

**SOUTHEASTERN REGIONAL
TRANSIT AUTHORITY**

SINGLE AUDIT REPORT

June 30, 2011

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

June 30, 2011

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Advisory Board of
Southeastern Regional Transit Authority

We have audited the financial statements of Southeastern Regional Transit Authority (“the Authority”), as of and for the year ended June 30, 2011, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated September 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, as items 11-01.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 11-01.

Continued

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 11-01.

We noted certain matters that we reported to management of the Southeastern Regional Transit Authority in a separate letter dated September 15, 2011.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information of the advisory board, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hague, Sabady & Co. PC

September 15, 2011

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133.

To the Advisory Board of
Southeastern Regional Transit Authority

Compliance

We have audited the Southeastern Regional Transit Authority's ("the Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major program for the year ended June 30, 2011. Southeastern Regional Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in items 11-02, 11-03, 11-04, 11-05 and 11-06 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Cash Management, Equipment Management, and Reporting that are applicable to its Federal Transit Capital and Operating assistance Formula grant. Compliance with such requirement is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Southeastern Regional Transit Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items as 11-02, 11-03, 11-04, 11-05 and 11-06.

Continued

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Independent Auditors' Report on Compliance with Requirements Applicable
to each Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133 (Continued)

Internal Control Over Compliance

The management of the Southeastern Regional Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-02, 11-03, 11-04, 11-05 and 11-06 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-03 and 11-06 to be significant deficiencies.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the advisory board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hague, Sabady & Co. PC

September 15, 2011

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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

To the Advisory Board of
Southeastern Regional Transit Authority

We have audited the Statement of Net Assets of the Southeastern Regional Transit Authority, as of and for the year ended June 30, 2011 and the related Statement of Activities and Statement of Cash Flows for the year then ended and have issued our report thereon dated September 15, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Southeastern Regional Transit Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses, and accordingly, we do not express an opinion on them.

This report is intended solely for the information and use of the Authority's management, advisory board, and federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hague, Sahady & Co. PC

September 15, 2011

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>	<u>Major</u>
<i>U.S. Department of Transportation:</i>					
Direct Programs:					
Federal Transit Capital and Operating Assistance Formula Grant	20.507	MA-90-X562	\$ 7,655,000	\$ 2,345,178	Major
	20.507	MA-90-X581	4,761,000	215,612	Major
American Recovery & Reinvestment Act	20.507	MA-96-X008	9,122,985	5,314,432	Major
	20.507	MA-96-X008	912,298	<u>385,164</u>	Major
		Subtotal Federal Transit Cluster		<u>8,260,386</u>	
Job Access-Revenue Commute Grant	20.516	MA-90-X034	157,924	1,773	
	20.521	MA-37-X022	396,473	<u>145</u>	
		Subtotal Transit Services Program Cluster		<u>1,918</u>	
Total Expenditures of Federal Awards				<u>\$ 8,262,304</u>	

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

NOTE 1: DEFINITION OF REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents activity of all Federal Financial Assistance Programs of the Southeastern Regional Transit Authority. Federal Financial Assistance received includes funds received directly from Federal agencies as well as Federal Financial Assistance pass through other governmental agencies and received directly by the Southeastern Regional Transit Authority.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Southeastern Regional Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*.

NOTE 3: MAJOR PROGRAMS

The Southeastern Regional Transit Authority has defined its major programs for *OMB Circular A-133* (the Circular) reporting purposes by using the required risk-based approach after classifying the programs as Type A or Type B as provided in Section 520 of the Circular. The determination was based on an overall evaluation of the risk of noncompliance occurring, which could be material to the federal program.

NOTE 4: PROGRAM INCOME

Of the federal expenditures and award amounts presented in the Schedule of Expenditures of Federal Awards, the Southeastern Regional Transit Authority included program income as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Recorded As Program Income</u>
Federal Transit Capital and Operating Assistance Formula Grant	20.507	\$ 2,010,297

NOTE 5: CLUSTERS OF PROGRAMS

In accordance with Subpart A – Section 105 of *OMB Circular No. A-133, Audits of States, Local Governments and Non-Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Federal Transit Cluster</u>	<u>Transit Services Programs Cluster</u>
20.507 Federal Transit - Formula Grants	20.516 Job Access - Reverse Commute Program

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

I. Summary of our Audit Results

Financial Statements:

We have audited the financial statements of the Southeastern Regional Transit Authority, as of and for the year ended June 30, 2011 and have issued our reports thereon dated September 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the requirements of the *U.S. Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

Type of Report issued on the Financial Statements	Unqualified
Internal Control over Financial Reporting:	
Significant Deficiencies Identified?	Yes
Significant Deficiencies Identified considered to be Material Weaknesses	Yes
Noncompliance Material to the Financial Statements Noted?	No

Federal Awards

Internal Control over Major Programs:	
Significant Deficiencies Identified?	Yes
Significant Deficiencies Identified considered to be Material Weaknesses	Yes
Type of Report on Compliance for Major Programs:	
Federal Transit Capital and Operating Assistance Formula Grant (CFDA 20.507) (Including ARRA Finding)	Qualified
Disclosure of Audit Findings required to be reported under Section .510(a) Of OMB Circular A-133:	Yes
Identification of Major Program:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Federal Transit Capital and Operating Assistance Formula Grant (Including ARRA Funding)	20.507

Threshold for distinguishing Type A and Type B Programs was \$300,000.

The Authority does qualify as a low risk auditee.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Findings and Questioned Costs for Financial Statements Which are Required to be Reported in Accordance with General Accepted Government Auditing Standards:

<u>Reference Number</u>	<u>Findings</u>
11-01	<p>The Authority Does Not Have Adequate Formal Policies Established Concerning The Maintenance of The Authority's Capital Asset Database</p> <p>Condition: During the audit it was noted that, as of the present date, no formal capital budget policy exists. A capital budget is prepared and is discussed with the operator (Union Street Bus Company). However, we are unable to determine if the budget is monitored throughout the year. Our analytical review revealed that certain items which are capital in nature have been charged to the capital budget in error and subsequently adjusted.</p> <p>Criteria: GASB reporting standards requires the Authority to be able to accurately identify and record all of its capital assets.</p> <p>Cause: The Authority had inadequate/non-existent policies in place regarding the maintenance and review of the capital budget.</p> <p>Effect: Implementation of the above recommended policies will create a much more consistent accounting treatment for purchases of fixed assets.</p> <p>Recommendations: It is recommended of the above recommended policies to ensure that a capital budget is established at the beginning of the year and that the capital budget is monitored throughout the fiscal year.</p> <p>Response and Corrective Action Plan: <i>The Authority's Management Team will work to develop a long range capital needs plan. Management will establish priorities and refine into a 3 year needs assessment, and develop an annual budget based upon these priorities. Once approved, the budget will be monitored by the Authority to ensure that budget and established plan goals are being met.</i></p>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs:

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
11-02	20.507	Quarterly Federal Financial Reports do not Accurately Represent Expenditures Incurred During the Current Year	\$4,276,750

Information on the Federal Program:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula Grant - CFDA No. 20.507; Grant ID - Various; Grant Period: Various

Condition:

Expenditures reported on the quarterly Federal Financial Reports (FFRs) do not represent the actual expenditures incurred during the current year. It was also noted that FFRs were not completed in accordance with the schedules provided by the outside accountants which reconciled to the general ledger activity, per review.

Criteria:

2 CFR 215.52 Subpart C (a)(1)(i) states each Federal awarding agency shall require recipients to use the SF-269 or SF-269A to report the status of funds for all non-construction projects or programs.

Amounts reported should be traced to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards to verify the accuracy and completeness of the reports and that they agree with the accounting records.

Cause:

Lack of management oversight regarding when expenditures occurred and what expenditures should be included in the quarterly Federal Financial Reports. Also, inadequate procedures regarding the use of schedules provided by the entity's outside accountants.

Effect:

Expenditures on the Schedule of Expenditures of Federal Awards are unable to be reconciled to the quarterly Federal Financial Reports. This leads to deficiencies in complying with 2 CFR section 215.12.

Recommendation:

It is recommended that SRTA develop policies and procedures to ensure that report information is timely and accurate in relation to the period of time in which expenditures occur.

Response and Corrective Action Plan:

SRTA will develop policies and procedures to ensure that expenditures reported on the quarterly Federal Financial Reports (FFRs) represent the actual expenditures incurred during the current year. Amounts reported will be traced to accounting records that support the audited financial statements and the Schedule of Expenditures for Federal Awards to verify the accuracy and completeness of the reports. Expenditures on the Schedule of Expenditures of Federal Awards will be reconciled to the quarterly Federal Financial Reports.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs (Continued):

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
11-03	20.507	Failure to Submit American Recovery and Reinvestment Act Quarterly Reports	Unknown

Information on the Federal Program:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula American Recovery and Reinvestment Grant - CFDA No. 20.507; Grant ID - MA-66-X008; Grant Period: 12/03/2009 - 4/30/2013

Condition:

The fourth quarter ARRA reports were not filed for fiscal year 2011.

Criteria:

Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter.

Cause:

SRTA has not created a centralized reporting scheduling system allowing for the timely issuance of required reports.

Effect:

Filing ARRA reports to the Federal government beyond the required deadlines forgoes the basic guidelines under the ARRA funding which is to ensure transparency and accountability.

Also, the ARRA reports could not be traced to the schedule of expenditures of federal awards to ensure completeness of key data elements on the quarterly reports.

Recommendation:

It is recommended that SRTA develop a system to ensure that reports are filed prior to deadlines.

Response and Corrective Action Plan:

SRTA has hired a full-time Grants Manager, who will create a centralized reporting scheduling system allowing for the timely issuance of required reports.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs (Continued):

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
11-04	20.507	The Southeastern Regional Transit Authority did not Minimize the Time Between Receipt and Disbursement of Grant Funds	\$ 419,469

Information on the Federal Program:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula Grant - CFDA No. 20.507; Grant ID - Various; Grant Period: Various

Condition:

SRTA drew down grant funds in both the current year and prior year, \$26,865 did not have related allowable expenditures and \$392,604 was drawn on the wrong grant.

Criteria:

31 CFR 205.11 states: "A State and Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purpose, whether the transfers occurs before or after the payout of funds."

Cause:

Lack of management oversight regarding the receipt and disbursement of grant funds.

Effect:

Filing ARRA reports to the Federal government beyond the required deadlines forgoes the basic guidelines under the ARRA funding which is to ensure transparency and accountability.

Also, the ARRA reports could not be traced to the schedule of expenditures of federal awards to ensure completeness of key data elements on the quarterly reports.

Recommendation:

It is recommended that SRTA develop a system to ensure that reports are filed prior to deadlines.

Response and Corrective Action Plan:

SRTA did not have staffing to provide appropriate management oversight regarding the receipt and disbursement of grant funds. SRTA has hired a full-time CFO and a Grants Manager, who will create a system to allow for timely review, analysis and management of federal receipts and disbursements.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs (Continued):

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
11-05	20.507	Failure to Report Amounts Included in the General Ledger as Funds Expended When Submitting Request for Reimbursement	Unknown

Information on the Federal Programs:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula Grant - CFDA No. 20.507; Grant ID - Various; Grant Period: Various

Condition:

When requesting funds, the Authority did not include as funds expended, the actual funds expended as recorded on the general ledger. In addition, an intervening computation or calculation could not be provided between the general ledger and the draw downs submitted for the 4th quarter.

Criteria:

Per 2 CFR section 215.22 (a), Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.

Financial management systems that meet the standards for fund control and accountability as established in 2 CFR 215.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

Cause:

The entity has not implemented cash management and reporting policies and procedures that allow for assessing the immediate cash needs. Additionally, the subsidiary ledgers that agree to the general ledger were not used to report the expenditures included on the 4th quarter draw down.

Effect:

Since the expenditures reported on the request for funds did not agree to either the general ledger or subsidiary ledgers, the time was not minimized between receipt and disbursement. In some situations this caused unused funds to be sent back to the funding source.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Recommendation:

It is recommended that the Authority develop a system to ensure that when requesting funds, an accurate form is completed. The funds expended should be reconciled to the general ledger and any differences should be documented. In addition, the time between receipt and disbursement of funds should be minimized.

Response and Corrective Action Plan:

SRTA did not have staffing to provide appropriate management oversight regarding the receipt and disbursement of grant funds. SRTA has hired a full-time CFO and a Grants Manager, who will develop a system to ensure that reported expenditures are reconciled to the general ledger and any differences are documented. Further, the additional staffing will ensure that funds requested are then disbursed within a reasonable time frame.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs (Continued):

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
11-06	25.507	The Southeastern Regional Transit Authority Equipment Inventory Records did not Contain the Required Information	Unknown

Information on the Federal Program:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula Grant – CFDA No. 20.507; Grant ID – Various; Grant Period: Various

Condition:

The equipment inventory records maintained by the Authority did not include the required categories such as: purchase order date, cost basis, disposal data and the condition of the asset.

Criteria:

Per 49 CFR 18.32(d), grantees and sub grantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedures are implemented for such assets.

Cause:

The Authority has inadequate procedures in place over the maintenance of the equipment inventory listing.

Effect:

The lack of a formal policy over the updating of the equipment inventory records resulted in equipment inventory records that did not contain the required criteria as stated above. This could also lead to assets being improperly safeguarded.

Recommendation:

It is recommended that the Authority implement a policy which requires the criteria as stated above to be included on an equipment listing schedule.

Response and Corrective Action Plan:

SRTA Management will develop a formal policy on the maintenance of equipment inventory records, including information as required by 49 CFR 18.32 (d).

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Summary of Prior Year Audit Findings

For the Year Ended June 30, 2011

Findings - Financial Statement Audit:

- Finding 10-01:** Southeastern Regional Transit Authority Could Not Provide Supporting Documentation for Authorized Withholding Forms
- Condition:** During our test of controls over the laws and regulations as it relates to employee personnel records, several exceptions were noted with relation to withholding authorization forms
- Recommendation:** It is recommended that SRTA / USBC review and update its personnel files in order to ensure compliance with both Authority policies and procedures and with Federal law.
- Current Status:** This finding was reduced to a management letter comment and is no longer considered a significant deficiency.

Findings Which are Required to be Reported Over Major Programs:

- Finding 10-02:** Southeastern Regional Transit Authority Could Not Provide Sufficient Documentation to Support the Davis-Bacon Act.
- Federal Programs:** Department of Transportation, Federal Transit Capital and Operating Formula Assistance American Reinvestment and Recovery Act Grant – CFDA No. 20.507; Grant ID – MA-96-X008; Grant Period: July 1, 2009 – June 30, 2011.
- Condition:** It was noted during the audit that SRTA had two contractors where the wages could not be provided to ensure they were paid according to the Davis-Bacon Act. Since the amounts of the services provided were over \$2,000, wages needed to be provided.
- Recommendation:** It is recommended that SRTA requests all wages paid for any contracted work that is to be completed using the ARRA grant funds.
- Current Status:** This finding was corrected in 2011.