



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 Rochester-Genesee
Regional Transportation Authority,
Rochester, NY
Report No. QC-2015-111

Date: September 23, 2015

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

Reply to
Attn. of: JA-20

To: Regional Administrator, FTA, Region II

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Rochester-Genesee Regional Transportation Authority (Authority), Rochester, NY. This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of the Authority that Bonadio & Co., LLP (Bonadio) performed for the Authority's fiscal year ended March 31, 2014. During this period, the Authority expended approximately \$55 million from DOT grant programs. Bonadio determined that DOT's major programs were the Formula Grants for Other than Urbanized Areas program and 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.

Bonadio rendered an unqualified (unmodified) opinion on the Authority's financial statements and compliance with DOT's major program requirements, and did not question any costs.¹

¹ A copy of Bonadio's single audit report is available upon 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 programs, the Formula Grants for Other than Urbanized Areas program and the Federal Transit Cluster.

RESULTS

Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*, and based on our QCR, the overall rating we assigned to Bonadio's work is ***pass with deficiency***. Therefore, Bonadio 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 Bonadio's opinion on each of DOT's major programs was inappropriate or unreliable, we found the following deficiency in Bonadio's work:

Bonadio did not document the rationale for its conclusion that certain compliance requirements were not direct and material to the two major programs tested.

Part 2 of OMB's Compliance Supplement, *Matrix of Compliance Requirements*, indicates which of 14 compliance requirements² are applicable to a major program listed. According to the American Institute of Certified Public Accountants' (AICPA) Audit Guide for OMB Circular A-133 audits, each auditor should document its rationale for concluding that a requirement does not apply to its auditee or that non-compliance with a specific requirement would not have direct and material effect on a major program.

For the Formula Grants for Other than Urbanized Areas program, all 14 compliance requirements are applicable. Bonadio determined that 4 compliance requirements were direct and material and tested those requirements, but Bonadio did not document its rationale for concluding that the remaining 10 compliance requirements did not apply to the Authority or that non-compliance with the specific requirements would not have a direct and material effect on the major program.

For the Federal Transit Cluster, 13 of the 14 compliance requirements are applicable. Bonadio determined that 4 compliance requirements were direct and

² The 14 Compliance requirements, (1) activities allowed or unallowed; (2) allowable cost/cost principles; (3) cash management; (4) Davis-Bacon Act; (5) eligibility; (6) equipment and real property management; (7) matching, level of effort, and earmarking; (8) period of availability of Federal funds; (9) procurement and suspension and debarment; (10) program income; (11) real property acquisition and relocation assistance; (12) reporting; (13) subrecipient; and (14) special test and provisions.

material and tested those requirements, but Bonadio did not document its rationale for concluding that the remaining 9 compliance requirements did not apply to the Authority or that non-compliance with the specific requirements would not have a direct and material effect on the major program.

In addition, we found an error in Bonadio's work during our desk review. We found that in the Schedule of Findings and Questioned Cost, Bonadio incorrectly used "unqualified" as its opinion on both the Authority's Financial Statements and compliance with each of DOT's major program requirements. Bonadio should have used "unmodified" as its opinion on both the financial statements and compliance with each major program's requirements. Bonadio agreed to correct this and resubmit the Schedule of Findings and Questioned Cost to the Federal Audit Clearinghouse.

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
Manager of Accounting, Rochester-Genesee Regional Transportation
Authority
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