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**PIERCY BOWLER
TAYLOR & KERN**

Certified Public Accountants
Business Advisors

**Regional Transportation
Commission of Southern Nevada
Single Audit Compliance Report**

**For the Year Ended
June 30, 2011**

Regional Transportation Commission of Southern Nevada
Single Audit Compliance Report
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For the Year Ended June 30, 2011

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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 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Commissioners
Regional Transportation Commission of Southern Nevada
Las Vegas, Nevada

Compliance. We have audited the compliance of the Regional Transportation Commission of Southern Nevada (the RTC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the RTC's major federal programs for the year ended June 30, 2011. The RTC's major federal programs are identified in the summary of auditors' 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 the RTC's management. Our responsibility is to express an opinion on the RTC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States, 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 material 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 RTC'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 on the RTC's compliance with those requirements.

As described in item 11-1 in the accompanying schedule of findings and questioned costs, the RTC did not comply with requirements regarding procurement and suspension and disbarment, and reporting that are applicable to its U.S. Department of Transportation, Office of Federal Highway Administration, Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program. Compliance with such requirements is necessary, in our opinion, for the RTC to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the RTC 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, 2011.

Internal Control over Compliance. Management of the RTC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit of compliance, we considered the RTC's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 the RTC's internal control over compliance.

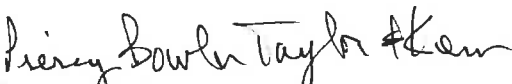
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

We have audited the basic financial statements of the governmental activities, the business-type activities, and each major fund of the RTC as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the RTC's basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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.

The RTC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the RTC's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the RTC's management, members of the Board of Commissioners, others within the RTC and federal awarding agencies and pass through entities. However, this report is a matter of public record, and its distribution is not limited.


December 1, 2011

Regional Transportation Commission of Southern Nevada

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Federal Grantor/Pass-through Entity Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation, Office of Federal Transit Administration</u>			
Federal Transit Cluster			
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X056	\$ 4,898,179
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X060	48,630
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X062	23,361,883
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-95-X004	1,388,368
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-95-X005	379,899
Federal Transit - Formula Grants, Urbanized Area Formula Program - American Recovery and Reinvestment Act (ARRA)	20.507*	NV-96-X001	<u>11,742,777</u>
			<u>41,819,736</u>
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-03-0024	2,334,443
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-03-0038	992,000
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0005	2,640,151
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0010	<u>4,887,809</u>
			<u>10,854,403</u>
Total Federal Transit Cluster			<u>52,674,139</u>
Transit Services Programs Cluster			
Job Access Reverse Commute	20.516*	NV-37-X012	155,065
Job Access Reverse Commute	20.516*	NV-37-X014	141,768
Job Access Reverse Commute	20.516*	NV-37-X018	<u>1,510,222</u>
			<u>1,807,055</u>
New Freedom Program	20.521*	NV-57-X003	98,774
New Freedom Program	20.521*	NV-57-X007	294,370
New Freedom Program	20.521*	NV-57-X008	<u>909,434</u>
			<u>1,302,578</u>
Total Transit Services Programs Cluster			<u>3,109,633</u>
Passed Through State of Nevada, Department of Transportation			
Metropolitan Transportation Planning Grant, Metropolitan Planning Program	20.505	NDOT PR452-09-802	450,000
Metropolitan Transportation Planning Grant, Metropolitan Planning Program	20.505	NDOT PR454-09-802	<u>398,778</u>
			<u>848,778</u>
Formula Grants for Other Than Urbanized Areas, Nonurbanized Area Formula Program	20.509	NDOT P174-10-802	<u>535,076</u>
Total Passed Through State of Nevada, Department of Transportation			<u>1,383,854</u>
Total U.S. Department of Transportation, Office of Federal Transit Administration			<u>57,167,626</u>

(continued)

Regional Transportation Commission of Southern Nevada

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010**

<u>U.S. Department of Transportation, Office of Federal Highway Administration</u>			
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NV-15-X001	1,000,000
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NV-70-X001	500,000
Passed Through State of Nevada, Department of Transportation			
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT P120-10-063	95,318
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT P004-10-804	1,095,143
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT PR 238-04-804	1,339,875
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT P 204-10-016	94,000
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program - American Recovery and Reinvestment Act (ARRA)	20.205*	NDOT PR 312-06-063	<u>176,632</u>
Total U.S. Department of Transportation, Office of Federal Highway Administration			<u>4,300,968</u>
<u>U.S. Department of Transportation, Office of National Highway Traffic Safety Administration</u>			
Passed Through State of Nevada, Department of Transportation State and Community Highway Safety	20.600	BP-1	<u>1,995</u>
<u>U.S. Department of Transportation, Office of the Secretary (OST) Administration Secretariate</u>			
Surface Transportation Discretionary Grants for Capital Investment, TIGER Grants Transportation Investment Generating Economic Recovery - American Recovery and Reinvestment Act (ARRA)	20.932*	NV-78-0001	<u>13,399,470</u>
Total U.S. Department of Transportation			<u>74,870,059</u>
<u>U.S. Department of Homeland Security</u>			
State Homeland Security Program (SHSP)	97.073	97067HL7	<u>4,699</u>
Passed Through State of Nevada, Department of Public Safety Rail and Transit Security Grant Program	97.075	97075TS7	25,344
Rail and Transit Security Grant Program	97.075	RA-T9-0056	<u>375,279</u>
			<u>400,623</u>
Total U.S. Department of Homeland Security			<u>405,322</u>
Total federal assistance expended			<u>\$ 75,275,381</u>

* A major program.

Regional Transportation Commission of Southern Nevada

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

Note 1. Reporting Entity

In accordance with Nevada Revised Statutes (NRS) 378, an ordinance was adopted by the Clark County Board of County Commissioners on June 7, 1965, creating the Regional Streets and Highway Commission. On December 4, 1979, this name was changed to the Regional Transportation Commission and on September 21, 2000, the name was changed to the Regional Transportation Commission of Southern Nevada (the RTC). The RTC is governed by an 8 member Board of Commissioners, comprised of elected officials, as follows:

1. Two representatives appointed from the Clark County Board of County Commissioners
2. Two representatives appointed from the governing board of the City of Las Vegas
3. One representative appointed from each of the governing boards of the Cities of Boulder City, Henderson, North Las Vegas and Mesquite

The RTC's operating activities are comprised primarily of providing both the transit system and transportation-planning in southern Nevada.

The accompanying schedule of expenditures of federal awards presents the activity of all of the RTC's federal financial assistance programs.

Note 2. Basis of Presentation

The schedule of expenditures of federal awards includes all expended federal financial assistance received directly from federal agencies or passed through other government agencies 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the RTC's basic financial statements.

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I - Summary of Auditors' Results:

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	
20.500 and 20.507	U.S. Department of Transportation, Office of Federal Transit Administration, Federal Transit Cluster	
20.516 and 20.521	U.S. Department of Transportation, Office of Federal Transit Administration, Transit Services Programs Cluster	
20.205	U.S. Department of Transportation, Office of Federal Highway Administration, Highway Planning and Construction, Federal - Aid Highway Program, Federal Lands Highway Program	
20.932	U.S. Department of Transportation, Office of the Secretary (OST) Administration Secretariat, Surface Transportation Discretionary Grants for Capital Investment, TIGER Grants Transportation Investment Generating Economic Recovery – American Recovery and Reinvestment Act (ARRA)	
Dollar threshold used to distinguish between Type A and Type B programs		\$ 2,258,261
Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133		No

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2011**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*:

No findings were reported.

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

11-1

Programs:	U.S. Department of Transportation, Office of Federal Highway Administration, Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program (CFDA #20.205)
Specific requirements:	The grant award requires that a recipient establish controls over procurement and follow procurement guidelines as specified by OMB A-133 compliance requirements. In addition, only allowable costs should be included in grant reimbursement requests.
Condition / context:	Applicable procurement guidelines were not followed and grant reimbursements were improperly requested and received.
Questioned costs:	\$145,602
Effect:	Reimbursement of unallowable costs was requested and received.
Cause:	The RTC failed to appropriately review procurement contracts for compliance with procurement guidelines prior to requesting reimbursement.
Recommendation:	Management of the RTC should instruct personnel in the importance of appropriately complying with all applicable procurement and reporting requirements and provide additional resources to monitor such compliance.
Management response:	Management has informed us that it will instruct personnel as to the importance of compliance with applicable requirements and will monitor such compliance.

Regional Transportation Commission of Southern Nevada

**Summary Schedule of Prior Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*:

10-1

Criteria: Expenses should be recorded in the period for which services were rendered to prevent financial statement misstatements.

Condition: Several errors were noted in which expenses were entered into the accounting system based on the invoice date rather than the period for which the services were provided. Review of the expenses failed to identify the errors.

Effect: The expenses reported for the year and related asset and liability accounts could be materially misstated.

Cause: Ineffective application and monitoring of the payables process.

Current status: Corrected.

Regional Transportation Commission of Southern Nevada

**Summary Schedule of Prior Findings and Questioned Costs (continued)
For the Year Ended June 30, 2010**

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

10-2

Programs:	U.S. Department of Transportation, Office of Federal Highway Administration, Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program (CFDA # 20.205)
Specific requirements:	The Federal Highway Administration requires that a recipient establish project specific goals for disadvantaged business enterprise (DBE) participation.
Condition/context:	A signed verification of DBE goals was not received from one contractor.
Questioned costs:	Not applicable
Effect:	Verification of goals set for the use of DBEs could not be obtained.
Cause:	Failure to obtain a signed DBE verification from a contractor.
Current status:	Corrected.

Regional Transportation Commission of Southern Nevada

**Summary Schedule of Prior Findings and Questioned Costs (continued)
For the Year Ended June 30, 2010**

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

10-3

Programs:	U.S. Department of Transportation, Office of Federal Transit Administration, Federal Transit Cluster (CFDA # 20.507)
Specific requirements:	The Federal Transit Administration requires that all steel, iron, and manufactured products used in certain projects must be manufactured in the United States, as demonstrated by a Buy America certificate, or, in the case of rolling stock, the cost of components produced in the United States is more than 60% of the cost of all components and final assembly of the vehicle takes place in the United States (49 CFR part 661).
Condition/context:	A vendor supplied some bus shelters that were manufactured in Tijuana, Mexico, resulting in a violation of the Buy America requirements; and therefore, in violation of federal requirements.
Questioned costs:	The total dollar amount and questioned costs in unknown as the number of bus shelters in violation of the Buy America requirement is not determinable at this time. The total contract was \$1.5 million of which \$1.2 million has been paid to the vendor and 80% of the \$1.2 million was reimbursed through grant funds.
Effect:	Unallowable costs were expensed against the grant.
Cause:	The vendor failed to comply with the contractual obligations and certifications of the grant.
Current status:	Corrected.