



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 Washington
Metropolitan Area Transit Authority,
Washington, DC
Report No. QC-2016-091

Date: August 23, 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 Washington Metropolitan Area Transit Authority (WMATA), Washington, DC. This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of WMATA that RSM US LLP (RSM) performed for WMATA's fiscal year ended June 30, 2015. During this period, WMATA expended approximately \$670 million from DOT grant programs. RSM determined that DOT's major programs were the Federal Transit Cluster and the Passenger, Rail, Investment and Improvement Act of 2008 program.

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.

RSM rendered an unmodified opinion on WMATA's financial statements and a modified opinion on compliance with DOT's two major programs requirements. RSM questioned over \$27 million affecting the two major programs and made recommendations to correct internal control and compliance deficiencies that affected the two major programs.¹

¹ We advised FTA of these deficiencies in a separate memorandum. A copy of RSM'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 two major programs.

RESULTS

Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Based on our QCR, we assigned to an overall rating of ***pass with deficiencies*** to RSM's work. Therefore, RSM generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. While we found nothing to indicate that RSM's opinion on each of DOT's major programs was inappropriate or unreliable, we found the following deficiencies in RSM's work that should be corrected in future audits:

Compliance Testing (Federal Transit Cluster). RSM did not perform compliance testing on disadvantaged business enterprises, the Americans with Disabilities Act of 1990, and earmarking requirements applicable to the Federal Transit Cluster.

Compliance Testing (the Passenger Rail Investment and Improvement Act of 2008). RSM did not perform compliance testing on the Americans Disabilities Act of 1990 requirements applicable to the Passenger Rail Investment and Improvement Act of 2008 program.

Furthermore, during our desk review of WMATA's fiscal year 2015 single audit report package that RMS submitted to the Federal Audit Clearinghouse (FAC), we identified the following item:

- The financial statement report submitted to the FAC by RSM did not include the required references to Governmental Auditing Standards. Additionally, the single audit reporting package did not make reference to a separately and subsequently issued letter communicating certain control deficiencies. RSM determined that they submitted the incorrect report to the FAC and on June 7, 2016, RSM submitted the correct report to the FAC.

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

Comptroller, Washington Metropolitan Area Transit Authority
Partner, RSM US LLP