

P B T K

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Certified Public Accountants
Business Advisors

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

**For the Year Ended
June 30, 2012**

Regional Transportation Commission of Southern Nevada
Single Audit Compliance Report
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For the Year Ended June 30, 2012

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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, 2012. 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.

In our opinion, the RTC complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclose instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-4 through 12-6.

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, 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 in order to determine our 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.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-4 and 12-6. 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.

Schedule of Expenditures of Federal Awards. We have audited the 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, 2012, and have issued our report thereon dated December 11, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the RTC's 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 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. 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.

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

This report is intended for the information and use of 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 11, 2012

Regional Transportation Commission of Southern Nevada

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

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	\$ 2,974,429
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X060	100,776
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X062	312,550
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X065	8,802,300
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-95-X004	1,433,575
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-95-X007	356,848
			<u>13,980,478</u>
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0005	16,498
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0011	57,696
			<u>74,194</u>
Passed Through State of Nevada, Department of Transportation			
Federal Transit Administration Discretionary Bus and Bus Facilities Grant Assistance	20.500*	NDOT PR385-08-802	570,000
Total Federal Transit Cluster			<u>14,624,672</u>
Transit Services Programs Cluster			
Job Access Reverse Commute	20.516*	NV-37-X012	41,385
Job Access Reverse Commute	20.516*	NV-37-X018	6,617
Job Access Reverse Commute	20.516*	NV-37-X019	1,448,656
			<u>1,496,658</u>
New Freedom Program	20.521*	NV-57-X003	32,133
New Freedom Program	20.521*	NV-57-X008	60,362
New Freedom Program	20.521*	NV-57-X010	792,985
			<u>885,480</u>
Total Transit Services Programs Cluster			<u>2,382,138</u>
Passed Through State of Nevada, Department of Transportation			
Metropolitan Transportation Planning Grant, Metropolitan Planning Program	20.505	NDOT PR367-11-802	417,323
Formula Grants for Other Than Urbanized Areas, Nonurbanized Area Formula Program	20.509	NDOT P174-10-802	310,125
Total U.S. Department of Transportation, Office of Federal Transit Administration			<u>17,734,258</u>

(continued)

Regional Transportation Commission of Southern Nevada

**Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2012**

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 Highway Administration</u>			
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	27,008
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205	NDOT P400-11-804	1,022,037
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205	NDOT PR402-11-804	1,905,420
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205	NDOT P204-10-016	<u>8,461</u>
Total U.S. Department of Transportation, Office of Federal Highway Administration			<u>2,962,926</u>
Total U.S. Department of Transportation			<u>20,697,184</u>
<u>U.S. Department of Homeland Security</u>			
Rail and Transit Security Grant Program	97.075	97075T57	<u>104,308</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>20,348,523</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>			
Passed Through Nevada Division of Health Care Financing and Policy Medical Assistance Program	93.778	Contract No. 13472	<u>104,177</u>
<u>Southern Nevada Health District (SNHD)</u>			
Passed Through Southern Nevada Health District Centers for Disease Control and Prevention-Affordable Care Act- Communities Putting Prevention to Work	93.520	12-032	<u>68,000</u>
Total federal assistance expended			<u>\$ 41,322,192</u>

* A major program.

Regional Transportation Commission of Southern Nevada

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

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 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, 2012**

Section I - Summary of Auditors' Results:

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
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
20.932	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 \$ 1,239,666

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, 2012**

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*:

12-1

Criteria:	Schedules of depreciation and amortization of property and equipment and gain/loss on sales or disposals should be independently reviewed/approved and recalculated.
Condition:	Examination of detailed schedules within the new accounting software, MS Govern, revealed both asset basis errors and calculation errors in the depreciation of the transferred assets.
Effect:	The financial statements with respect to the property and equipment and depreciation could be misstated.
Cause:	The schedules produced by MS Govern were not reconciled to the general ledger and independently reviewed and controls were not in place to verify the integrity of the data transferred.
Recommendation:	We recommend that management re-upload the asset data to avoid depreciation calculation errors and the corresponding misstatements in the net book value of the assets.
Management response:	Management has informed us that they have initiated the recommended changes and will monitor compliance therewith timely.

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2012**

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*:

12-2

Criteria:	Bank account reconciliations should be reviewed by an individual independent of the preparation thereof and of the cash receipts and disbursements functions. The monthly review process should include inspection and checking numerical accountability of returned checks.
Condition:	Two bank reconciliations that we examined did not include evidence of review, and we ascertained that reviews of the bank reconciliations are not consistently performed.
Effect:	Fraudulent activity involving cash could occur and not be detected, and the financial statements could be misstated.
Cause:	Bank reconciliations are not being reviewed by someone independent of their preparation on a consistent basis.
Recommendation:	We recommend that management amend the policies and procedures to include monthly reviews of bank reconciliations documented by signature and date evidencing timely review by appropriate management personnel.
Management response:	Management has informed us that they have initiated the recommended changes to policies and procedures and will monitor compliance therewith timely.

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2012**

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*:

12-3

Criteria:	Expenses should be recorded in the period for which services were rendered to prevent financial statement misstatements.
Condition:	We identified one instance in which expense charges from other governmental agencies were received several months after year end and the related expenses were entered into the accounting system based on the invoice date rather than the period for which the related services were provided. Management further explained that the error in the period of recognition is partially the result of management's inability to access and enter data during the conversion to the new accounting software. (Current and historical testing indicates that this risk is isolated to intergovernmental billings in connection with capital projects.)
Effect:	The expenses reported for the year and related asset and liability accounts could be misstated.
Cause:	Ineffective application and monitoring of the payables process.
Recommendation:	We encourage management to establish an agreement with the governmental agencies, and a process, to assure that such charges are invoiced timely, thereby facilitating accruals in the proper period of services rendered so that expenses reported for the year and related asset and liability accounts at year-end are not misstated.
Management response:	Management has informed us that they have considered the recommended changes.

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2012**

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

12-4

Programs:	U.S. Department of Transportation, Office of Federal Transit Administration, Federal Services Program, Federal Services Program Cluster (CFDA #20.516 and # 20.521)
Specific requirements:	The Federal Transit Administration requires that the processing and reporting of applicable grant funds be in compliance with the Federal Funding Accountability and Transparency Act (Transparency Act).
Condition / context:	Due to a misunderstanding of the compliance requirements, the RTC was not aware that several grant awards were subject to the Transparency Act and, as a result, the required reports were not submitted for the following grant awards: <ul style="list-style-type: none">• NV-37-X012-00• NV-37-X018-01• NV-37-X019-00• NV-57-X003-00• NV-57-X008-00• NV-57-X010-01
Questioned costs:	Not applicable.
Effect:	The Federal Transit Administration did not receive reporting information as required under the Transparency Act.
Cause:	The RTC failed to accurately comply with the reporting requirements.
Recommendation:	Management of the RTC should amend its current policies and procedures to provide for consultation with the Department of Transportation to clarify any grant compliance matters. Additionally, the policies should be amended to ensure that all appropriate reports are completed accurately and timely.
Management response:	Management has informed us that it will amend its current policies and procedures to provide for consultation with the Department of Transportation to clarify any grant compliance matters. Additionally, the policies will be amended to ensure that all appropriate reports are completed accurately and timely.

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2012**

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

12-5

Programs:	U.S. Department of Transportation, Office of Federal Transit Administration, Federal Services Program, Federal Services Program Cluster (CFDA #20.516 and # 20.521)
Specific requirements:	The Federal Transit Administration requires that all funds be used to for allowable costs.
Condition / context:	During the first quarter of the fiscal year, RTC transitioned to a new program operator. The previous operator incorrectly billed RTC for an entire month of service. Subsequent to receiving payment, the operator brought to the RTC's attention that both operators billed for the same period and that they over paid by \$291.60.
Questioned costs:	\$291.60
Effect:	Unallowable costs were expensed against the grant.
Cause:	Ineffective application of the payables process.
Recommendation:	We recommend that management instruct and remind staff of the policies and procedures in place regarding payables and compliance with federal awards.
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

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2012**

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

12-6

Programs:	U.S. Department of Transportation, Office of Federal Transit Administration, Federal Services Program, Federal Services Program Cluster (CFDA #20.516 and # 20.521)
Specific requirements:	The Federal Transit Administration requires that first-tier subrecipients obtain the non-ARRA pass-through entity's DUNS numbers prior to the issuance of the subaward.
Condition / context:	RTC was not aware of this requirement and, as a result, did not verify the DUNS numbers for its subrecipients prior to the issuance of the subaward.
Questioned costs:	Not applicable.
Effect:	Non-compliance with respect to the subrecipient monitoring process.
Cause:	Ineffective application of the subrecipient monitoring process.
Recommendation:	We recommend that policies and procedures regarding subrecipients be revised to ensure compliance with federal awards.
Management response:	Management has informed us that it will amend the policies and procedures regarding subrecipients to ensure compliance with federal awards.

Regional Transportation Commission of Southern Nevada

**Summary Schedule of Prior Findings and Questioned Costs
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.

Regional Transportation Commission of Southern Nevada

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

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 the Secretary (OST) Administration Secretariate, Surface Transportation Discretionary Grants for Capital Investment, TIGER Grants Transportation Investment Generating Economic Recovery - American Recovery and Reinvestment Act (ARRA) (CFDA #20.932)
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.
Current status:	Corrected.