

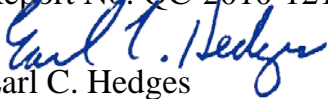


# Memorandum

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 City of Charlotte, North Carolina  
Report No. QC-2010-121

Date: September 27, 2010

From:   
Earl C. Hedges  
Program Director for Single Audit

Reply To JA-20

Attn Of:

To: Regional Administrator, FAA, Southern Region

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the City of Charlotte, North Carolina (City). This report presents the results of our Quality Control Review of a single audit performed on the City by Cherry, Bekaert & Holland, LLP, for the fiscal year ending June 30, 2009. During this period, the City expended almost \$54 million from the following DOT grant programs.

DOT Operating Administration	CFDA* Number	Program Name	FY 2009 Expenditures	Major Program	Direct Award
Federal Aviation Administration	20.106	Airport Improvement Program	\$34,877,529	Yes	Yes
Federal Transit Administration	20.500	Capital Investment Grants Program	\$3,488,831	No	Yes
Federal Transit Administration	20.507	Formula Grants Program	\$15,463,020	No	Yes
Federal Transit Administration	20.521	New Freedom NC-57-X005-01	\$100,225	No	Yes

\* Catalogue of Federal Domestic Assistance

Office of Management and Budget (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 the City's financial statements and compliance with major Federal programs and did not question any costs concerning DOT grant programs.<sup>1</sup>

The purpose of our review was to determine: (1) whether the work complied with generally accepted government auditing standards as prescribed by the Comptroller General of the United States, the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133; and (2) the extent to which we could rely on the auditor's work.

## **RESULTS**

Based on our Quality Control Review, we determined that Cherry, Bekaert & Holland's work 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 the financial statements or reports on internal control and compliance were inappropriate or unreliable.

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

1. **Davis-Bacon Act (Compliance Requirement D).**

Cherry, Bekaert & Holland did not document the compliance testing performed to determine whether the City obtained certified payrolls from contractors. Cherry, Bekaert & Holland informed us that certified payrolls were part of the documentation submitted in support of contractor invoices and were reviewed at that time. However, Cherry, Bekaert & Holland agreed to better document its testing of certified payrolls in future audits.

2. **Procurement, Suspension and Debarment (Compliance Requirement I).**

Cherry, Bekaert & Holland did not perform compliance testing to determine whether the City verified that contractors were not suspended, debarred, or otherwise excluded from participating in Federally funded work. Cherry, Bekaert & Holland agreed to perform additional suspension and debarment compliance testing in future audits.

---

<sup>1</sup> The single audit report issued by Cherry, Bekaert & Holland LLP is available upon request. Requests should be sent to [singleauditrequest@oig.dot.gov](mailto:singleauditrequest@oig.dot.gov).

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.

#

cc: Audit Liaison, FAA, ABU-100  
Audit Liaison, OST, M-1  
Chief Accountant, City of Charlotte, NC