



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 San Diego Metropolitan
Transit System, San Diego, CA
Report No. QC-2015-044

Date: May 20, 2015

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

Reply to
Attn. of: JA-20

To: Regional Administrator, FTA, Region IX

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the San Diego Metropolitan Transit System, San Diego, CA (MTS). This report presents the results of our Quality Control Review (QCR) on DOT's major grant programs included in the single audit of MTS that Pun & McGeady, LLP (Pun & McGeady) performed for MTS's fiscal year ended June 30, 2014. During this period, MTS expended approximately \$61 million from DOT grant programs. Pun & McGeady 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.

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

¹ The single audit report that Pun & McGeady, LLP issued 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 program, the Federal Transit Cluster.

RESULTS

We determined that Pun & McGeady's audit work was *Acceptable with Deficiencies*, and therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that Pun & McGeady's opinion on DOT's major program was inappropriate or unreliable.

While the deficiencies we identified in the audit documentation need to be corrected in future audits, we determined that the deficiencies did not alter the overall results of the audit report. The deficiencies are related to:

Internal Control – Matching and Special Tests and Provisions: Pun & McGeady needs to improve its documentation related to how it gained an understanding of internal controls related to matching and the special tests and provisions compliance requirements.

Procurement and Suspension and Debarment (Part 4 of the Compliance Supplement): Pun & McGeady did not perform compliance testing on the procurement and suspension and debarment requirements contained in Part 4 of the Compliance Supplement. Specifically, the requirements not tested are the Disadvantaged Business Enterprises and the Americans with Disabilities Act of 1990.

In addition, during our desk review of MTS's fiscal year 2014 single audit report, we identified the following item:

- On the Data Collection Form, Pun & McGeady incorrectly identified two Department of Homeland Security programs as funded by the American Recovery and Reinvestment Act. The two programs are the National Explosive Detection Canine Team and the Rail and Transit Security Grant Programs. Pun & McGeady and MTS have corrected and resubmitted the Data Collection Form 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
NSAC, Department of Homeland Security
Controller, San Diego Metropolitan Transit System, San Diego, CA
Partner, Pun & McGeady LLP