



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 Washington Metropolitan
Area Transit Authority
Report No. QC-2010-067

Date: May 19, 2010

From: 
Earl C. Hedges
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 Washington Metropolitan Area Transit Authority (Authority). This report presents the results of our Quality Control Review of a single audit performed by Clifton Gunderson, LLP on the Authority for the fiscal year ending June 30, 2009. During this period of time, the Authority expended about \$281 million from three DOT grant programs.

DOT Operating Administration	CFDA* #	Program Name	FY 2009 Expenditures	Major Program	Direct Award
Federal Transit Administration	20.500	Capital Investment Grants Program	\$130,937,407	Yes	Yes
Federal Transit Administration	20.507	Formula Grants Program	\$148,696,139	Yes	Yes
Federal Highway Administration	20.205	Highway Planning and Construction	\$1,084,063	No	Yes

* Catalogue of Federal Domestic Assistance

The 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 potential inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

Clifton Gunderson rendered an unqualified (clean) opinion on the Authority's financial statements and compliance for major programs and did not question any costs concerning FTA grant programs. However, Clifton Gunderson made a

recommendation to correct the following compliance deficiency that directly affects FTA programs.¹

- Not obtaining approval from the cognizant Federal agency prior to applying its fiscal year 2009 indirect cost rate.

The Authority's timely correction of this deficiency is critical to ensure its proper use of the upcoming American Recovery and Reinvestment Act funds.

The purpose of our review was to determine: (1) whether the work complied with Generally Accepted Government Auditing Standards as prescribed by the Comptroller 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 auditor's work.

RESULTS

Based on our Quality Control Review, we determined that Clifton Gunderson's work generally met the requirements of Generally Accepted Government Auditing Standards, the Act, and OMB Circular A-133. We found nothing to indicate that Clifton Gunderson's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

However, we identified audit documentation deficiencies and the need to expand compliance testing in future audits. Based on explanations provided by Clifton Gunderson in response to our concerns, we determined that these deficiencies did not alter the overall audit results. Yet, to adequately support audit conclusions, these deficiencies should be corrected in future audits. The deficiencies are related to the following areas:

1. **Testing of Compliance with the Americans with Disabilities Act (ADA) of 1990.**

Clifton Gunderson did not perform compliance testing to determine if the Authority's procurement of vehicles and facilities complied with ADA requirements. During our review, Clifton Gunderson informed us that they noted the ADA compliance statements were in the Authority's bid packages as part of their internal control testing. Clifton Gunderson agreed to perform compliance testing of the ADA compliance requirement in future audits.

2. **Summary Schedule of Prior Audit Findings and Follow-up.**

Clifton Gunderson did not document the specific audit procedures performed to ensure the prior audit finding concerning the safeguarding of equipment purchased with Federal funds was corrected. During our review, Clifton

¹ We advised FTA about this deficiency in a separate memorandum. The single audit report issued by Clifton Gunderson is available upon request. Requests should be sent to singleauditrequest@oig.dot.gov.

Gunderson described the procedures they used to determine that this finding had been corrected by the Authority. They agreed to improve their documentation in future audits.

3. Compliance Requirements Deemed Not Applicable to the Major Program.

The OMB Compliance Supplement prescribes 14 specific requirements that need to be tested, unless deemed not applicable to the grant program by the auditor. Clifton Gunderson's audit workpapers did not provide convincing and supportive reasons why two compliance requirements for the major program were deemed not applicable. Clifton Gunderson agreed they will document this in the future.

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
Chief Finance Officer, Washington Metropolitan Area Transit Authority
Inspector General, Washington Metropolitan Area Transit Authority