to singleauditrequest@oig.dot.gov.

RESULTS

Audit Work

Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Based on our QCR, we assigned an overall rating of *pass with deficiencies* to K&C's work. Therefore, K&C generally met the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major program. While we found nothing to indicate that K&C's opinion on the Federal Transit Cluster was inappropriate or unreliable, we found the following deficiencies in K&C's work that should be corrected in future audits.

Major Program Internal Controls and Compliance Testing. K&C needs to improve its audit documentation related to its understanding, planning, and testing of major program internal controls to support its low assessed level of control risk. In addition, K&C needs to expand its compliance attribute testing to better support how it met the audit objective for each of the direct and material compliance requirements.

Equipment and Real Property. K&C did not perform compliance testing related to the physical inspection of equipment acquired with Federal funds and to determine if the equipment was appropriately safeguarded and maintained.

Procurement, Suspension and Debarment. K&C did not perform compliance testing of procurement, suspension and debarment transactions that were greater than \$25,000 but less than \$100,000.

Reporting. K&C did not perform compliance testing to determine that reports submitted to FTA were complete, accurate, and prepared in accordance with the required accounting basis.

Reporting Package

Our desk review of UTA's fiscal year 2015 single audit report package that was submitted to the Federal Audit Clearinghouse (FAC) identified the following items:

Independent Auditor's Report. K&C did not include the required paragraph in its Independent Auditor's report referencing Government auditing standards.

Data Collection Form (DCF) Error. The DCF incorrectly identified the Department of Homeland Security Program (CFDA 97.075) as a pass-through program.

Schedule of Expenditures of Federal Awards (SEFA). UTA did not disclose its use or non-use of the de minimus indirect rate in its SEFA notes. The SEFA notes also incorrectly indicated that UTA passed through funds to subrecipients. However,

UTA's SEFA and K&C's audit documentation did not identify any funds that UTA passed through.

Schedule of Findings and Question Cost (SFQC). K&C did not include the required statement that all findings were reported under 2 C.F.R. § 200.516(a). Furthermore, K&C's A/B threshold amounts on the DCF and the SFQC were not the same amount. On the DCF, K&C used the required 3 percent of total Federal expenditures. However, the threshold amount was rounded down on the SFQC. The error had no effect on K&C's major program determination. Also, the statement on the SFQC referred to OMB Circular A-133, instead of using the Uniform Guidance.

K&C coordinated with UTA and re-submitted the reporting package twice. Our review of the most recent reporting package determined that UTA again did not disclose its use or non-use of the de minimus indirect rate in its SEFA notes and incorrectly disclosed subrecipients in its SEFA notes. All other deficiencies were corrected with the second resubmission.

If you have any questions concerning this report, please call me at (202) 420-1116, or John R. Sysak, DOT's National Single Audit Coordinator, at (410) 962-2630.

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cc: The Secretary
Audit Liaison, FTA, TSO-30
Audit Liaison, OST, M-1
Controller, UTA
Partner, Keddington & Christensen, LLC