



Memorandum

U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Subject: INFORMATION: Quality Control Review of
Single Audit on the Metropolitan Atlanta Rapid
Transit Authority (MARTA)
Report No. OC-2012-038

Date: January 4, 2012

Earl C. Hedges

Reply To JA-20

From: Earl C. Hedges
Program Director for Single Audit

Attn Of:

To: Regional Administrator, FTA, Region IV

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Metropolitan Atlanta Rapid Transit Authority (MARTA). This report presents the results of our Quality Control Review (QCR) of a single audit performed by Cherry, Bekaert & Holland, LLP on MARTA for the fiscal year ending June 30, 2010. During this period, MARTA expended about \$131 million from DOT grant programs, as shown on the attached Schedule of Expenditures of Federal Awards. The major programs tested by Cherry, Bekaert & Holland included the Federal Transit Cluster and Clean Fuel Bus Project Grants.

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.

Cherry, Bekaert & Holland rendered an unqualified (clean) opinion on MARTA's financial statements and did not question any costs concerning DOT grant programs. In addition, Cherry, Bekaert & Holland rendered an unqualified opinion on DOT's two major programs and did not identify any internal control or compliance deficiencies that directly affected DOT programs.¹

SCOPE

The purpose of our QCR was to determine: (1) whether the audit work complied with generally accepted Government auditing standards, the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133, and (2) the extent to which we can rely on the audit work.

¹The single audit report issued by as Cherry, Bekaert & Holland, LLP is available upon request. Requests should be sent to singleauditrequest@oig.dot.gov.

RESULTS

We determined the work of Cherry, Bekaert & Holland to be *Acceptable with Deficiencies* and therefore, it generally met the requirements of generally accepted Government auditing standards, the Act and OMB Circular A-133. We found nothing to indicate that Cherry, Bekaert & Holland's opinion on MARTA's financial statements or reports on MARTA's internal controls and compliance were inappropriate or unreliable.

However, we identified the need for Cherry, Bekaert & Holland to expand compliance testing on cash management and reporting requirements, and to correct deficiencies in audit documentation. Based on explanations provided by Cherry, Bekaert & Holland in response to our concerns, we have determined that the deficiencies did not alter the overall results of the audit. The deficiencies should be corrected in future audits in order to adequately support audit conclusions. The deficiencies are related to the following areas:

1. **Cash Management.**

Cherry, Bekaert & Holland did not adequately document its compliance testing to show how MARTA paid its vendors prior to requesting reimbursement from FTA. Cherry, Bekaert & Holland told us that it tested cash management on an overall approach by verifying and comparing data from MARTA's financial reports, general ledger, and Electronic Clearing House Operation (ECHO) receipt reports, instead of testing individual transactions. Because of this approach, it was not evident how the audit procedures performed met the audit objectives in the compliance supplement. However, Cherry, Bekaert & Holland agreed to better document its compliance testing of individual transactions in order to meet the audit objectives for cash management in future audits.

2. **Testing of Major Program Internal Controls.**

Cherry, Bekaert & Holland did not adequately document its testing of internal controls related to direct and material major program compliance requirements. Cherry, Bekaert & Holland prepared internal control narratives, performed system walkthroughs, and relied on compliance testing to test major program internal controls. However, the documentation did not clearly show how compliance testing included tests of major program internal controls. During our review, Cherry, Bekaert & Holland provided an explanation of its approach to test major program internal controls and agreed to fully document this approach in future audits.

3. **Reporting - Report of Disadvantaged Business Enterprise (DBE) Awards or Commitments and Payments.**

As part of its determination of direct and material compliance requirements, Cherry, Bekaert & Holland concluded that MARTA was not required to

prepare semi-annual DBE reports and therefore, did not test the submission and preparation of semi-annual DBE reports. Cherry, Bekaert & Holland based this determination on a letter from FTA, dated January 27, 2010, that indicated that MARTA was not required to submit regular updates to its DBE program as long as it remained in compliance with the DBE program. We contacted FTA's Region IV and were told that the requirement for MARTA to submit semi-annual DBE reports remained in effect. In addition, FTA told us that MARTA submitted its fiscal year 2010 semi-annual DBE reports and is in compliance. Cherry, Bekaert & Holland agreed that in future audits, it will test MARTA's submission and preparation of its semi-annual DBE reports to FTA.

4. Sampling Methodology.

Cherry, Bekaert & Holland did not document the formal sampling plan and methodology it used to test internal controls and compliance related to the major programs' direct and material compliance requirements. According to information the auditors provided to us, Cherry, Bekaert & Holland's sampling methodology included adequate sample selections for testing major program compliance requirements. However, Cherry, Bekaert & Holland agreed to fully document its formal sampling plan and methodology in future audits.

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

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cc: Audit Liaison, FTA, TPM-2
Audit Liaison, OST, M-1