



Memorandum

U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Subject: INFORMATION: Quality Control Review of
Single Audit on the Chicago Transit Authority
Report No. QC-2011-034

Date: January 24, 2011

Reply To JA-20

From: Earl C. Hedges
Program Director for Single Audit

Attn Of:

To: Regional Administrator, FTA, Region V

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Chicago Transit Authority (Authority). This report presents the results of our Quality Control Review of a single audit performed by Crowe Horwath LLP on the Authority for the fiscal year ending December 31, 2009. During this period, the Authority expended about \$529 million from the following DOT grant programs.

DOT Operating Administration	CFDA* Number	Program Name	FY 2009 Expenditures	Major Program	Direct Award
Federal Transit Administration	20.500	ARRA Capital Investment Grants Program	\$30,937,159	Yes	Yes
Federal Transit Administration	20.500	Capital Investment Grants Program	\$170,248,540	Yes	Yes
Federal Transit Administration	20.500	Capital Investment Grants (Oakton Station)	\$11,700	Yes	No
Federal Transit Administration	20.507	ARRA Formula Grants Program	\$160,047,984	Yes	Yes
Federal Transit Administration	20.507	Formula Grants Program	\$165,801,581	Yes	Yes
Federal Transit Administration	20.505	Metropolitan Planning Grants	\$1,155,340	No	No
Federal Highway Administration	20.205	Highway Planning and Construction	\$230,003	No	Yes
Federal Transit Administration	Various	Various	\$913,134	No	Yes

* Catalogue of Federal Domestic Assistance

Office of Management and Budget (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.

Crowe Horwath rendered an unqualified (clean) opinion on the Authority's financial statements and compliance with major Federal program requirements and did not question any costs concerning DOT grant programs.

However, Crowe Horwath made recommendations to correct the following internal control and compliance deficiencies that directly affect DOT programs.¹ The Authority's timely correction of these deficiencies is critical to ensuring proper use of the American Recovery and Reinvestment Act funds. These deficiencies include:

- Inadequate controls for ensuring compliance with Davis-Bacon Act requirements,
- Inadequate controls applicable to American Recovery and Reinvestment Act Section 1512 Reporting.

We performed a Quality Control Review of Crowe Horwath's audit work to determine: (1) whether the audit work complied with generally accepted government auditing standards as prescribed by the Comptroller General of the United States, the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133; and (2) the extent to which we could rely on the audit work.

RESULTS

Based on our Quality Control Review, we determined Crowe Horwath's audit work to be acceptable with deficiencies. Furthermore, the audit work generally met the requirements of generally accepted government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Crowe Horwath's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

We identified deficiencies in Crowe Horwath's audit documentation. Based on explanations provided by Crowe Horwath in response to our concerns, we determined that these deficiencies did not alter the overall results of audit. However, in future audits, Crowe Horwath should correct these deficiencies in order to adequately support its audit conclusions. The deficiencies are related to the following area:

Equipment & Real Property Management (Compliance Requirement F).

Crowe Horwath needs to better document its testing of the Authority's resolution of differences between physical inventory counts and equipment records, and the determination that equipment acquired under Federal awards

¹ We advised FTA about these deficiencies in a separate memorandum. The single audit report issued by Crowe Horwath is available upon request. Requests should be sent to singleauditrequest@oig.dot.gov

is adequately safeguarded and maintained. Crowe Horwath agreed that in future audits, it would better document its testing of equipment acquired with Federal funds.

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.

#

cc: Audit Liaison, FTA, TBP-11

Audit Liaison, OST, M-1

Manager II - Grant/Receivable Accounting, Chicago Transit Authority