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RED ROSE TRANSIT AUTHORITY

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# Single Audit Report

## June 30, 2016



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## Red Rose Transit Authority

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## **Red Rose Transit Authority**

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Report Distribution List

June 30, 2016

Board of Directors  
Red Rose Transit Authority  
45 Erick Road  
Lancaster, PA 17601

Lancaster County Behavioral Health/  
Developmental Services and Mental Retardation  
50 N. Duke Street  
P.O. Box 83480  
Lancaster, PA 17608-3480

U.S. Department of Transportation  
Federal Transit Administration  
TBP-24 Room 9424  
400 7th Street, N.W.  
Washington, DC 20590

U.S. Department of Transportation  
Federal Transit Authority  
Region 3 Office  
1760 Market Street  
Suite 500  
Philadelphia, PA 19103

Federal Audit Clearinghouse  
1201 E. 10th Street  
Jeffersonville, IN 47132

Federal Transit Administrations  
1700 Market Street  
Suite 500  
Philadelphia, PA 19103

Commonwealth of Pennsylvania  
Bureau of Audits  
Special Audit Services Division  
Forum Place, 8th Floor  
555 Walnut Street  
Harrisburg, PA 17101

Lancaster County  
50 N. Duke Street  
P.O. Box 83480  
Lancaster, PA 17608-3480

Lancaster County Office of Aging  
50 N. Duke Street  
P.O. Box 83480  
Lancaster, PA 17608-3480



# **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* and the Audit Requirements of the Pennsylvania Department of Transportation**

## **Independent Auditor's Report**

To the Board of Directors  
Red Rose Transit Authority  
Reading, Pennsylvania

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 and the audit requirements of the Pennsylvania Department of Transportation, the financial statements of the Red Rose Transit Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Red Rose Transit Authority's basic financial statements, and have issued our report thereon dated December 2, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Red Rose Transit 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Red Rose Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Red Rose Transit 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 Red Rose Transit 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* and the audit requirements of the Pennsylvania Department of Transportation.

## **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* and the audit requirements of the Pennsylvania Department of Transportation in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RKL LLP

December 2, 2016  
Lancaster, Pennsylvania



# **Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

## **Independent Auditor's Report**

To the Board of Directors  
Red Rose Transit Authority  
Lancaster, Pennsylvania

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

We have audited the Red Rose 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 Red Rose Transit Authority's major federal programs for the year ended June 30, 2016. The Red Rose 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.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Red Rose Transit 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 Red Rose Transit 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 Red Rose Transit Authority's compliance.

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

In our opinion, the Red Rose Transit 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, 2016.

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

Management of Red Rose Transit 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 Red Rose Transit 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 the 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 Red Rose Transit 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Red Rose Transit Authority as of and for the year ended June 30, 2016, and have issued our report thereon, dated December 2, 2016, 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 the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RKH LLP

December 2, 2016  
Lancaster, Pennsylvania

# Red Rose Transit Authority

## Schedule of Expenditures of Federal Awards

June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Transportation, Federal Transit Administration</b>				
Federal Transit Grants Cluster				
Federal Transit Capital and Operating Assistance Formula Grants	20.507	PA-90-0710	\$ -	\$ 20,386
Federal Transit Capital and Operating Assistance Formula Grants	20.507	PA-90-0729	-	16,434
Federal Transit Capital and Operating Assistance Formula Grants	20.507	PA-90-0779	-	1,954,679
Federal Transit Capital and Operating Assistance Formula Grants	20.507	PA-90-0802	-	568,491
Federal Transit Capital and Operating Assistance Formula Grants	20.507	PA-95-0092	-	230,000
Federal Transit Capital and Operating Assistance Formula Grants	20.507	PA-90-0757	-	96,714
Bus and Bus Facilities Formula Program	20.526	PA-34-0005	-	1,068,116
<b>Total Federal Transit Grants Cluster</b>			-	3,954,820 *
Transit Services Programs				
Passed through the Commonwealth of Pennsylvania, Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	-	332,552
Passed through to Subrecipient South Central Transit Authority Job Access Reverse Commute Program	20.516	PA-37-4052	102,561	102,561
<b>Total U.S. Department of Transportation, Federal Transit Administration</b>			102,561	4,389,933
<b>U.S. Department of Health and Human Services</b>				
Passed through the Commonwealth of Pennsylvania, Department of Human Services	93.778	N/A	-	91,366
<b>Total U.S. Department of Health and Human Services</b>			-	91,366
<b>Total Federal Awards Expended</b>			\$ 102,561	\$ 4,481,299

\* Denotes major programs as defined by the Uniform Guidance.

## **Red Rose Transit Authority**

### Notes to Schedule of Expenditures of Federal Awards

June 30, 2016

#### **Note 1 - Significant Accounting Policies**

The Red Rose Transit Authority (the Authority) maintains its accounting records in accordance with accounting principles generally accepted in the United States of America. The financial information contained in the schedule of expenditures of federal awards has been prepared on the basis of accounting practices prescribed under the terms of Federal Operating Assistance and Capital Grants with the Federal Transit Administration. The practices differ from accounting principles generally accepted in the United States of America as follows:

1. Depreciation is not allowed as a project cost.
2. Certain expenditures that would not normally be included in the determination of net income are either allowable or unallowable for project purposes.

#### **Note 2 - Program Clusters**

The following program cluster, as defined by the Uniform Guidance, was treated as a single program for determining major programs:

	<u>CFDA #</u>	<u>Expenditures</u>
<b>Federal Transit Grants Cluster</b>	20.507/20.526	<b>\$ 3,954,820</b>

#### **Note 3 - Indirect Cost Rate**

Indirect cost of the Authority was based on actual time. The Authority did not elect to utilize the ten percent de minimis indirect cost rate.

**Red Rose Transit Authority**

Summary Schedule of Prior Audit Findings

June 30, 2016

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**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

# Red Rose Transit Authority

## Schedule of Findings and Questioned Costs

June 30, 2016

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

#### Federal Awards

Internal control over major programs

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 510(a)?

Yes  No

#### Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
20.507/20.526	Federal Transit Formula Grants	\$ 3,954,820
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

**Red Rose Transit Authority**

Schedule of Findings and Questioned Costs (continued)

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June 30, 2016

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Red Rose Transit Authority**

Schedule of Pennsylvania Department of Human Services Expenditures  
June 30, 2016

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<b>Program (As Defined in the Pennsylvania Department of Human Services, <i>Single Audit Supplement</i>)</b>	<b>Combined Federal/State Expenditures for Fiscal Year Ended June 30, 2016</b>
<b>Medical Assistance Transportation Program</b>	<b><u>\$ 176,409</u></b>

The 2016 threshold for major programs under the federal definition is \$750,000 (the greater of 3% of total federal expenditures or \$750,000). The amount expended under major Pennsylvania Department of Human Services programs for the fiscal year ended June 30, 2016 was \$176,409 or 100% of total Pennsylvania Department of Human Services financial assistance.