



# 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 City of Fresno,  
Fresno, CA  
Report No. QC-2016-116

Date: September 20, 2016

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

Reply to  
Attn. of: JA-20

To: Regional Administrator, FTA, Region 9

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the City of Fresno, Fresno, CA (City). This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of the City that the Brown Armstrong Accountancy Corporation (Brown Armstrong) performed for the City's fiscal year ended June 30, 2015. During this period, the City expended approximately \$34 million from DOT grant programs. Brown Armstrong determined that DOT's major programs were the Federal Transit Cluster and the Highway Planning and Construction Cluster. We limited our review to the Federal Transit Cluster because it awarded grants directly to the City, while the Highway Planning and Construction Cluster's grants were passed to the City through the State of California Department of Transportation.

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.

Brown Armstrong rendered an unmodified opinion on the City's financial statements and compliance with DOT's major program requirements and did not question any costs.<sup>1</sup>

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<sup>1</sup> A copy of Brown Armstrong's single audit report is available by request to [singleauditrequest@oig.dot.gov](mailto: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 reviewed, the Federal Transit Cluster.

## RESULTS

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 Brown Armstrong's work. Therefore, Brown Armstrong generally met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Transit Cluster. While we found nothing to indicate that Brown Armstrong's opinion on the Federal Transit Cluster was inappropriate or unreliable, we found the following deficiencies in Brown Armstrong's work that should be corrected in future audits:

**Sampling Methodology.** The composition of Brown Armstrong's sample items for some of the direct and material compliance requirements was not a true representation of the population. However, the sample sizes Brown Armstrong used to perform internal controls and compliance testing were adequate.

**Equipment and Real Property.** Brown Armstrong did not adequately document its compliance testing of the Equipment and Real Property Requirements.

**Compliance Testing.** Brown Armstrong did not perform compliance testing on the disadvantaged business enterprises, Americans with Disabilities Act of 1990, and earmarking requirements. In addition, Brown Armstrong's audit documentation did not include its assessment of these requirements being direct and material to the major program.

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

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cc: Audit Liaison, FTA, TSO-10  
Audit Liaison, OST, M-1  
Finance Director, City of Fresno, CA  
Partner, Brown Armstrong Accountancy Corporation.