

**SAN LUIS OBISPO REGIONAL
TRANSIT AUTHORITY**

SINGLE AUDIT REPORT
For the Fiscal Year Ended
June 30, 2015

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY

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**INDEPENDENT AUDITORS' 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**

Board of Directors
San Luis Obispo Regional Transit Authority
San Luis Obispo, California

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 basic financial statements of San Luis Obispo Regional Transit Authority (the Authority), as of and for the fiscal year ended June 30, 2015, and the related notes to the basic financial statements, and have issued our report thereon dated November 23, 2015.

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 Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, Finding 2015-1, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Luis Obispo Regional 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*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Moss, Renz & Haugheim LLP

Santa Maria, California
November 23, 2015

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Fiscal Year Ending June 30, 2015

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
FTA Section 5304 - Planning Assistance	20.505	74AO138	\$ 6,801
FTA Section 5307 - Operating Assistance	20.507	CA-90-Z272-00	706,520
FTA Section 5307 - Operating Assistance	20.507	CA-90-Z272-00	472,500
FTA Section 5307 - Operating Assistance	20.507	CA-90-Z272-00	651,960
FTA Section 5307 - Operating Assistance	20.507	CA-90-Z272-00	205,300
FTA Section 5307 - Capital Assistance ADA Vehicles	20.507	CA-90-Z169-00	153,000
FTA Section 5307 - Capital Assistance Support Vehicles	20.507	CA-90-Z169-00	50,000
FTA Section 5307 - Capital Assistance Support Vehicles	20.507	CA-90-Z169-00	24,000
FTA Section 5307 - Capital Assistance ADA Vehicles	20.507	CA-90-Z075-00	255,924
FTA Section 5307 - Capital Assistance Maintenance software & equipment	20.507	CA-90-Z075-00	27,045
FTA Section 5307 - Capital Assistance Bus Purchase	20.507	CA-90-Z075-00	40,000
Total cluster FTA Section 5307			<u>2,586,249</u>
FTA Section 5309 - Capital Assistance	20.500	CA-04-0223-01	<u>2,280,000</u>
FTA Section 5339 - Capital Assistance Bus Stop Signs	20.509	CSA - 644913	<u>4,464</u>
Passed-Through State of California Department of Transportation:			
FTA Section 5311 - Operating Assistance	20.509	CSA - 643160	612,879
FTA Section 5311F - Capital Assistance Bus Purchase	20.509	CSA - 641470	300,000
FTA Section 5311F - Capital Assistance Bus Equipment Purchase	20.509	CSA - 641471	29,439
Total cluster FTA Section 5311			<u>942,318</u>
Passed-Through State of California Department of Transportation:			
FTA Section 5316 - Operating Assistance	20.516	CSA - 643605	400,000
FTA Section 5316 - Operating Assistance	20.516	CA-90-Z011-01	400,000
FTA Section 5316 - Capital Assistance Bus Purchase	20.516	CA-90-Z011-01	400,000
Total cluster FTA Section 5316			<u>1,200,000</u>
Total expenditures of federal awards			<u>\$ 7,019,832</u>

The note to the schedule of expenditures of federal awards is an integral part of this statement.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the San Luis Obispo 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 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 basic financial statements.



Moss, Levy & Hartzheim LLP
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
San Luis Obispo Regional Transit Authority
San Luis Obispo, California

Report on Compliance for Each Major Federal Program

We have audited San Luis Obispo Regional Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2015. 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 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 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, San Luis Obispo Regional 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 fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of San Luis Obispo Regional 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 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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditure of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the San Luis Obispo Regional Transit Authority, as of and for the fiscal year ended June 30, 2015, and the related notes to the basic financial statements. We issued our report thereon November 23, 2015, 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 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic 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 basic financial statements as a whole.

Moss, Remy & Hargheim LLP

Santa Maria, California
November 23, 2015

FINDINGS AND RECOMMENDATIONS

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:
 Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not considered
 to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not considered
 to be material weaknesses? _____ Yes X None reported

Type of auditors’ report issued on compliance for major
 programs: Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with Circular A-133,
 section .510 (a) _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.509</u>	<u>Formula Grants for Other Than Urbanized Areas</u>
<u>20.516</u>	<u>Job Access Reverse Commute</u>

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 300,000

Auditee qualify as low-risk auditee: X Yes _____ No

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

FINDING 2015-1
Payroll

Criteria:

All employee salaries and wages must agree to the Board approved salary schedules, union Memorandums of Understanding or employment contracts as applicable.

Condition:

During our examination of the payroll system and employee pay, we discovered that one employee was being paid at an incorrect hourly rate of \$16.51/hour instead of \$16.15/hour.

Cause:

Input typo and lack of appropriate review.

Effect:

A lack of proper control procedures could result in a misappropriation of assets. Payroll expense was overstated.

Recommendation:

The Agency should ensure that all inputs into the payroll system are correct by making sure that the payroll review process used prior to payroll checks being issued involves a review of system data such as pay rates rather than focusing only on periodic data such as hours worked.

Authority's Corrective Action Plan:

The Agency strives to accurately reflect all payroll items. Pay rates, along with various deductions, are reviewed when put into place as well as randomly during each payroll cycle. In addition, hours worked in each pay period are reviewed when inputted into our computerized payroll system.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

Federal Award Findings:

There were no federal award findings or questioned costs.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SUMMARY OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

Financial Statement Findings:

FINDING 2014-1
Employee Reimbursements and Credit Cards

Criteria:

Proper controls need to be in place and followed in order to decrease the risk of potential misappropriation of assets.

Condition:

During our examination of the use of employee reimbursements and credit cards, we noted that 2 of 20 transactions tested lacked an itemized receipt for a meal purchased at a restaurant.

Cause:

Agency oversight.

Effect:

A lack of proper control procedures could result in a misappropriation of assets.

Recommendation:

The Agency should ensure that itemized receipts are retained in order to validate the proper use of Agency funds for employee reimbursements and credit cards. The supporting documentation also needs to state the business purpose of the expense.

Current Status:

Implemented.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SUMMARY OF PRIOR FISCAL YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

Federal Award Findings:

There were no prior fiscal year federal award findings or questioned costs.