

**SOUTHEASTERN REGIONAL
TRANSIT AUTHORITY**
(A Component Unit of the Massachusetts Department of Transportation)

SINGLE AUDIT REPORT

Year Ended June 30, 2020

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

June 30, 2020

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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 the
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 and the aggregate remaining fund information of the Southeastern Regional Transit Authority ("the Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 26, 2020.

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, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

October 26, 2020

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Independent Auditors' Report on Compliance for Each Major Program and
On Internal Control Over Compliance Required by *Uniform Guidance*

To the Advisory Board of the
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 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, 2020. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2020.

Continued

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Independent Auditors' Report on Compliance for
Each Major Program and Internal Control Over Compliance
Required by *Uniform Guidance* (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 Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Southeastern Regional Transit Authority, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We have issued our report thereon dated October 26, 2020, which contained an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance 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 basic financial statements as a whole.

Hague, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

December 11, 2020, except for the Schedule of Expenditures of Federal Awards, which is dated October 26, 2020

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

<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>Amount Passed to Subrecipients</u>	
<u>U.S. Department of Transportation (Direct):</u>						
Federal Transit Assistance Formula Grant	20.507	2017-021	2,206,495	448,908	-	Major
Federal Transit Assistance Formula Grant	20.507	2018-023	6,319,856	380,370	-	Major
Federal Transit Assistance Formula Grant	20.507	2018-025	1,528,000	37,611	-	Major
Federal Transit Assistance Formula Grant	20.507	2019-018	11,132,267	5,286,737	-	Major
COVID-19 - Federal Transit Assistance Formula Grant - CARES Act Funding	20.507	2020-014	21,043,483	3,772,733	-	Major
Federal Transit Assistance Capital Grant - Bus	20.526	2020-029	906,000	906,000	-	Major
Total - Federal Transit Assistance Formula Grant:				<u>\$ 10,832,359</u>	<u>\$ -</u>	
<u>Pass-Through Programs from Massachusetts Department of Transportation:</u>						
Bus and Bus Facilities - NB Elevator Project	20.526	MA-34-0009	\$ 269,587	\$ 58,080	\$ -	
Total Pass-Through Programs from Massachusetts Department of Transportation:				<u>\$ 58,080</u>	<u>\$ -</u>	
Total - Federal Transit Cluster:				<u>\$ 10,890,439</u>	<u>\$ -</u>	
<u>U.S. Department of Transportation (Direct):</u>						
Transit Services Program Cluster:						
New Freedom - Providence	20.521	57-0027	42,528	4,918	-	
Total - Transit Services Program Cluster:				<u>\$ 4,918</u>	<u>\$ -</u>	
Total Amount Passed to Subrecipients					<u>\$ -</u>	
Total Federal Expenditures				<u>\$ 10,895,357</u>		

See the accompanying notes to the Schedule of Expenditures of Federal Awards

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 510(b).

NOTE 3: MAJOR PROGRAMS

The Authority’s independent auditors have used a risk-based approach to determine which federal programs are “major programs” in accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 518. This risk-based approach includes consideration of current and prior audit experience, oversight by Federal Agencies and pass-through entities, the inherent risk of the Federal program, as well as other considerations. The process in paragraphs (b) through (i) of Section 518 govern auditor major program determination. Section 518(h) states “when the major program determination was performed and documented in accordance with this Subpart, the auditor’s judgment in applying the risk-based approach to determine major programs must be presumed correct.”

The Authority has no responsibility to determine major programs. Our responsibilities are summarized within 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Sections 508 to 512.

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 Cluster	20.507	\$ 2,073,848

NOTE 5: PROGRAM CLUSTER

In accordance with Subpart A, Section 200 of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Federal Transit Program Cluster</u>	
Federal Transit Assistance Formula Grants	20.507
Bus and Bus Facilities Formula Program	20.526
<u>Transit Services Program Cluster</u>	
New Freedom Program	20.521

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2020

NOTE 6: 10% DE-MINIMIS INDIRECT COST RATE

The Authority did *not* elect to use the 10% de minimis indirect cost rate as covered in 2 CFR Part 200 Section 414 "Indirect (F&A) Costs".

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Summary of Audit Results

For the Year Ended June 30, 2020

1. Summary of our Audit Results

Financial Statements (Government Auditing Standards):

We have audited the financial statements of the Southeastern Regional Transit Authority, as of and for the year ended June 30, 2020 and have issued our reports thereon dated October 26, 2020. 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. The results of our audit are as follows:

Type of Report issued on the Financial Statements	Unmodified
Internal Control Over Financial Reporting:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified?	None Reported
Noncompliance Material to the Financial Statements Noted?	No

Federal Awards (Uniform Guidance):

We have audited the Southeastern Regional Transit Authority’s compliance with the types of compliance requirements described in the OMB 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, 2020 and have issued our reports thereon dated December 11, 2020. We performed this audit under the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The results of our audit are as follows:

Internal Control Over Major Programs:	
Material Weaknesses Identified?	No
Significant Deficiencies Identified?	None Reported
Type of Report on Compliance for Major Programs:	
Federal Transit Cluster (CFDA 20.507) - Type A	Unmodified
Disclosure of Audit Findings required to be reported under 2 CFR Part 200 Section 200.516(a):	No
Identification of Major Program:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Federal Transit Cluster	20.507

Threshold for distinguishing Type A and Type B Programs was \$750,000 (2 CFR 200 Section 518(b)(1)).

The Authority does qualify as a low risk auditee (2 CFR 200 Section 520).

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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

Findings Based on Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*:

No *current year* findings to be reported in accordance with *Government Auditing Standards*.

Findings and Questioned Costs for Financial Statements Which are Required to be Reported Over Each Major Federal Program and on Internal Control Over Compliance Required by *Uniform Guidance*:

No *current year* findings to be reported over each major federal program and on internal control over compliance required by *Uniform Guidance*.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Summary of Prior Year Audit Findings

For the Year Ended June 30, 2020

Prior Year Findings - Financial Statement Audit (Government Auditing Standards):

There were no *prior year* audit findings in the financial statement audit (*Government Auditing Standards*).

Prior Year Findings - Required to be Reported Over Major Programs and Over Compliance Required by Uniform Guidance:

There were no *prior year* audit findings which were to be reported over major programs and on Internal Control over Compliance required by Uniform Guidance.