# South Florida Regional Transportation Authority

**Federal and State Awards Supplementary Information**

**June 30, 2023**

## South Florida Regional Transportation Authority

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Plante & Moran, PLLC
Suite 360
4444 W. Bristol Road
Flint, MI 48507
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Projects Required by the Uniform Guidance and Chapter 10.550 of the Rules of the Auditor General of the State of Florida

## Independent Auditor's Report

To the Governing Board
South Florida Regional Transportation Authority

We have audited the financial statements of South Florida Regional Transportation Authority as of and for the year ended June 30, 2023 and have issued our report thereon dated January 10, 2024, 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. We have not performed any procedures with respect to the audited financial statements subsequent to January 10, 2024.

The accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for the purpose of additional analysis, as required by the Uniform Guidance, and Chapter 10.550 of the *Rules of the Auditor General* 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

January 10, 2024

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**Plante & Moran, PLLC**
Suite 360
4444 W. Bristol Road
Flint, MI 48507
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

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*

## Independent Auditor's Report

To Management and the Governing Board
South Florida Regional Transportation Authority

We have audited, in accordance with 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 financial statements of South Florida Regional Transportation Authority (the "Authority") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated January 10, 2024.

### Report on 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) as a basis for designing 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 the Authority'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 Authority'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 or significant deficiencies may exist that have not been identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

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To Management and the Governing Board
South Florida Regional Transportation Authority

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

January 10, 2024

plante moran

**Plante & Moran, PLLC**
Suite 360
4444 W. Bristol Road
Flint, MI 48507
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

Report on Compliance for Each Major Federal Program and Major State Financial Assistance Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.550 of the Rules of the Auditor General of the State of Florida

## Independent Auditor's Report

To the Governing Board
South Florida Regional Transportation Authority

### Report on Compliance for Each Major Federal Program and Major State Financial Assistance Project

#### *Opinion on Each Major Federal Program and Major State Financial Assistance Project*

We have audited South Florida Regional Transportation Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the requirements described in the Florida Department of Financial Services State Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs and major state financial assistance project, respectively, for the year ended June 30, 2023. The Authority's major federal programs and major state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs and major state financial assistance project for the year ended June 30, 2023.

#### *Basis for Opinion on Each Major Federal Program and Major State Financial Assistance Project*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); and Chapter 10.550 of the *Rules of the Auditor General* (Chapter 10.550). Our responsibilities under those standards and the Uniform Guidance and Chapter 10.550 are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state financial assistance project. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs and state projects.

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***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program and major state financial assistance project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, which are described in the accompanying schedule of findings and questioned costs as Findings 2023-001, 2023-002, and 2023-003. Our opinion on each major federal program and major state financial assistance project is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the Authority's responses to the noncompliance findings identified in our compliance audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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 or state 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 of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2023-001, 2023-002, and 2023-003 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the Authority's responses to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

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 and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

January 10, 2024

## South Florida Regional Transportation Authority

# Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

**Year Ended June 30, 2023**

| Federal Agency/Pass-through Agency/Program Title/Project Number | Assistance Listing Number/CSFA Number (State Grants) | Pass-through Entity Identifying Number | Federal Expenditures | State Expenditures | Total Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|---|---|
| U.S. Department of Transportation - Direct programs: | | | | | | |
| Federal Transit Cluster: | | | | | | |
| FL-2019-096/FL - 90-YO41 | 20.507 | | $ 391,912 | $ - | $ 391,912 | $ - |
| FL-2021-052/FL - 54-0045 | 20.525 | | 8,949,089 | - | 8,949,089 | - |
| FL-2023-016-02/FL -54-0050 | 20.526 | | 9,990,784 | - | 9,990,784 | - |
| COVID-19 - FL-2020-054/FL - 90-YO68 - CARES | 20.507 | | 20,310,116 | - | 20,310,116 | - |
| FL-2021-052/FL - 90-Y133 | 20.507 | | 4,944,011 | - | 4,944,011 | - |
| FL-2023-016-03/FL -34-0212 | 20.526 | | 551,271 | - | 551,271 | - |
| FL-90-845 | 20.507 | | 9,924 | - | 9,924 | - |
| COVID-19 - FL-2021-084/FL-95-Y150-CRSSA | 20.507 | | 5,749,286 | - | 5,749,286 | - |
| FL-2023-016-01/FL -90-Y207 | 20.507 | | 1,323,398 | - | 1,323,398 | - |
| FL-90- Y0012 | 20.507 | | 10,182 | - | 10,182 | - |
| FL-2017-099-54-0024 | 20.525 | | 49,883 | - | 49,883 | - |
| FL-2019-027/FL - 54-0033 | 20.525 | | 579,241 | - | 579,241 | - |
| FL-2019-099/FL - 54-0037 | 20.525 | | 1,490,090 | - | 1,490,090 | - |
| FL-2019-096/FL - 90-YO41 | 20.507 | | 90,862 | - | 90,862 | - |
| FL-2021-052/FL - 54-0045 | 20.525 | | 4,053,398 | - | 4,053,398 | - |
| FL-2023-016-02/FL -54-0050 | 20.526 | | 1,469,273 | - | 1,469,273 | - |
| FL-2017-066/FL-90-X942 | 20.507 | | 107,106 | - | 107,106 | - |
| FL-2017-103/FL-95-132 | 20.507 | | 779,336 | - | 779,336 | - |
| FL-2021-052/FL - 90-Y133 | 20.507 | | 985,678 | - | 985,678 | - |
| FL-2021-054/FL-190 | 20.507 | | 10,826 | - | 10,826 | - |
| FL-2023-016-01/FL -90-Y207 | 20.507 | | 1,151,937 | - | 1,151,937 | - |
| FL-90-845 | 20.507 | | 11,840 | - | 11,840 | - |
| FL-57/FL-90-976 | 20.507 | | 1,051,109 | - | 1,051,109 | - |
| FL-5307-5454-2022-1-P1 | 20.507 | | 32,565 | - | 32,565 | - |
| FL-5337-5454-2022-1-P2 | 20.525 | | 30,000 | - | 30,000 | - |
| FL-5307-5454-2023-4 | 20.507 | | 470,652 | - | 470,652 | - |
| Total Federal Transit Cluster | | | 64,593,769 | - | 64,593,769 | - |

See notes to schedule of expenditures of federal awards and state financial assistance projects.

| Federal Agency/Pass-through Agency/Program Title/Project Number | Assistance Listing Number/CSFA Number (State Grants) | Pass-through Entity Identifying Number | Federal Expenditures | State Expenditures | Total Expenditures | Amount Provided to Subrecipients |
|---|---|---|---|---|---|---|
| Highway Planning and Construction - | | | | | | |
| Passed through the Florida Department of Transportation - 01-23-01 | 20.205 | 42969318490 | $ 4,000,000 | $ - | $ 4,000,000 | $ - |
| Railroad Safety Technology Grants - Direct program - | | | | | | |
| FL-018/FL-54-0025 | 20.321 | | 633,461 | - | 633,461 | - |
| Public Transportation Innovation - Direct program: | | | | | | |
| FL-2021-023-01-26-7132 | 20.530 | | 135,758 | - | 135,758 | - |
| FL-2021-023-01-26-7132 | 20.530 | | 10,589 | - | 10,589 | - |
| Total Public Transportation Innovation | | | 146,347 | - | 146,347 | - |
| Total U.S. Department of Transportation | | | 69,373,577 | - | 69,373,577 | - |
| Florida Department of Transportation: | | | | | | |
| JPA # 107 | 55.018 | 4407931/4407941 | - | 54,544,155 | 54,544,155 | - |
| JPA # 109 | 55.010 | 44079419401 | - | 1,431,403 | 1,431,403 | - |
| JPA # 85 | 55.021 | 42948712401 | - | 12,412 | 12,412 | - |
| JPA # 95 | 55.013 | 43745415701 | - | 7,352,973 | 7,352,973 | - |
| PTGA #1 | 55.013 | 44721719401 | - | 15,000 | 15,000 | - |
| PTGA #3 | 55.013 | 40680025703 | - | 127,154 | 127,154 | - |
| JPA # 104 | 55.021 | 43638119401 | - | 259,457 | 259,457 | - |
| Total Florida Department of Transportation | | | - | 63,742,554 | 63,742,554 | - |
| Total federal and state expenditures | | | **$ 69,373,577** | **$ 63,742,554** | **$ 133,116,131** | **$ -** |

See notes to schedule of expenditures of federal awards and state financial assistance projects.

# Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Projects

**Year Ended June 30, 2023**

## Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance projects (the "Schedule") includes the federal and state grant activity of South Florida Regional Transportation Authority (the "Authority") under programs of the federal government and State of Florida for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); the Florida Single Audit Act; and Chapter 10.550 of the *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

## Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the cash basis of accounting. The federal expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The state expenditures are recognized following Chapter 10.550 of the *Rules of the Auditor General*. The pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

# Schedule of Findings and Questioned Costs

# South Florida Regional Transportation Authority

## Schedule of Findings and Questioned Costs

**Year Ended June 30, 2023**

## 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 | X No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ Yes | X None reported |
| Noncompliance material to financial statements noted? | ___ Yes | X None reported |

### Federal Awards

| | | |
|---|---|---|
| Internal control over major programs: | | |
| • Material weakness(es) identified? | X Yes | ___ No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ Yes | X None reported |
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? | X Yes | ___ No |

Identification of major federal programs:

| Assistance Listing Number | Name of Federal Program/Cluster | Opinion |
|---|---|---|
| 20.507, 20.525, 20.526 | Federal Transit Cluster | Unmodified |
| 20.205 | Highway Planning and Construction | Unmodified |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B Federal programs: | | $2,081,207 |
| Auditee qualified as low-risk auditee? | X Yes | ___ No |

### State Projects

| | | |
|---|---|---|
| Internal control over major projects: | | |
| • Material weakness(es) identified? | X Yes | ___ No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ Yes | X None reported |
| Any audit findings disclosed that are required to be reported in accordance with Section 215.97 Florida Statutes? | X Yes | ___ No |

## South Florida Regional Transportation Authority

Identification of major state projects:

| CSFA Number | Name of State Project | Opinion |
|---|---|---|
| 55.018 | State project – South Florida Regional Transportation Authority Operating Assistance | Unmodified |

Dollar threshold used to distinguish between type A and type B State projects: $1,912,277

Auditee qualified as low-risk auditee? _____ Yes ___X___ No

# Schedule of Findings and Questioned Costs (Continued)

**Year Ended June 30, 2023**

## Section II - Financial Statement Audit Findings

None

## Section III - Federal Program Findings

| Reference Number | Finding |
|---|---|
| 2023-001 | **Assistance Listing, Federal Agency, and Program Name** – 20.507, 20.525, 20.526, U.S. Department of Transportation, Federal Transit Cluster<br><br>**Federal Award Identification Number and Year** – All<br><br>**Pass-through Entity** – N/A<br><br>**Finding Type** – Material weakness and material noncompliance<br><br>**Repeat Finding** – No<br><br>**Criteria** – Per 2 CFR 200.508(b), an auditee must properly prepare the schedule of expenditures of federal awards (SEFA).<br><br>Per 2 CFR 200.510(b), the SEFA for the period covered by the auditee's financial statements must include the total federal awards expended as determined in accordance with 2 CFR 200.502, which describes the basis for determining federal awards expenses.<br><br>Per 2 CFR 200.71(2), for a SEFA prepared on a cash basis, expenditures are the sum of (i) cash disbursements for direct charges for property and services; (ii) the amount of indirect expense charged; (iii) the value of third-party in-kind contributions applied; and (iv) the amount of cash advance payments and payments made to subrecipients.<br><br>**Condition** – The SEFA for the year ended June 30, 2023 was not accurately prepared in accordance with the Authority's accounting policy for a cash basis SEFA, as it originally included expenditures that were direct charges for property and services, but cash disbursement had not been made as of June 30, 2023.<br><br>**Questioned Costs** – None<br><br>**Identification of How Questioned Costs Were Computed** – N/A<br><br>**Context** – Required revisions were identified during the audit to ensure that the schedule of expenditures of federal awards was accurately stated on a cash basis. These revisions related to $2,591,504 of federal expenditures where goods and services had been received as of June 30, 2023 that were originally on the SEFA, but cash disbursement had not been made for these direct charges as of June 30, 2023 and therefore should not have been included in the cash basis SEFA.<br><br>**Cause and Effect** – Internal control procedures relative to the identification of federal expenditures to be reported on the SEFA did not operate effectively to ensure proper presentation of the SEFA under a cash basis model. This resulted in the Authority's schedule of expenditures of federal awards to be overstated prior to auditor identified revisions.<br><br>**Recommendation** – The Authority should expand procedures and review processes to ensure the proper expenditures are reported on the schedule of expenditures of federal awards in the proper period.<br><br>**Views of Responsible Officials and Corrective Action Plan** – The SEFA was originally prepared on an accrual basis as has been done in prior years. Due to the ability to use Covid-19 funding for operating expenses, the reporting basis was changed from accrual to cash in FY21-22 without changing internal procedures for creation of the SEFA. This caused the FY22-23 SEFA to be completed on an accrual basis and need to be revised and resubmitted to the auditors. |

The corrective action has been implemented to revise internal procedures to prepare the SEFA on a cash basis for future fiscal years. This includes the creation of a reconciliation schedule to the financial statements which are prepared on an accrual basis.

2023-002 **Assistance Listing, Federal Agency, and Program Name** – 20.507, 20.525, 20.526, U.S. Department of Transportation, Federal Transit Cluster

**Federal Award Identification Number and Year** – COVID-19 - FL-2020-054/FL - 90-YO68 - CARES

**Pass-through Entity** – N/A

**Finding Type** – Material weakness and material noncompliance

**Repeat Finding** – No

**Criteria** – Per 48 CFR section 52.216-7(b), reimbursing of allowable costs includes recorded costs that, at the time of the request for reimbursement, have been paid.

Per 2 CFR 200.403, except where otherwise authorized by statute, costs must meet general criteria in order to be allowable under Federal awards, including (e) be determined in accordance with generally accepted accounting principles (GAAP) and (g) be adequately documented.

**Condition** – The billing submitted to the awarding agency on September 7, 2023 for the months of May and June 2023 expenses included $1,653,326 of costs that weren't allowable.

**Questioned Costs** – None

**Identification of How Questioned Costs Were Computed** – N/A

**Context** – The draw submitted on September 7, 2023 totaling $6,235,737 was submitted with details stating that the reimbursement request was for May and June 2023 expenses which included $1,653,326 of expenses that were not allowable. Those expenses were erroneously classified in the general ledger as operating expenditures when they were truly capital in nature. Once the cash was received for this draw, the Authority identified the classification and drawdown error and noted allowable expenses in August 2023 in excess of this $1,653,326 that could be used to replace the capital items that were previously submitted for reimbursement erroneously. As a result, there are no questioned costs since there were allowable expenses prior to the next drawdown request in late September 2023.

**Cause and Effect** – The internal control procedures relative to the identification of total costs incurred as of June 30, 2023 for this award did not operate effectively. The Authority has a control in place in which general ledger accounts are reviewed and identified for all expenditures and classified as either operation or capital and then a second review of that classification is performed by accounting, but the timing of those reviews was not prior to the receipt of the drawdown. This resulted in the Authority's cash draw reported for May and June 2023 costs including $1,653,326 of costs that were not allowable as they were capital in nature.

**Recommendation** – The Authority should review procedures and processes and related timing to ensure the proper expenses are being requested for reimbursement and are submitted with the proper support.

**Views of Responsible Officials and Corrective Action Plan** – SFRTA uses its CARES funding to meet operating shortfalls as allowed by the grant. Human error caused a payment in the amount of $1,653,326 to be misclassified as capital revenue instead of operating revenue which caused our operating shortfall for FY22-23 to be overstated by the same amount. This led to a draw of the incorrect amount for the May/June 2023 period on September 7, 2023. This error was detected and corrected prior the subsequent drawdown of July/August 2023 expenses which occurred on September 27, 2023. At the time of both draws, SFRTA had incurred allowable expenses in excess of the amount drawn down but not for the period being reported. SFRTA has internal controls in

place for the creation and review of draws. The order of the processes successfully detected and corrected the error but did not prevent the error.

The corrective action has been implemented to modify the order of our preventative internal controls. SFTRA has changed the order of review so the electronic drawdown is not completed by the Budget Office until the Accounting Office has reviewed and approved the draw. This step was previously completed after the drawdown was initiated. Additionally, during review by the Accounting Office, the general ledger line detail will be reviewed to ensure accuracy

# South Florida Regional Transportation Authority

## Section IV - State Project Audit Findings

2023-003

**Assistance Listing, Federal Agency, and Program Name** – CFSA Number 55.018, Florida Department of Transportation (FDOT), South Florida Regional Transportation Authority Operating Assistance

**Federal Award Identification Number and Year** – All

**Pass-through Entity** – N/A

**Finding Type** – Material weakness and material noncompliance

**Repeat Finding** – No

**Criteria** – Per 2 CFR 200.510(b), the SEFA for the period covered by the auditee's financial statements must include the total awards expended as determined in accordance with 2 CFR 200.502, which describes the basis for determining awards expenses.

Per 2 CFR 200.71(2), for a SEFA prepared on a cash basis, expenditures are the sum of (i) cash disbursements for direct charges for property and services; (ii) the amount of indirect expense charged; (iii) the value of third-party in-kind contributions applied; and (iv) the amount of cash advance payments and payments made to subrecipients.

**Condition** – The SEFA for the year ended June 30, 2023 was not accurately prepared in accordance with the Authority's accounting policy for a cash basis SEFA, as it originally included expenditures that were direct charges for property and services, but cash disbursement had not been made as of June 30, 2023.

**Questioned Costs** – None

**Identification of How Questioned Costs Were Computed** – N/A

**Context** – Required revisions were identified during the audit to ensure that the schedule of expenditures of federal awards was accurately stated on a cash basis. These revisions related to $13,603 of state expenditures where goods and services had been received as of June 30, 2023 that were originally on the SEFA, but cash disbursement had not been made for these direct charges as of June 30, 2023 and therefore should not have been included in the cash basis SEFA.

**Cause and Effect** – Internal control procedures relative to the identification of state expenditures to be reported on the SEFA did not operate effectively to ensure proper presentation of the SEFA under a cash basis model. This resulted in the Authority's schedule of expenditures of state awards to be overstated prior to auditor identified revisions.

**Recommendation** – The Authority should expand procedures and review processes to ensure the proper expenditures are reported on the schedule of expenditures of state awards in the proper period.

**Views of Responsible Officials and Corrective Action Plan** – The SEFA was originally prepared on an accrual basis as has been done in prior years. Due to the ability to use Covid-19 funding for operating expenses, the reporting basis was changed from accrual to cash in FY21-22 without changing internal procedures for creation of the SEFA. This caused the FY22-23 SEFA to be completed on an accrual basis and need to be revised and resubmitted to the auditors.

The corrective action has been implemented to revise internal procedures to prepare the SEFA on a cash basis for future fiscal years. This includes the creation of a reconciliation schedule to the financial statements which are prepared on an accrual basis.