



# 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 Puerto Rico Highways and  
Transportation Authority  
Report No. QC-2015-016

Date: December 18, 2014

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

Reply to  
Attn. of: JA-20

To: Division Administrator, FHWA, Puerto Rico Division Office  
Regional Administrator, FTA, Region IV

The U. S. Department of Transportation (DOT) is the cognizant Federal single audit agency for the Puerto Rico Highways and Transportation Authority (the Authority). 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 performed by Ernst & Young LLP (Ernst & Young) for the Authority's fiscal year ended June 30, 2013. During this period, the Authority expended approximately \$162 million from DOT grant programs. Ernst & Young determined that DOT's major programs were the Highway Planning and Construction Program, the Federal Transit Cluster, and the Transit Services Programs Cluster. We limited the scope of our QCR to the Highway Planning and Construction Program and the Federal Transit Cluster because funds from these programs totaled approximately 96 percent of the Authority's expenditures of DOT funds.

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.

Ernst & Young rendered an unmodified opinion on the Authority's financial statements and compliance with DOT's major program requirements for the

Highway Planning and Construction Program, the Federal Transit Cluster, and the Transit Services Programs Cluster, and did not question any costs.<sup>1</sup>

## 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's Circular A-133; and (2) the extent to which we could rely on the auditors' work on two of DOT's major programs, the Highway Planning and Construction Program and the Federal Transit Cluster.

## RESULTS

We determined that Ernst & Young's audit work was *Acceptable*, and therefore, met the requirements of the Single Audit Act, OMB's Circular A-133, and DOT's major programs. We found nothing to indicate that Ernst & Young's opinion on the two DOT major programs was inappropriate or unreliable.

However, during our desk review of the Authority's fiscal year 2013 single audit report, we identified the following items:

- Independent Auditor's Report - Ernst & Young did not include a required paragraph in its Independent Auditor's Report that references the *Government Auditing Standards* and describes the scope of its testing of internal control over financial reporting and compliance and results of that testing.
- Data Collection Form (DCF) – As part of the DCF's Federal Programs Summary section, Ernst & Young answered Item 4 "No," but should have answered "Yes" to indicate that there were prior year audit findings related to direct funding. For Item 5 in the Summary, Ernst & Young did not identify the Department of Transportation.

Ernst & Young agreed to add the required paragraph to its Independent Auditor's Report, correct the DCF, and re-submit both documents 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, FHWA, HCFB-32  
Audit Liaison, FTA, TSO-10

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<sup>1</sup> The single audit report issued by Ernst & Young is available upon request to [singleauditrequest@oig.dot.gov](mailto:singleauditrequest@oig.dot.gov).

Audit Liaison, OST, M-1  
Finance Director, Puerto Rico Highways and Transportation Authority  
Partner, Ernst & Young