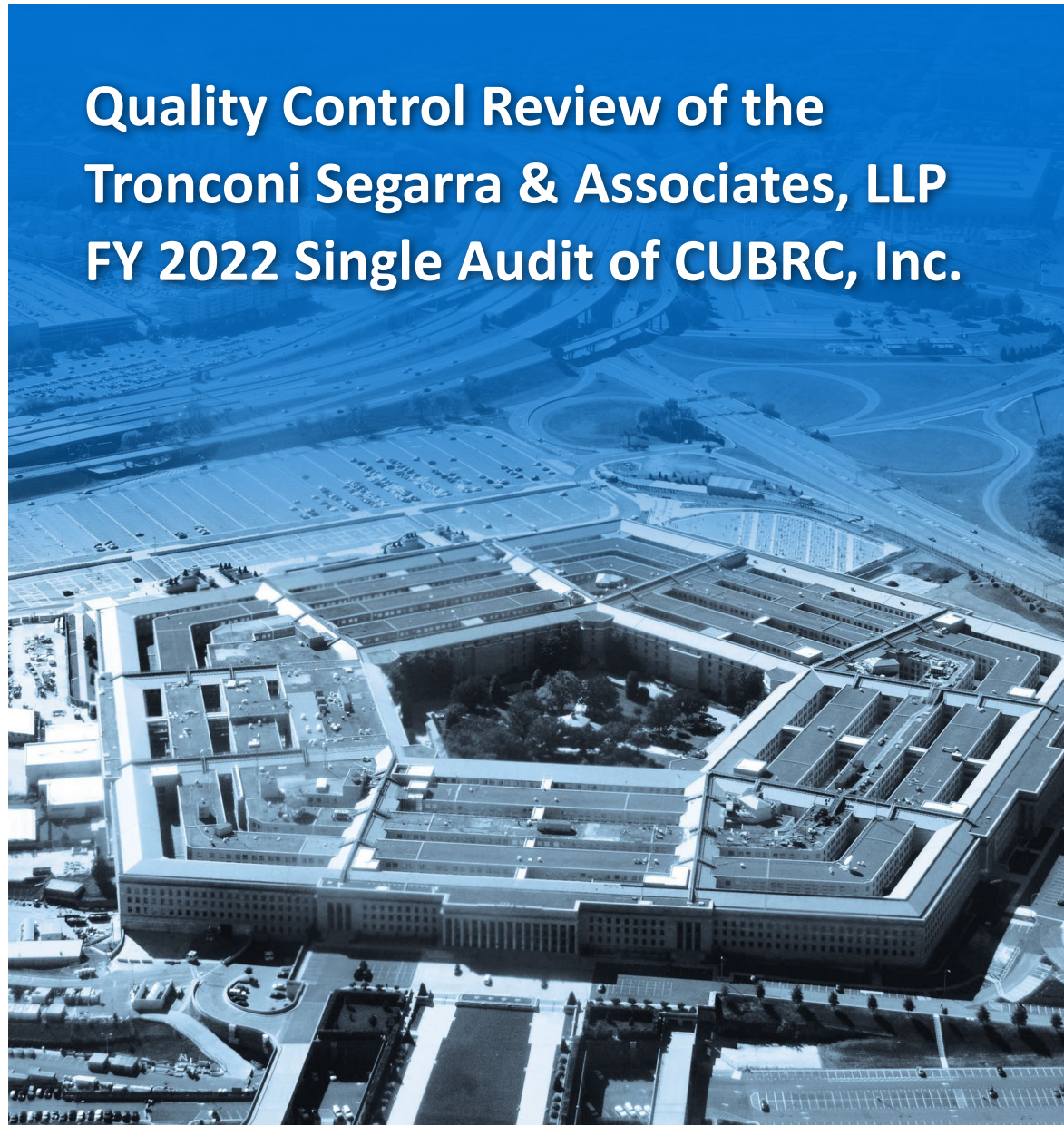




# INSPECTOR GENERAL

*U.S. Department of Defense*

JUNE 2, 2025



## Quality Control Review of the Tronconi Segarra & Associates, LLP FY 2022 Single Audit of CUBRC, Inc.

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY







# Results in Brief

## *Quality Control Review of the Tronconi Segarra & Associates, LLP FY 2022 Single Audit of CUBRC, Inc.*

June 2, 2025

### Objective

The objective of this quality control review was to assess whether Tronconi Segarra & Associates, LLP (TS&A) performed the FY 2022 single audit of CUBRC, Inc. (CUBRC) in accordance with generally accepted government auditing standards and Federal requirements for single audits. Appendix A contains our scope and methodology.

### Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the Single Audit Act Amendments of 1996 (Single Audit Act), Pub. L. No. 104-156, and 2 C.F.R. Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

CUBRC is a nonprofit organization that conducts research, development, testing, and systems integration. According to CUBRC, it combines fundamental science, applied engineering, and systems developments to build solutions for challenges the defense, intelligence, and homeland security communities face.

### Background (cont’d)

In FY 2022, CUBRC spent \$33 million in Federal awards, including approximately \$32 million in DoD awards, in one major program—the Research and Development Cluster. TS&A performed CUBRC’s FY 2022 single audit.

### Finding

The TS&A auditors did not comply with the following generally accepted government auditing standards and Uniform Guidance requirements when performing the FY 2022 single audit of CUBRC.

Specifically, the TS&A auditors did not: (1) perform adequate audit procedures or obtain sufficient evidence to support conclusions on the internal controls and compliance with the requirements they identified as direct and material, (2) verify the appropriateness of the schedule of expenditures of Federal awards, and (3) prepare adequate audit documentation to identify the relevant internal controls, planned testing, and sampling plans.

As a result, Federal agencies cannot rely on the FY 2022 single audit to administer and monitor Federal awards because the audit documentation did not provide sufficient, appropriate evidence to support the audit conclusions and the reported audit opinion on CUBRC’s compliance with Federal requirements.

### Recommendations

We recommend that the TS&A Partner direct the auditors to:

- Perform and document additional audit procedures to: (1) test internal controls over the Cash Management, Special Tests and Provisions, Equipment, and Procurement compliance requirements and (2) support their conclusions on compliance with Equipment, Period of Performance, and Procurement requirements.
- Obtain a revised schedule of expenditures of Federal awards and ensure the schedule is appropriate and complete.



# Results in Brief

*Quality Control Review of the Tronconi Segarra & Associates, LLP FY 2022 Single Audit of CUBRC, Inc.*

## **Recommendations (cont'd)**

- Update the FY 2022 single audit report with the results of the audit procedures performed in response to the preceding recommendations.
- In future single audits, prepare adequate audit documentation to identify the relevant internal controls, planned testing, and sampling plans.

## **Management Comments and Our Response**

The TS&A Partner agreed with our recommendations. Comments from TS&A Partner addressed the specifics of the recommendations; therefore, the recommendations are resolved but remain open. We will close the recommendations when we verify that TS&A implemented corrective actions that fully address the recommendations.

Please refer to the recommendations table on the next page.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Tronconi Segarra & Associates, LLP	None	1.a, 1.b, 1.c, 1.d, 1.e, 1.f, 1.g	None

**Note:** The following categories are used to describe management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – The DoD OIG verified that the agreed upon corrective actions were implemented.





**OFFICE OF INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

June 2, 2025

Partner

Tronconi Segarra & Associates, LLP

**SUBJECT:** Quality Control Review of Tronconi Segarra & Associates, LLP  
FY 2022 Single Audit of CUBRC, Inc. (Report No. DODIG-2025-109)

This final report provides the results of the DoD Office of Inspector General's quality control review. We previously provided a copy of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The Tronconi Segarra & Associates, LLP Partner agreed to address all of the recommendations presented in the report; therefore, the recommendations are resolved but remain open. We will close the recommendations when you provide us with documentation showing that Tronconi Segarra & Associates, LLP completed all agreed-on corrective actions to implement the recommendations. Therefore, upon completion of the corrective actions for the FY 2022 single audit of CUBRC, Inc., please notify us of the specific actions taken in response to the recommendations. Send your notice to [REDACTED]

If you have any questions, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is located below the text.

Randolph R. Stone  
Assistant Inspector General for Evaluations  
Space, Intelligence, Engineering, and Oversight

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# Introduction

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## Objective

The objective of this quality control review was to assess whether Tronconi Segarra & Associates, LLP (TS&A) performed the FY 2022 single audit of CUBRC, Inc. (CUBRC) in accordance with generally accepted government auditing standards (GAGAS) and Federal requirements for single audits.<sup>1</sup> Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that TS&A identified as direct and material to CUBRC's major program for the fiscal year that ended December 30, 2022.

## Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the Single Audit Act Amendments of 1996 (Single Audit Act), Pub. L. No. 104-156, and 2 C.F.R. Part 200, "Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

The Uniform Guidance states that non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year must have an annual single or program-specific audit performed in accordance with GAGAS. Non-Federal entities must also submit a complete single audit reporting package to the Federal Audit Clearinghouse.<sup>2</sup> A single audit includes an audit of the non-Federal entity's financial statements and Federal awards. Auditors performing a single audit determine whether the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. In addition, the auditors determine whether the non-Federal entity complied with Federal laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect

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<sup>1</sup> Government Accountability Office Report No. GAO-21-368G, "Government Auditing Standards," July 2018 (Updated April 2021). GAGAS incorporates by reference the American Institute for Certified Public Accountants' "Codification of Statements on Auditing Standards (AU-C)." Subpart F of 2 C.F.R. Part 200 identifies the Federal requirements for single audits.

<sup>2</sup> The reporting package includes the non-Federal entity's audit reports, financial statements, schedule of expenditures of Federal awards, summary schedule of prior audit findings, and a corrective action plan, as 2 C.F.R. 200.512(c) requires. The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. As 2 C.F.R. 200.512(g) requires, the Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and performs follow-up with auditees that have not submitted the required information.

on its major programs. The Single Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our quality control review of the CUBRC FY 2022 single audit satisfies this requirement.

### ***CUBRC Conducts Research and Development to Build Solutions for Defense, Intelligence, and Homeland Security Challenges***

CUBRC is a nonprofit organization that conducts research, development, testing, and systems integration. According to CUBRC, it combines fundamental science, applied engineering, and systems developments to build solutions for challenges the defense, intelligence, and homeland security communities face. In FY 2022, CUBRC spent \$33 million in Federal awards, including approximately \$32 million in DoD awards on one major program—the Research and Development (R&D) Cluster.<sup>3</sup>

### ***TS&A Performed the Single Audit***

TS&A is a certified public accountant and business consulting firm with over 150 partners and associates serving the Federal government and private businesses across the United States. TS&A has offices in Williamsville and Lockport, New York. TS&A provides accounting and audit, attestation and advisory, tax, and consulting services. As GAGAS requires, TS&A is responsible for establishing and maintaining a system of quality control. The system of quality control must provide reasonable assurance that the audit organization and its personnel comply with professional standards and applicable legal and regulatory requirements.<sup>4</sup> TS&A must also obtain an external peer review of its system of quality control conducted by reviewers independent of the audit organization.<sup>5</sup> The most recently published external peer review report concluded that TS&A suitably designed and complied with its system of quality control for its accounting and auditing practice.<sup>6</sup> Auditors in the TS&A office in Williamsville, New York, performed the FY 2022 single audit of CUBRC.

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<sup>3</sup> The R&D Cluster consists of a variety of R&D activities performed under different types of funding agreements, such as grants, cooperative agreements, and contracts that have similar requirements.

<sup>4</sup> Government Auditing Standard 5.02, “Quality Control and Assurance,” July 2018 (Updated April 2021).

<sup>5</sup> Government Auditing Standard 5.60, “External Peer Review,” July 2018 (Updated April 2021).

<sup>6</sup> Sciarabba Walker & Co, LLP, “Report on the Firm’s System of Quality Control,” October 4, 2023.

## Review Results

We determined that the TS&A auditors did not comply with the following GAGAS and Uniform Guidance requirements when performing the FY 2022 single audit of CUBRC.

- Perform adequate audit procedures or obtain sufficient evidence to: (1) support their conclusions that the internal controls over Cash Management, Special Tests and Provisions, Equipment, and Procurement compliance requirements were effective and (2) support their conclusions on CUBRC's compliance with Equipment, Procurement, and Period of Performance requirements.
- Perform sufficient audit procedures to verify the appropriateness of the schedule of expenditures of Federal awards (SEFA) that CUBRC prepared.
- Prepare adequate and sufficient audit documentation to: (1) identify the internal controls that were relevant to each compliance requirement they identified as direct and material to CUBRC's major program, (2) identify the internal controls they planned to test, and (3) establish the sampling plan for the internal controls and compliance testing.

We used the Council of the Inspectors General on Integrity and Efficiency's 2021 "Guide for Quality Control Reviews of Single Audits" to perform our review. The guide identifies audit procedures that auditors must perform and document during the single audit to meet GAGAS and Uniform Guidance requirements. We reviewed TS&A's audit documentation, analyzed the nature and extent of TS&A's audit procedures, and verified whether TS&A obtained sufficient evidence to support its conclusions and audit report opinion. Specifically, we verified whether TS&A complied with the requirements for each of the following aspects of the FY 2022 audit of CUBRC.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material compliance requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

## Finding

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### **The TS&A Auditors Did Not Perform Sufficient Audit Procedures for the FY 2022 CUBRC Single Audit**

The TS&A auditors did not comply with the following GAGAS and Uniform Guidance requirements when performing the FY 2022 single audit of CUBRC.

- Perform adequate audit procedures or obtain sufficient evidence to: (1) support their conclusions that the internal controls over Cash Management, Special Tests and Provisions, Equipment, and Procurement compliance requirements were effective and (2) support their conclusions on CUBRC's compliance with Equipment, Procurement, and Period of Performance requirements.
- Perform sufficient audit procedures to verify the appropriateness of the SEFA that CUBRC prepared.
- Prepare adequate and sufficient audit documentation to: (1) identify the internal controls that were relevant to each compliance requirement they identified as direct and material to CUBRC's major program, (2) identify the internal controls they planned to test, and (3) establish the sampling plan for the internal controls and compliance testing.

As a result, Federal agencies cannot rely on the FY 2022 single audit to administer and monitor Federal awards because the audit documentation did not provide sufficient, appropriate evidence to support the audit conclusions and the reported audit opinion on CUBRC's compliance with Federal requirements.

### **The TS&A Auditors Did Not Perform Adequate Audit Procedures or Obtain Sufficient Evidence to Support Their Conclusions for Direct and Material Compliance Requirements**

The TS&A auditors did not comply with GAGAS and Uniform Guidance requirements when performing the FY 2022 single audit of CUBRC. Specifically, the TS&A auditors did not perform adequate audit procedures or obtain sufficient evidence to: (1) support their conclusions that the internal controls over the Cash Management, Special Tests and Provisions, Equipment, and Procurement compliance requirements were effective and (2) support their conclusions on CUBRC's compliance with the Equipment, Procurement, and Period of Performance compliance requirements.

The auditing standards require the auditors to obtain sufficient, appropriate audit evidence to draw reasonable conclusions.<sup>7</sup> In addition, auditing standards require the auditor to record the matters they tested and prepare audit documentation that enables an experienced auditor to understand the results of the audit procedures they perform and evidence they obtain.<sup>8</sup> The Uniform Guidance requires the auditor to perform procedures to obtain an understanding of the internal controls over Federal programs, plan the testing of internal controls over compliance, and perform testing of internal controls as planned.<sup>9</sup> The Uniform Guidance states that auditors must determine whether auditees complied with laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect on each of the major programs.<sup>10</sup> Auditors are also required to use the Compliance Supplement when performing a single audit in accordance with the Uniform Guidance requirements.<sup>11</sup>

***The TS&A Auditors Did Not Perform Adequate Audit Procedures or Obtain Sufficient Evidence to Support That the Internal Controls over Direct and Material Compliance Requirements Were Effective***

The TS&A auditors did not perform adequate audit procedures or obtain sufficient evidence to support that the internal controls over the Cash Management, Special Tests and Provisions, Equipment, and Procurement were effective. The TS&A auditors documented their understanding of CUBRC's entity-wide internal controls over grants and similar programs. However, the TS&A audit documentation did not describe the audit procedures they performed to determine whether CUBRC's internal controls over the Cash Management, Special Tests and Provisions, and Equipment compliance requirements were operating effectively. In addition, the TS&A auditors did not complete the internal control testing for the Procurement compliance requirement as planned.

For example, the TS&A auditors' dual-purpose testing work paper did not provide evidence that the TS&A auditors tested the internal controls over compliance with Cash Management requirements.<sup>12</sup> Auditing standards refer

<sup>7</sup> AU-C § 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards," Paragraph .19, "Sufficient Appropriate Audit Evidence and Audit Risk."

<sup>8</sup> AU-C § 230, "Audit Documentation," Paragraphs .08 and .09, "Form, Content, and Extent of Audit Documentation."

<sup>9</sup> Title 2 C.F.R. § 200.514(c)(3)(i-ii).

<sup>10</sup> Title 2 C.F.R. § 200.514(d)(1).

<sup>11</sup> Title 2 C.F.R. Part 200, Appendix XI, "Compliance Supplement," Part 1, "Background, Purpose, and Applicability." The Office of Management and Budget issues the Compliance Supplement annually and provides guidance to assist auditors in determining compliance requirements relevant to the audit, audit objectives, and suggested audit procedures.

<sup>12</sup> Work papers refer to audit documentation that includes the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.



auditors to chapter 11 of the American Institute of Certified Public Accountants' "Audit Guide: Government Auditing Standards and Single Audits" (Audit Guide) when designing an audit approach that includes audit sampling to achieve audit objectives related to a single audit.<sup>13</sup> The Audit Guide describes circumstances auditors must consider when using a single sample for multiple purposes and when performing dual-purpose testing.<sup>14</sup> The Audit Guide states that, when performing dual-purpose tests, the auditor's documentation of internal controls and compliance tests should: (1) be distinguished from one another so a clear distinction exists between the audit objectives and the test results and (2) allow for auditors to reach separate conclusions.<sup>15</sup>

The TS&A auditors selected a sample of 40 non-labor transactions associated with six R&D awards to perform dual-purpose testing on multiple compliance requirements.<sup>16</sup> The TS&A auditors documented that they planned to use the dual-purpose sample to test the internal controls over and compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles (collectively known as Allowable Costs), Cash Management, Period of Performance, and Procurement requirements. The TS&A auditors identified in their sampling plan the dual-purpose testing spreadsheet as the work paper that contained the testing they performed of the internal controls over the Cash Management requirement. The TS&A auditors documented the audit procedures they performed to test compliance with Cash Management requirements. However, the TS&A auditors did not identify the internal controls they tested and did not describe the audit procedures they performed and the evidence they obtained to determine that the internal controls over Cash Management requirements were effective.

In another example, the TS&A auditors did not complete the testing of the internal controls over compliance with procurement requirements as planned. Specifically, the TS&A auditors did not test the number of procurement transactions they determined were necessary to achieve their audit objective and did not support their conclusion on the operating effectiveness of the internal controls over procurement requirements. The Audit Guide states that when designing an audit sample, the auditor should consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn.<sup>17</sup> The Audit Guide also states that when using a dual-purpose sample for internal control and

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<sup>13</sup> AU-C § 530, "Audit Sampling," Paragraph .A2, "Considerations Specific to Governmental Entities."

<sup>14</sup> American Institute of Certified Public Accountants (AICPA), Audit Guide, Chapter 11, "Audit Sampling Considerations of Uniform Guidance Compliance Audits," Paragraphs 11.52 and 11.56, April 1, 2022.

<sup>15</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.55.

<sup>16</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.52, describes dual purpose as an approach to test the operating effectiveness of a control and whether the auditee complied with the Federal statutes, regulations, or terms and conditions of Federal awards using the same sample.

<sup>17</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.31.

compliance testing, the test objectives should align to the same sampling unit and population, and the population from which the sample is selected should be appropriate for the specific audit objectives being executed.<sup>18</sup> The TS&A auditors documented in their dual-purpose testing spreadsheet the audit procedures they performed to test the internal controls over procurement requirements. However, 5 of 40 non-labor sampled expenditures were not procurement transactions and did not include the internal control attributes the TS&A auditors planned to test.<sup>19</sup>

Based on our review of the testing spreadsheet, we determined that the TS&A auditors did not select additional procurement transactions to achieve the planned internal control testing. We had to speak with the TS&A auditors to understand the audit procedures they performed and the evidence they obtained. The TS&A auditors stated that although many transactions were not applicable, they tested whether the identified internal control was or was not present and that, rather than identifying the transaction as not applicable, they should have documented that the controls were not present in the tested transactions for specific reasons. As a result, the audit procedures the TS&A auditors performed did not provide sufficient and appropriate evidence to support that the internal controls over the Procurement compliance requirement were operating effectively.

The TS&A Partner should direct the auditors to perform additional audit procedures to test the internal controls over the Cash Management, Special Tests and Provisions, Equipment, and Procurement requirements to obtain sufficient evidence that the internal controls are operating effectively.

***The TS&A Auditors Did Not Perform Adequate Audit Procedures or Obtain Sufficient Evidence to Support Their Conclusions on Compliance with Direct and Material Requirements***

The TS&A auditors did not perform adequate audit procedures or obtain sufficient evidence to support their conclusions on CUBRC's compliance with the Equipment, Procurement, and Period of Performance requirements, as AU-C § 230 and the Uniform Guidance require. The TS&A auditors documented the compliance testing they performed. However, the audit documentation did not provide sufficient evidence to support that CUBRC complied with the Equipment, Procurement, and Period of Performance requirements.

<sup>18</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.52.

<sup>19</sup> The TS&A auditors planned to test the following internal control attributes: (1) approval of expenditures by CUBRC officials and (2) whether the proper procurement method was used.

For example, the TS&A auditors did not perform adequate audit procedures or obtain sufficient evidence to support that CUBRC properly safeguarded and maintained federally funded equipment. The Compliance Supplement states that an audit objective for the Equipment compliance requirement is to determine whether the non-Federal entity maintains proper records for equipment and adequately safeguards and maintains equipment.<sup>20</sup> Non-Federal entities must comply with Uniform Guidance requirements to manage equipment, including: (1) conducting a physical inventory and reconciling the results with property records, (2) maintaining adequate and updated property records, and (3) ensuring safeguards are in place to prevent property loss, damage, or theft.<sup>21</sup>

The TS&A auditors documented that they obtained the inventory list for one of the sampled awards and the Inventory Completion Statement that CUBRC prepared. The TS&A auditors verified that CUBRC signed the Inventory Completion Statement, certifying that the physical inventory was completed and no discrepancies existed between the inventory and official property records. In addition, the TS&A auditors documented in their work paper that, based on their discussion with CUBRC's property personnel, no differences existed between the physical inventory and equipment records. However, the TS&A auditors did not select a sample from the inventory list to test whether the property records were accurate and if CUBRC properly safeguarded and maintained federally funded equipment.

We asked the TS&A auditors to explain why they did not select and test a sample of federally funded equipment. The TS&A auditors stated that they assumed the inventory list was complete and accurate based on CUBRC's assertion. The TS&A auditors further explained that they did not select individual items to inspect because they thought the procedures they performed were sufficient based on the low risk of noncompliance and positive results in prior audits and because CUBRC's management controls over the process were strong and sufficiently reliable. In addition, the TS&A auditors stated that all purchased fixed assets are tagged sequentially, and they observed the tags on various fixed assets in previous years. The auditors stated that at times, because of restricted access, they had difficulty observing certain areas of the CUBRC facilities. Based on our discussions with the TS&A auditors and our review of the audit procedures the TS&A auditors completed, we determined that the audit work the TS&A auditors performed did not fully achieve the audit objective for the Equipment compliance requirement.

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<sup>20</sup> The audit objective is identified in 2 C.F.R. Part 200, Appendix XI, Part 3, § F.

<sup>21</sup> Title 2 C.F.R. § 200.313(d).

In another example, the TS&A auditors did not prepare an analysis of CUBRC's awards to determine whether any awards began or ended during the audit period that required additional testing. The Compliance Supplement states that the audit objective for the Period of Performance compliance requirement is to determine whether the non-Federal entity that received the award only charged the award for: (1) allowable costs incurred during the period of performance or (2) costs incurred before the date the Federal award was made that the Federal awarding agency or pass-through entity authorized.

The audit objective is also to determine whether the entity liquidated the financial obligations in the required time period.<sup>22</sup> The TS&A auditors documented in their work paper that they reviewed award documents and regulations related to the Federal program and determined that all of the awards they sampled were performed in the period of performance. The TS&A auditors documented in their dual-purpose testing spreadsheet the audit procedures they performed to test compliance with period of performance requirements. Specifically, the TS&A auditors documented that they reviewed the supporting documents for the 40 non-labor sampled transactions and verified that the obligation for the expenditures occurred in the funding period. However, the testing spreadsheet did not include the period of performance for the tested awards. In addition, the audit documentation did not provide evidence that the TS&A auditors performed an analysis of the universe of awards included in the SEFA to determine whether CUBRC had awards that began or ended during the audit period. We asked the TS&A auditors to provide us with the period of performance for the awards included in the SEFA. The TS&A auditors referred us to CUBRC to obtain the information we requested.

We requested that CUBRC provide us with the period of performance for all Federal awards included in its FY 2022 SEFA. We confirmed that three of the six awards the TS&A auditors selected for testing had beginning dates in FY 2022. In addition, we noted that seven contracts included in CUBRC's FY 2022 SEFA ended during FY 2022. However, for awards that began during the audit period, the TS&A's working papers did not provide evidence that the TS&A auditors tested whether any costs were incurred before the period of performance began and, if any, whether the Federal awarding agency authorized any costs. Additionally, for awards that ended during the audit period, the TS&A's working papers did not provide evidence that the TS&A auditors performed audit procedures to verify whether any financial obligations were liquidated in the required time frame. When we asked, the TS&A auditors stated that for the non-labor sampled

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<sup>22</sup> The audit objective is identified in 2 C.F.R. Part 200, Appendix XI, Part 3, § H.

transactions, they tested the payment for the expenditures and whether the expenditures were incurred in the period of performance. However, the audit procedures the TS&A auditors performed did not fully achieve the audit objective for the Period of Performance compliance requirement.

The TS&A Partner should direct the auditors to perform and document additional audit procedures to determine CUBRC's compliance with the Equipment, Period of Performance, and Procurement requirements.

## **The TS&A Auditors Did Not Perform Sufficient Audit Procedures to Verify the Appropriateness of the Schedule of Expenditures of Federal Awards That CUBRC Prepared**

The TS&A auditors did not perform sufficient audit procedures to verify the appropriateness of the SEFA that CUBRC prepared. Specifically, the auditors' procedures were not sufficient to detect that CUBRC's SEFA included expenditures for firm-fixed-price (FFP) subcontracts awarded under the Federal Acquisition Regulation. The Uniform Guidance states that the auditee must prepare the SEFA to include the total Federal awards expended, as determined by 2 C.F.R. § 200.502.<sup>23</sup> Additionally, the auditor must determine whether the SEFA is stated fairly in all material respects in relation to the auditee's financial statements as a whole.<sup>24</sup> The Uniform Guidance identifies the types of funding instruments that are subject to the guidance and the portions of the guidance that applies based on the types of Federal financial assistance.<sup>25</sup> The Uniform Guidance also states that the audit requirements included in the Single Audit Act do not apply to firm-fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation.<sup>26</sup> In addition, chapter 7 of the Audit Guide provides the audit requirements and suggested audit procedures for performing and reviewing the SEFA. The Audit Guide also states that, for auditors to provide an opinion on whether the SEFA is fairly stated in all material respects in relation to the financial statements as a whole, the auditor should, among other procedures, determine whether the form and content of the SEFA complies with the Uniform Guidance.<sup>27</sup>

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<sup>23</sup> Title 2 C.F.R. § 200.510(b) refers to 2 C.F.R. § 200.502. Title 2 C.F.R. § 200.502 describes the basis for determining Federal awards expended and states that the determination must be based on when the activity related to the Federal award pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as expenditures associated with awards including grants, cost-reimbursement contracts under the FAR, and cooperative agreements, among others.

<sup>24</sup> Title 2 C.F.R. § 200.514(b).

<sup>25</sup> Title 2 C.F.R. § 200.101.

<sup>26</sup> Title 2 C.F.R. § 200.101(b)(2) and (d).

<sup>27</sup> AICPA, Audit Guide, Chapter 7, "Schedule of Expenditures of Federal Awards," Paragraph 7.26, April 1, 2022.



The TS&A auditors documented their reconciliation of the Federal expenditures CUBRC reported in the SEFA to CUBRC's general ledger. In addition, the TS&A auditors completed a standard SEFA Checklist form and indicated that the SEFA included the total Federal awards expended, as determined by 2 C.F.R. § 200.502. However, the SEFA that CUBRC prepared included \$5.3 million associated with 32 FFP subcontracts that CUBRC did not present separately from the Federal awards subject to the Uniform Guidance audit requirements. TS&A's audit documentation did not provide evidence that the TS&A auditors performed audit procedures to gain an understanding of the internal controls over CUBRC's preparation of the SEFA. In addition, the TS&A auditors did not perform an analysis of the type of Federal awards to ensure that CUBRC accurately, completely, and appropriately prepared the SEFA it included in the single audit reporting package.

When we asked the TS&A auditors why the FFP subcontracts were included in the SEFA, the TS&A auditors stated that, based on their interpretation of 2 C.F.R. § 200.502, FFP contracts should be included in the SEFA because they represent expended Federal awards. In addition, the TS&A auditors stated that they were aware that FFP contracts were not subject to Federal requirements for single audits. However, 2 C.F.R. § 200.502 states that expended Federal awards include only grants, cooperative agreements, and cost reimbursement contracts under the Federal Acquisition Regulation. Therefore, the TS&A auditor should have advised CUBRC to identify the FFP subcontracts separately in the SEFA. The TS&A Partner should direct the auditors to coordinate with CUBRC to obtain a revised SEFA, prepared in accordance with the Uniform Guidance, and perform audit procedures to ensure the revised SEFA is appropriate and complete.

### **The TS&A Auditors Did Not Adequately Document the Internal Controls over Compliance Requirements, Internal Control Testing Plan, and Sampling Plan**

The TS&A auditors did not prepare adequate audit documentation to: (1) identify the internal controls that were relevant to each compliance requirement they identified as direct and material to CUBRC's major program, (2) identify the internal controls they planned to test, and (3) establish the sampling plan for the internal controls and compliance testing. The Uniform Guidance states that the auditor must plan the testing of internal control over compliance for major programs to support a low assessed level of control risk for the assertions that are relevant to the compliance requirements for each major program. In addition,

auditors must perform testing of internal controls as planned.<sup>28</sup> AU-C § 230.05(a) states that the auditor's objective is to prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report.<sup>29</sup> AU-C § 230.08 states that, to meet this objective, the auditors must prepare audit documentation with sufficient detail so that an experienced auditor with no previous connection to the audit can understand the nature, timing, and extent of the audit procedures, results, and evidence obtained.<sup>30</sup>

***The TS&A Auditors Did Not Identify the Internal Controls Relevant to the Direct and Material Compliance Requirements and the Internal Control Testing Plan***

The TS&A auditors did not prepare adequate audit documentation to: (1) identify the internal controls that were relevant to each compliance requirement they identified as direct and material to CUBRC's major program and (2) identify the internal controls they planned to test. The TS&A auditors documented their understanding of CUBRC's entity-wide internal controls over grants and similar programs. The TS&A auditors documented their understanding of CUBRC's control activities over the recording of expenditures, the processing of receipts, and the reporting of grants. In addition, the TS&A auditors documented whether CUBRC properly designed and implemented the entity-wide internal controls over grants and similar programs. However, the TS&A audit documentation did not provide a clear connection between the entity-wide internal controls and the internal controls over compliance they tested.

For example, the TS&A auditors did not clearly document the audit procedures they planned and performed when testing the operating effectiveness of CUBRC's internal controls over the Allowable Costs compliance requirements. The TS&A auditors used the dual-purpose sample of non-labor transactions and selected a separate sample of labor transactions to test the internal controls and compliance with Allowable Costs requirements. The TS&A auditors also documented in the dual-purpose testing work paper the audit procedures they performed to test the internal controls over Allowable Costs requirements on selected non-labor transactions. However, we did not understand the connection between the internal controls the TS&A auditors described in their understanding of CUBRC's entity-wide controls for grants and similar programs and the internal controls they tested. In addition, the TS&A auditors' labor testing work paper did not separately identify the internal control testing from the compliance testing. Therefore, we

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<sup>28</sup> Title 2 C.F.R. § 200.514(c)(3)(i-ii).

<sup>29</sup> AU-C § 230, "Audit Documentation," Paragraph .05(a), "Objective."

<sup>30</sup> AU-C § 230, "Audit Documentation," Paragraph .08, "Form, Content, and Extent of Audit Documentation."

had to speak with the TS&A auditors to obtain explanations and perform additional analyses to determine that the audit procedures performed to test the internal controls over Allowable Costs were adequate.

In future single audits, the TS&A Partner should direct the auditors to prepare audit documentation that provides a connection between the relevant internal controls and the planned test of controls for each direct and material compliance requirement.

### ***The TS&A Auditors Did Not Prepare an Adequate Sampling Plan for Internal Controls and Compliance Testing***

The TS&A auditors did not prepare an adequate sampling plan to test the internal controls over and compliance with the direct and material compliance requirements. Specifically, the TS&A auditors documented that they planned to use a dual-purpose sample to test the internal controls over and compliance with the Allowable Costs, Procurement, Cash Management, and Period of Performance requirements. However, the TS&A auditors did not prepare a sampling plan for the internal control testing to support that the sample size they selected was appropriate for dual-purpose testing. Chapter 11 of the Audit Guide provides specific, relevant sampling guidance for single audits and the suggested minimum sample sizes designed to provide: (1) sufficient, appropriate evidence that controls are operating effectively and (2) the desired level of assurance for the remaining risk of material noncompliance.<sup>31</sup> The Audit Guide states that sample sizes should be considered separately for internal control testing and compliance testing because the objectives for tests of internal controls and tests of compliance are different and different factors should be considered when determining sample sizes.<sup>32</sup> The Audit Guide also states that, when designing a sampling plan to test internal controls, auditors should consider the significance of the control and the inherent risk of material noncompliance to determine the sample size required to obtain a high level of assurance that the controls operate as designed.<sup>33</sup> In addition, when using a dual-purpose approach, the size of the sample for a dual-purpose test will be the larger of the samples that would otherwise have been designed if the internal control and compliance samples were performed separately.<sup>34</sup>

The TS&A auditors documented their sampling plan for the compliance testing using a standard form. The TS&A auditors documented that they reviewed CUBRC's Project Summary Reports associated with the six Federal awards

<sup>31</sup> AICPA, Audit Guide, Chapter 11, Paragraphs 11.02, 11.60, and 11.75.

<sup>32</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.58.

<sup>33</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.59.

<sup>34</sup> AICPA, Audit Guide, Chapter 11, Paragraph 11.52.

TS&A selected for audit. The TS&A auditors selected a sample of 40 non-labor transactions related to the sampled awards to test the internal controls and compliance with the Allowable Costs, Procurement, Cash Management, and Period of Performance requirements. However, the TS&A auditors did not prepare a sampling plan for the internal control testing separately from the sample for compliance testing to support that the TS&A auditors selected the larger sample size for dual-purpose testing.

Since the TS&A auditors did not prepare a sampling plan for the internal control testing, we had to speak with the TS&A auditors to obtain explanations and perform further analyses to determine that the sample size they selected to test the internal controls and compliance with the Allowable Costs, Procurement, Cash Management, and Period of Performance requirements was appropriate. In future single audits, the TS&A Partner should direct the auditors to document the sampling plan in accordance with the American Institute of Certified Public Accountants' sampling guidelines.

## **Federal Agencies Cannot Rely on the CUBRC Single Audit Report Because the Audit Work Did Not Support the Reported Audit Opinion**

Federal agencies cannot rely on the FY 2022 CUBRC single audit to administer and monitor Federal awards because the TS&A audit documentation did not provide sufficient, appropriate evidence to support the audit conclusions and the reported audit opinion on CUBRC's compliance with Federal requirements. As a result, the TS&A auditors need to perform additional audit procedures and prepare work papers that adequately describe the additional procedures they performed and the evidence they obtained. The TS&A Partner should direct the auditors to update the FY 2022 single audit report for the results of the additional audit procedures they perform in response to our recommendations.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation 1***

**We recommend that the Partner for Tronconi Segarra & Associates, LLP direct the auditors to:**

- a. Perform and document audit procedures to test the internal controls over the Cash Management and Special Tests and Provisions compliance requirements.**

- b. Perform and document additional audit procedures to determine whether CUBRC Inc.'s internal controls over equipment requirements are operating effectively and its compliance with the Equipment requirement.
- c. Perform and document additional audit procedures to determine CUBRC Inc.'s compliance with the Period of Performance requirement.
- d. Select additional procurement transactions that align with the sample size guidelines of the American Institute of Certified Public Accountants, perform audit procedures on the selected transactions, and document the procedures to provide sufficient, appropriate evidence on the internal controls and compliance with the Procurement requirements.
- e. Coordinate with CUBRC, Inc. to obtain a revised schedule of expenditures of Federal awards, prepared in accordance with 2 C.F.R. Part 200 (Uniform Guidance), and perform procedures to ensure that the revised schedule of expenditures of Federal awards is appropriate and complete.
- f. Update the FY 2022 single audit report of CUBRC, Inc. with the results of the additional audit procedures the auditors perform in response to Recommendations 1.a, 1.b, 1.c, 1.d, and 1.e.
- g. Prepare audit documentation in future single audits to identify the relevant internal controls for each direct and material compliance requirement, identify the internal controls the auditors plan to test, and document the sampling plan in accordance with the sampling guidelines of the American Institute of Certified Public Accountants.

### ***Tronconi Segarra & Associates, LLP Partner Comments***

The TS&A Partner agreed and stated that auditors will:

- perform additional procedures to test the internal controls over the Cash Management, Special Tests and Provisions, Equipment, and Procurement compliance requirements;
- perform additional procedures to determine CUBRC's compliance with Equipment, Period of Performance, and Procurement requirements;
- obtain a revised schedule of expenditures of Federal awards from CUBRC and ensure the revised schedule of expenditures of Federal awards is appropriate and complete;
- update the FY 2022 single audit report of CUBRC for the results of any additional audit procedures performed; and
- prepare adequate audit documentation in their FY 2024 single audit to identify the relevant internal controls for each direct and material compliance requirement and the internal controls the auditors plan to test and document the sampling plan.

The TS&A Partner estimated that corrective actions will be completed by September 30, 2025.



### ***Our Response***

Comments from the TS&A Partner addressed the specifics of the recommendations; therefore, the recommendations are resolved but will remain open. We will close the recommendations when we verify that TS&A implemented corrective actions that fully address the recommendations.

## Appendix A

### Scope and Methodology

We conducted this quality control review from July 2024 through March 2025 in accordance with the “Quality Standards for Inspection and Evaluation,” published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we adequately plan the quality control review to ensure that objectives are met and that we perform the review to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence obtained was sufficient, competent, and relevant to lead a reasonable person to sustain the findings, conclusions, and recommendations.

The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. The Federal Audit Clearinghouse received CUBRC’s FY 2022 single audit report on September 28, 2023. The single audit report identified one major program at CUBRC—the R&D Cluster. We reviewed the single audit of CUBRC using the Council of the Inspectors General on Integrity and Efficiency’s “Guide for Quality Control Reviews of Single Audits” and focused our review on the following aspects of the single audit.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material compliance requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

We reviewed TS&A’s audit files for the FY 2022 single audit to assess whether the auditors conducted the single audit in accordance with generally accepted government auditing standards (GAGAS) and Uniform Guidance requirements. GAGAS incorporates the American Institute of Certified Public Accountants’ “Codification of Statements on Auditing Standards” by reference. Title 2 C.F.R. Part 200 identifies the Uniform Guidance requirements for single audits.

Our review included:

- evaluating evidence of TS&A's independence, auditor qualifications, and latest external peer review;
- reviewing audit documentation that the TS&A auditors prepared to support the audit opinions on whether CUBRC's financial statements and its SEFA were fairly presented in all material respects;
- verifying that the TS&A auditors supported their determination on the compliance requirements they identified as direct and material to the major program; and
- reviewing all audit documentation that the TS&A auditors prepared to support the audit opinion on whether CUBRC complied with the compliance requirements that could have a direct and material effect on the R&D Cluster.

In addition, our review of TS&A audit documentation on direct and material compliance requirements included analyzing audit procedures that the auditors performed to: (1) understand CUBRC's internal controls, (2) select samples for testing, and (3) test the internal controls and compliance with Federal requirements.

We visited the TS&A office located in Williamsville, New York, and reviewed the audit files that the TS&A auditors prepared for the FY 2022 single audit of CUBRC. In addition, we spoke with the TS&A auditors to understand and verify the audit work they performed. Appendix B lists the compliance requirements that the TS&A auditors identified as direct and material to CUBRC's R&D Cluster for the fiscal year that ended on December 30, 2022.

## **Use of Computer-Processed Data**

We did not use computer-processed data to perform this quality control review.

## **Prior Coverage**

No prior coverage was conducted on the TS&A or CUBRC during the last 5 years.

## Appendix B

### Compliance Requirements

The Compliance Supplement provides guidance to assist auditors in determining compliance requirements applicable to Federal programs.<sup>35</sup> The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. For the R&D Cluster, the Compliance Supplement states that all compliance requirements are applicable except for the Eligibility; Matching, Level of Effort, Earmarking; Program Income; and Reporting compliance requirements. Auditors who perform a single audit are required to test the compliance requirements that are direct and material to the major program. The following table identifies the compliance requirements that the TS&A auditors determined were direct and material to the R&D Cluster.

*Table. Uniform Guidance Compliance Requirements That the TS&A Auditors Identified as Direct and Material to the Research and Development Cluster*

Uniform Guidance Compliance Requirements	Direct and Material
Activities Allowed or Unallowed	X
Allowable Costs/Cost Principles	X
Cash Management	X
Eligibility	
Equipment and Real Property Management	X
Matching, Level of Effort, Earmarking	
Period of Performance	X
Procurement and Suspension and Debarment	X
Program Income	
Reporting	
Subrecipient Monitoring	X
Special Tests and Provisions	X

Source: The DoD OIG, based on the TS&A's audit documentation

<sup>35</sup> Title 2 C.F.R. Part 200, Appendix XI.

# Management Comments

## Tronconi Segarra & Associates, LLP



May 12, 2025

[REDACTED]  
Auditor, Audit Oversight  
DoD Office of the Inspector General  
Space, Intelligence, Engineering and Oversight  
4800 Mark Center Drive, Ste. 11H25  
Alexandria, VA 22350-1500

Re: Response to U.S. Department of Defense Office of the Inspector General Quality Control  
Review of the Tronconi Segarra & Associates LLP FY 2022 Single Audit of CUBRC, Inc.

Dear [REDACTED]:

Tronconi Segarra & Associates LLP (“TSA”) management have reviewed the Quality Control Review of the 2022 Single Audit of CUBRC, Inc. and are providing the following responses related to the specific recommendations contained in the report:

- 1.a. We agree with this recommendation. TSA will perform additional procedures related to testing internal controls over the Cash Management and Special Tests and Provisions compliance requirements. We expect to complete these additional procedures by September 30, 2025.
- 1.b. We agree with this recommendation. TSA will perform additional procedures to determine whether CUBRC’s internal controls over Equipment requirements are operating effectively and its compliance with the Equipment requirement. We expect to complete these additional procedures by September 30, 2025.
- 1.c. We agree with this recommendation. TSA will prepare an analysis of CUBRC’s awards to determine whether any awards began or ended during FY 2022. We will perform additional procedures to determine whether any costs were incurred before the period of performance began and, if any, whether the Federal awarding agency authorized any such costs. Moreover, we will perform additional procedures to verify whether any financial obligations were liquidated in the required timeframe. We expect to complete these additional procedures by September 30, 2025.
- 1.d. We agree with this recommendation. TSA will select additional procurement transactions and perform procedures to provide sufficient audit evidence on internal controls and compliance with Procurement requirements. We expect to complete these additional procedures by September 30, 2025.

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## Tronconi Segarra & Associates, LLP (cont'd)

May 12, 2025

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1.e. We agree with this recommendation. TSA will coordinate with CUBRC, Inc. to obtain a revised schedule of expenditures of Federal awards, prepared in accordance with 2 C.F.R. Part 200 (Uniform Guidance), and perform procedures to ensure that the revised schedule of expenditures of Federal awards is appropriate and complete. We expect to complete these additional procedures by September 30, 2025.

1.f. We agree with this recommendation. TSA will update the FY 2022 single audit report of CUBRC, Inc. for the results of any additional audit procedures performed. We expect to complete this process by September 30, 2025.

1.g. We acknowledge this recommendation. We will prepare audit documentation in future single audits to identify the relevant internal controls for each direct and material compliance requirement, identify the internal controls the auditors plan to test, and document the sampling plan in accordance with the sampling guidelines of the American Institute of Certified Public Accountants. We plan to incorporate these updates into our 2024 Single Audit of CUBRC, Inc. which we will start in May 2025 and expect to complete by September 30, 2025.

Very truly yours,



Tronconi Segarra & Associates, LLP

# Acronyms and Abbreviations

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**AICPA** American Institute of Certified Public Accountants

**AU-C** Codification of Statements on Auditing Standards

**FFP** Firm-Fixed-Price

**GAGAS** Generally Accepted Government Auditing Standards

**R&D** Research and Development

**SEFA** Schedule of Expenditures of Federal Awards

**TS&A** Tronconi Segarra & Associates, LLP

## **Whistleblower Protection**

### **U.S. DEPARTMENT OF DEFENSE**

*Whistleblower Protection safeguards DoD employees against retaliation for protected disclosures that expose possible fraud, waste, and abuse in Government programs. For more information, please visit the Whistleblower webpage at [www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/](http://www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/) or contact the Whistleblower Protection Coordinator at [Whistleblowerprotectioncoordinator@dodig.mil](mailto:Whistleblowerprotectioncoordinator@dodig.mil)*

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