

**SOUTHEASTERN REGIONAL  
TRANSIT AUTHORITY**

SINGLE AUDIT REPORT

Year Ended June 30, 2013

# SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

June 30, 2013

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## Independent Auditor's 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, in accordance with the 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, the financial statements of the business-type activities of the Southeastern Regional Transit Authority ("the Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 12, 2013.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

*Continued*

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**

Independent Auditor's 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)

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
September 12, 2013

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## Independent Auditors' Report on Compliance for 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

### **Report on Compliance for Each Major Federal Program**

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 each of the Authority's major federal programs for the year ended June 30, 2013. 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.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, the Authority complied, in all material respects, with the types of 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, 2013.

*Continued*

## **SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**

Independent Auditors' Report on Compliance for  
Each Major Program and Internal Control over Compliance in  
Accordance with OMB Circular A-133 (Continued)

### **Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Authority's internal control over compliance.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the Statement of Net Position of the Southeastern Regional Transit Authority, as of and for the year ended June 30, 2013 and the related Statement of Activities and Statement of Cash Flows for the year then ended and have issued our report thereon dated September 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly 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 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
September 12, 2013

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

<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>	
<b><u>U.S. Department of Transportation (Direct):</u></b>					
Federal Transit Capital and Operating Assistance Formula Grant Cluster:					
Federal Transit Assistance Formula Grant	20.507	90-0628	\$ 4,864,411	\$ 1,641,844	Major
Bus Fleet Replacement	20.500	04-0070	950,000	950,000	Major
ARRA - Federal Transit Assistance Formula Grant	20.507	96-0008	9,122,985	992,325	Major
Federal Transit Assistance Formula Grant	20.507	90-0623	6,195,347	1,325,864	Major
ARRA - Federal Transit Assistance Formula Grant	20.507	66-0008	912,298	388,063	Major
Federal Transit Assistance Formula Grant	20.507	90-0546	5,180,600	173,072	Major
Federal Transit Assistance Formula Grant	20.507	90-0655	4,785,766	1,546,663	Major
Federal Transit Assistance Formula Grant	20.507	90-0659	565,832	65,508	Major
Federal Transit Assistance Formula Grant	20.507	90-0371	3,400,000	<u>390,182</u>	Major
<b>Total Federal Transit Capital and Operating Assistance Formula Grant Cluster:</b>				<u>\$ 7,473,521</u>	
Job Access - Reverse Commute Cluster:					
JARC - Holiday Service	20.516	37-0049	\$ 63,323	\$ 40,419	
JARC - Providence	20.516	57-0025	83,862	<u>6,331</u>	
<b>Total Job Access - Reverse Commute Cluster:</b>				<u>\$ 46,750</u>	
Transit in the Park - Van Purchase	20.520	20-0005	\$ 440,000	<u>\$ 67,566</u>	
<b>Total U.S. Department of Transportation (Direct)</b>				<u>\$ 7,587,837</u>	
<b>Total Federal Expenditures</b>				<u><b>\$ 7,587,837</b></u>	

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

**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	\$ 2,198,299

**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:

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



**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

**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, 2013 and have issued our reports thereon dated September 12, 2013. 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?	No
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?	No
Significant Deficiencies Identified that are not considered to be Material Weaknesses?	No
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)	Unqualified
Disclosure of Audit Findings required to be reported under Section .510(a) Of OMB Circular A-133:	No

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

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, 2013

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

No current year findings to be reported in accordance with Generally Accepted Auditing Standards.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

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

No current year findings to be reported over major federal programs.

## SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

### Summary of Prior Year Audit Findings

For the Year Ended June 30, 2013

#### *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 resolved in the current year.

#### *Findings Which are Required to be Reported Over Major Programs:*

**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 resolved in the current fiscal year.

**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 resolved in the current fiscal year.