



# 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 City and County of San Francisco  
Report No. QC-2011-056

Date: February 23, 2011

From: *Earl C. Hedges*  
Earl C. Hedges  
Program Director for Single Audit

Reply To JA-20

Attn Of:

To: Regional Administrator, FTA, Region IX  
Regional Administrator, FAA, Western-Pacific Region

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the City and County of San Francisco (City and County). This report presents the results of our Quality Control Review (QCR) of a single audit performed by Macias Gini & O'Connell LLP with supporting work from KPMG, LLP on the City and County for the fiscal year ending June 30, 2009. During this period, the City and County expended about \$84 million from the following DOT grant programs:

DOT Operating Administration	CFDA* Number	Program Name	FY 2009 Expenditures	Major Program	Direct Award
Federal Aviation Administration	20.106	Airport Improvement Program	\$22,027,693	Yes	Yes
Federal Aviation Administration	20.106	ARRA Airport Improvement Program	\$1,811,335	Yes	Yes
Federal Transit Administration	20.500	Capital Investment Grants Program	\$14,866,650	Yes	Yes
Federal Transit Administration	20.507	Formula Grants Program	\$25,727,575	Yes	Yes
Federal Transit Administration	20.507	ARRA Formula Grants Program	\$7,688,882	Yes	Yes
Federal Transit Administration	20.519	Clean Fuels Program	\$126,696	No	Yes
Various	Various	Various	\$11,464,088	No	No

\* 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.

Macias Gini & O'Connell rendered an unqualified (clean) opinion on the City and County’s financial statements and did not question any costs concerning DOT grant programs. In addition, Macias Gini & O'Connell did not identify any internal control or compliance deficiencies that directly affect DOT programs<sup>1</sup>.

Macias Gini & O'Connell audited the internal control and compliance with the Airport Improvement Program (CFDA 20.106) requirements. KPMG LLP audited the internal control and compliance with the Federal Transit Cluster (CFDA 20.500 & 20.507) requirements. Macias Gini & O'Connell relied on KPMG's work to issue its single audit report on the City and County. We limited our QCR to the audit work performed by Macias Gini & O'Connell (Airport Improvement Program) and KPMG (Federal Transit Cluster).

The purpose of our QCR was to determine: (1) whether the audit work complied with the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133; and (2) the extent to which we can rely on the audit work.

## **RESULTS**

Based on our QCR we determined the work of Macias Gini & O'Connell and KPMG to be acceptable with deficiencies. The audit work generally met the requirements of the Act, OMB Circular A-133, and the DOT Programs. We found nothing to indicate that the Macias Gini & O'Connell and KPMG opinions on the reports on internal control and compliance were inappropriate or unreliable. However, we identified the need for Macias Gini & O'Connell to expand internal control testing on the special tests and provisions compliance requirement, and for KPMG to correct a deficiency in audit documentation. Based on explanations provided by Macias Gini & O'Connell and KPMG in response to our concerns, we determined that these deficiencies did not alter the overall results of the audit. These deficiencies should be corrected in future audits in order to adequately support audit conclusions. The deficiencies are related to the following areas:

### **Testing of Internal Controls-Special Tests and Provisions (Compliance Requirement N)-CFDA 20.106.**

Macias Gini & O'Connell did not perform the internal controls testing applicable to the special tests and provisions compliance requirement in order

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<sup>1</sup> The single audit report issued by Macias Gini & O'Connell, LLP is available upon request. Requests should be sent to [singleauditrequest@oig.dot.gov](mailto:singleauditrequest@oig.dot.gov).

to support a low assessed level of control risk. Macias Gini & O'Connell adequately gained an understanding of the internal controls, reviewed the City and County's policy on airport revenue use, and properly performed compliance testing of the special tests and provisions requirement. However, we were unable to determine how the audit documentation supports the internal controls testing. In future audits, Macias Gini & O'Connell agreed to perform the internal controls testing applicable to the special tests and provisions compliance requirement.

**Procurement and Suspension and Debarment (Part 4 Compliance Requirement I) CFDA-20.500 and 20.507.**

KPMG needs to better document its compliance testing of Buy America certifications, Disadvantaged Business Enterprises (DBE) certifications, and Procurement of Vehicles and Facilities (compliance with Americans with Disabilities Act (ADA) of 1990). During our exit conference, KPMG provided us the procurement documents they reviewed during their audit to address these requirements. KPMG agreed to better document their work applicable to Buy America, DBE, and ADA in future audits.

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, TBP-11

Audit Liaison, FAA, Western-Pacific Region, AWP-620.1

Manager, FAA, San Francisco Airports District Office

Audit Liaison, OST, M-1

Director of Systems and Reporting, City and County of San Francisco