



Berks Area Regional Transportation Authority

Single Audit Report

June 30, 2017



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Berks Area Regional Transportation Authority

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Berks Area Regional Transportation Authority

Report Distribution List

June 30, 2017

Board of Directors
Berks Area Regional Transportation Authority
1700 North 11th Street
Reading, PA 19604-1599

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

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 Transit Administration
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

County of Berks
Attention: Robert J. Patrizio, Jr., Director of
Budget and Finance
Berks County Services Center, 13th Floor
633 Court Street
Reading, PA 19601

County of Berks
Attention: Sandra Graffius, County Controller
Berks County Services Center, 12th Floor
633 Court Street
Reading, PA 19601



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
Berks Area Regional Transportation 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 Berks Area Regional Transportation Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Berks Area Regional Transportation Authority's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berks Area Regional Transportation 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 Berks Area Regional Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Berks Area Regional Transportation 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 Berks Area Regional Transportation 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.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

November 27, 2017
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
Berks Area Regional Transportation Authority
Reading, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Berks Area Regional Transportation 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 Berks Area Regional Transportation Authority's major federal programs for the year ended June 30, 2017. The Berks Area Regional Transportation 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 the Berks Area Regional Transportation 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 Berks Area Regional Transportation 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 Berks Area Regional Transportation Authority's compliance.

Basis for Qualified Opinion on Federal Transit Cluster

As described in Finding 2017-001 in the accompanying Schedule of Findings and Questioned Costs, the Berks Area Regional Transportation Authority did not comply with the requirements regarding cash management that are applicable to its Federal Transit Cluster. Compliance with such requirements is necessary, in our opinion, for the Berks Area Regional Transportation Authority to comply with the requirements applicable to that program.

Qualified Opinion on Federal Transit Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Federal Transit Cluster paragraph, the Berks Area Regional Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Transit Cluster for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal and DPW Programs

In our opinion, the Berks Area Regional Transportation Authority complied, in all material respects, with the types of compliance referred to above that could have a direct and material effect on its other major federal Programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Other Matters

The Berks Area Regional Transportation Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Berks Area Regional Transportation Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Berks Area Regional Transportation 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 Berks Area Regional Transportation 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 Berks Area Regional Transportation 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.

Report on Internal Control over Compliance (continued)

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 Berks Area Regional Transportation Authority as of and for the year ended June 30, 2017, and have issued our report thereon, dated November 27, 2017, 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.

RKL LLP

November 27, 2017
Lancaster, Pennsylvania

Berks Area Regional Transportation Authority

Schedule of Expenditures of Federal Awards

June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation, Federal Transit Administration				
Federal Transit-Formula Grants	20.507	PA-90-X771	\$ -	\$ 23,636
Federal Transit-Formula Grants	20.507	PA-90-X812	-	2,088,000
Bus and Bus Facilities Formula Program	20.526	PA-34-0008	-	390,217
Total Federal Transit Cluster			-	2,501,853*
State Transit Services Grants Cluster Passed through the State of Pennsylvania Enhanced Mobility of Seniors and Individuals with Disabilities				
	20.513	N/A	-	53,927
Job Access and Reverse Commute Program	20.516	PA-37-X059	-	343
Job Access and Reverse Commute Program	20.516	PA-37-X056	-	852
Job Access and Reverse Commute Program	20.516	PA 2016-017	443	443
Total Transit Services Programs			443	55,565
Total Federal Awards Expended			\$ 443	\$ 2,557,418

* Denotes major programs as defined by the Uniform Guidance.

Berks Area Regional Transportation Authority

Notes to Schedule of Expenditures of Federal Awards

June 30, 2017

Note 1 - Significant Accounting Policies

The Berks Area Regional Transportation 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 Operating Assistance, Planning, 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 - 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.

Note 3 - Program Clusters

The following program clusters, as defined by the Uniform Guidance, were treated as single programs, respectively, for determining major programs:

	<u>CFDA Number</u>	<u>Expenditures</u>
Federal Transit Cluster	20.507 and 20.526	<u>\$ 2,501,853</u>
Transit Services Programs	20.513 and 20.516	<u>\$ 55,122</u>

Berks Area Regional Transportation Authority

Summary Schedule of Prior Audit Findings

June 30, 2017

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Berks Area Regional Transportation Authority

Schedule of Findings and Questioned Costs

June 30, 2017

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 2 CFR Section 200.516(a)? Yes No

State Awards

Any audit findings disclosed that are required to be reported in accordance with the Pennsylvania Public Transportation Audit Requirements? Yes No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
20.507 and 20.526	Federal Transit Cluster	\$ 2,501,853
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	

Berks Area Regional Transportation Authority

Schedule of Findings and Questioned Costs (continued)

June 30, 2017

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Federal Transit Cluster - CFDA Numbers 20.507 and 20.526

	Questioned Costs
Finding 2017-001:	
The Authority overdrew federal capital funds.	
The Authority drew federal capital funds of \$605,853 six days in advance of expenditure. This exceeds the three limit as per the applicable federal grants.	N/A
Condition	
The Authority made a draw on capital funds based on the funding requests which were proposed, and the actual expenditure turned out to be later than planned.	
Criteria	
The Federal Transit Authority only allows the Authority to draw down capital funds three days prior to expenditure.	
Cause	
The requested federal funds were drawn down more than three days prior to when the expenditures were actually made.	
Effect	
The Authority drew down based on the reimbursement request and as a result the Authority drew down \$605,853 more than they had expended.	
Recommendation	
The Authority should re-evaluate the draw down process and make sure the draw downs are within actual allowable amounts incurred.	



Berks Area Regional Transportation Authority

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CORRECTIVE ACTION PLAN

Finding 2017-001:

Overdrawn Funds

Management believes the current procedure is appropriate. The vendor payments in question were scheduled to be paid, but were delayed a day while corresponding journal entries were made by a third employee in the process. That employee is no longer with the authority, and all journal entries and checks are now handled by the Assistant Director of Capital Projects and Planning and the Chief Financial Officer only.

A handwritten signature in blue ink, appearing to read "Benjamin M. Dice".

Benjamin M. Dice
Chief Financial Officer
SCTA / BARTA / RRTA