



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 New Jersey
Transit Corporation,
Newark, NJ
Report No. QC-2016-093

Date: August 24, 2016

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

Reply to
Attn. of: JA-20

To: Regional Administrator, FTA, Region 3

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the New Jersey Transit Corporation (NJT), Newark, NJ. This report presents the results of our Quality Control Review (QCR) on DOT's major grant program included in the single audit of NJT that Ernst & Young LLP (E&Y) performed for NJT's fiscal year ended June 30, 2015. During this period, NJT expended approximately \$692 million from DOT grant programs. E&Y determined that DOT's major program was the Federal Transit Cluster.

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.

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

¹ A copy of Ernst & Young LLP's single audit report is available by request to 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, 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* to E&Y's work. Therefore, E&Y met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that E&Y's opinion on the Federal Transit Cluster was inappropriate or unreliable.

However, during our desk review of NJT's fiscal year 2015 single audit report package that E&Y submitted to the Federal Audit Clearinghouse (FAC), we identified the following item:

- E&Y's financial statement report did not include the required statement on Government auditing standards. E&Y added the required statement to its report and resubmitted it to the FAC on July 25, 2016.

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
CFO, New Jersey Transit Corporation
Partner, Ernst & Young LLP