

**SOUTHEASTERN REGIONAL
TRANSIT AUTHORITY**

SINGLE AUDIT REPORT

June 30, 2012

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

June 30, 2012

Table of Contents

	PAGE
Single Audit Reports:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	1-2
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	3-4
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs:	
Summary of Audit Results	8
Findings for Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards	9
Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Major Federal Programs	10-12
Summary Schedule of Prior Audit Findings	13-14

HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859

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 Statement of Net Assets of the Southeastern Regional Transit Authority (“the Authority”) and the related Statement of Activities and Statement of Cash Flows, as of and for the year ended June 30, 2012, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated September 11, 2012. 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 weaknesses.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Southeastern Regional Transit Authority in a separate letter dated September 11, 2012.

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 and use of management, the Advisory Board, 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 11, 2012

HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859

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, 2012. The 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 12-01, 11-04, and 11-06 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Cash Management and Equipment Management 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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

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 item 11-04 and to be a material weakness.

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 12-01 and 11-06 to be significant deficiencies.

The 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 express no opinion on the responses.

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, Sahady & Co. PC

September 11, 2012

HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859

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, 2012 and the related Statement of Activities and Statement of Cash Flows for the year then ended and have issued our report thereon dated September 11, 2012. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the basic financial statements 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 the responses.

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 11, 2012

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

<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>U. S. Department of Transportation (Direct):</u>					
Federal Transit Capital and Operating Assistance Formula Grant Cluster:					
Bus Fleet Replacement	20.500	MA-04-X069	\$ 665,000	\$ 665,000	Major
Federal Transit Assistance Formula Grant	20.507	MA-90-X371	3,400,000	323,462	Major
Federal Transit Assistance Formula Grant	20.507	MA-90-X546	5,180,600	32,490	Major
Federal Transit Assistance Formula Grant	20.507	MA-90-X562	7,655,000	545,792	Major
ARRA - Federal Transit Assistance Formula Grant	20.507	MA-96-X008	9,122,985	1,785,060	Major
ARRA - Federal Transit Assistance Formula Grant	20.507	MA-66-X008	912,298	138,141	Major
Federal Transit Assistance Formula Grant	20.507	MA-90-X581	4,761,000	137,388	Major
Federal Transit Assistance Formula Grant	20.507	MA-90-X623	6,195,347	<u>4,707,827</u>	Major
Total Federal Transit Capital and Operating Assistance Formula Grant Cluster				<u>8,335,160</u>	
Job Access - Reverse Commute Cluster:					
JARC-Holiday Service	20.516	MA-37-X049	63,323	10,850	
JARC-Providence	20.516	MA-37-X034	157,924	117,060	
New Freedom-Providence	20.521	MA-57-X009	101,819	<u>82,479</u>	
Total Job Access - Reverse Commute Cluster				<u>210,389</u>	
Transit in the park-Van Purchase	20.520	MA-20-X005	440,000	<u>226,738</u>	
Total U.S. Department of Transportation (Direct)				<u>8,772,287</u>	
Total Federal Expenditures				<u>\$ 8,772,287</u>	

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

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 Cluster	20.500 and 20.507	\$ 2,115,849

NOTE 5: PROGRAM CLUSTER

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 Capital and Operating Assistance Cluster</u>	
Federal Transit Assistance Formula Grants	20.507
Bus Fleet Replacement	20.500
<u>Job Access Reverse Commute Cluster</u>	
Job Access Reverse Commute Grants	20.516
New Freedom Program Grants	20.521

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

1. 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, 2012 and have issued our reports thereon dated September 11, 2012. 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:	
Material Weaknesses Identified?	Yes
Significant Deficiencies Identified that are not considered to be Material Weaknesses?	No
Noncompliance Material to the Financial Statements Noted?	No

Federal Awards

Internal Control over Major Programs:	
Material Weaknesses Identified?	Yes
Significant Deficiencies Identified that are not considered to be Material Weaknesses?	Yes
Type of Report on Compliance for Major Programs:	
Federal Transit Capital and Operating Assistance Formula Cluster (CFDA 20.507 and 20.500) (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)	20.500 and 20.507
Job Access - Reverse Commute Cluster	20.516 and 20.521

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

The Authority does not qualify as a low risk auditee.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

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

Reference Number	Findings
11-01	<p>The Southern Regional Transit Authority does not Have Adequate Formal Policies Established Concerning the Maintenance of the Authority’s Capital Budgeting</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 (Southcoast Transit). 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 that the Authority develop 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: The Authority’s Management Team has developed a long range capital needs plan. Management has established priorities and refined into a 5 year needs assessment, and has developed an annual budget based upon these priorities. The budget will be monitored by the Authority to ensure that budget and established plan goals are being met. In addition to capital asset planning, the Management Team will work to develop a more formal capital budget policy which addresses asset classifications and capitalization thresholds to foster consistent accounting treatment for fixed asset purchases.</p>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

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>
12-01	25.500 25.507	The Southeastern Regional Transit Authority did not Complete a Physical Inventory of its Equipment Within the Past Two Fiscal Years	Unknown

Information on the Federal Program:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula Grant - CFDA No.'s 20.500 & 20.507(including ARRA funds); Grant ID - Various; Grant Period: Various

Condition:

The Southeastern Regional Transit Authority did not complete a physical inventory of its equipment within the past two fiscal years.

Criteria:

Per 34 CFR 80.32(d)(2), a physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years.

Cause:

The Authority had inadequate oversight and procedures in place to ensure that a physical inventory was conducted, documented, and retained on file.

Effect:

The lack of adequate oversight and procedures in place over performing, documenting, and retaining physical inventory files resulted in insufficient evidence to determine when the last physical inventory was performed.

Recommendation:

It is recommended that the Authority implement a system to monitor and conduct a physical inventory of equipment purchased with all Federal grant funds. The results from the physical inventory should be compared to the equipment listing and any differences should be investigated and documented.

Response and Corrective Action Plan:

With the implementation of the new software for fixed assets, the Authority will be able to implement a system to monitor and conduct a physical inventory of equipment purchased with all Federal grant funds. The results from the physical inventory will be compared to the equipment listing and any differences will be investigated and documented.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

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	20.500 20.507	The Southeastern Regional Transit Authority (SRTA) did not Minimize the Time Between Receipt and Disbursement of Grant Funds	\$ 6,701,537

Information on the Federal Program:

Department of Transportation, Federal Transit Capital and Operating Assistance Formula Grant - CFDA No.'s 20.500 & 20.507 (including ARRA funds); Grant ID - Various; Grant Period: Various

Condition:

SRTA drew down grant funds in the amount of \$3,810,624 in March 2012 which were used to cover operating expenditures that occurred in fiscal year 2011. It was further noted that operating expenditures in the amount of \$2,190,913 relating to the months of July 2011 through October 2011 were not drawn down until February 2012.

SRTA also drew down funds in the amount of \$700,000 in May 2011 as capital funding, but had not used these monies as of March 2012 and subsequently returned it to the appropriate agency.

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:

SRTA had to return grant funding as a result of excess funds being drawn down but not utilized in the amount of \$700,000 and also spent an extended period of time without sufficient funding as operating expenditures of \$6,001,537 had been paid out in fiscal year 2011 and from July 2011 through October 2011, but the drawdown for these funds did not occur until March 2012.

Recommendation:

It is recommended that SRTA develop a system to ensure funds are requested in a timely manner and according to cash needs.

Response and Corrective Action Plan:

The Authority is now adequately staffed to manage grant reimbursement in a timely manner. Grant funding is linked to both capital and operational budgets, and is monitored closely in order to 1) ensure that funds are requested only after expenses have incurred, and 2) funds are requested timely in order to maintain cash flow.

Continued

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

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	20.500 20.507	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.'s 20.500 & 20.507(including ARRA funds); 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. This will also ensure that assets are more adequately safeguarded.

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). SRTA has purchased a fixed assets management software, which is linked to the general ledger. The software allows for more accurate identification, location tracking, maintenance records, and depreciation detail. Implementation of the new software is slated for Q2 of FY12.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Summary of Prior Year Audit Findings

For the Year Ended June 30, 2012

Findings - Financial Statement Audit:

Finding 11-01: The Authority does not Have Adequate Formal Policies Established Concerning the Maintenance of the Authority's Capital Budgeting

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.

Recommendation: It was recommended that the Authority develop 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.

Current Status: This finding as been repeated in the current year.

Findings Which are Required to be Reported Over Major Programs:

Finding 11-02: Quarterly Federal Financial Report do not Accurately Represent Expenditures Incurred During the Current Year

Federal Programs: 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 (FFR's) do not represent the actual expenditures incurred during the current year. It was also noted that FFR's were not completed in accordance with the schedules provided by the outside accountants which reconciled to the general ledger activity, per review.

Recommendation: It was 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.

Status: This finding was resolved in fiscal year 2012.

Finding 11-03: Failure to Submit American Recovery and Reinvestment Act Quarterly Reports

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

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

Recommendation: It was recommended that SRTA develop a system to ensure that reports are filed prior to deadlines.

Status: This finding was resolved in fiscal year 2012.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Summary of Prior Year Audit Findings

For the Year Ended June 30, 2012

Findings Which are Required to be Reported Over Major Programs (Continued):

- Finding 11-04:** The Southeastern Regional Transit Authority did not Minimize the Time Between Receipt and Disbursement of Grant Funds
- Federal Programs: 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.
- Recommendation: It was recommended that SRTA develop a system to ensure that reports are filed prior to deadlines.
- Status: This finding was repeated in fiscal year 2012 and modified to include funds that were drawn down significantly after being expended as well as draw downs of funds without respective expenditures.
-
- Finding 11-05:** Failure to Report Amounts Included in the General Ledger as Funds Expended When Submitting Request for Reimbursement
- 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 fourth quarter.
- Recommendation: It was 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.
- Status: This finding was resolved in 2012.
-
- Finding 11-06:** The Southeastern Transit Authority Equipment Inventory Records did not contain the Required Information
- Federal Programs: 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.
- Recommendation: It was recommended that the Authority implement a policy which requires the criteria as stated above to be included on an equipment listing schedule.
- Status: This finding was repeated in the current year.