

SOUTH CENTRAL FLORIDA EXPRESS, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AND RELATED COMPLIANCE REPORTS

Year Ended October 31, 2017

With Report of Independent Certified Public Accountants

SOUTH CENTRAL FLORIDA EXPRESS, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AND RELATED COMPLIANCE REPORTS
Year Ended October 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Central Florida Express, Inc.
Clewiston, Florida

Report on the Schedule of Expenditures of State Financial Assistance

We have audited the accompanying Schedule of Expenditures of State Financial Assistance of South Central Florida Express, Inc. ("SCFE") for the year ended October 31, 2017, and the related notes to the Schedule of Expenditures of State Financial Assistance.

Management's Responsibility for the Schedule of Expenditures of State Financial Assistance

Management is responsible for the preparation and fair presentation of the Schedule of Expenditures of State Financial Assistance in accordance with the financial reporting provisions of Rule 691-5.004, *Florida Administrative Code*, Section 215.97, *Florida Statutes* and the requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule of Expenditures of State Financial Assistance that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Expenditures of State Financial Assistance based on our audit. We conducted our audit 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 and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of State Financial Assistance is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Expenditures of State Financial Assistance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Expenditures of State Financial Assistance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule of Expenditures of State Financial Assistance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of State Financial Assistance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the Schedule of Expenditures of State Financial Assistance referred to above present fairly, in all material respects, the expenditures of state financial assistance of SCFE for the year ended October 31, 2017 in accordance with the financial reporting provisions of Section 215.97, *Florida Statutes* and the requirements of Chapter 10.650, *Rules of the Auditor General*.

Basis of Accounting

We draw attention to Note 1 of the Schedule of Expenditures of State Financial Assistance, which describes the basis of accounting. As described in Note 1 to the Schedule of Expenditures of State Financial Assistance, the Schedule of Expenditures of State Financial Assistance is prepared by SCFE on the basis of the financial reporting provisions of Rule 69I-5.004, *Florida Administrative Code*, Section 215.97, *Florida Statutes* and the requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the financial reporting provisions referred to above. Our opinion is not modified in respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of SCFE, the Auditor General of the State of Florida and the Florida Department of Transportation, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018, on our consideration of SCFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCFE's internal control over financial reporting and compliance.


Crowe LLP

Tampa, Florida
July 31, 2018

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
South Central Florida Express, Inc.
Clewiston, Florida

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 Schedule of Expenditures of State Financial Assistance of South Central Florida Express, Inc. ("SCFE") for the year ended October 31, 2017, and the related notes to the Schedule of Expenditures of State Financial Assistance, and have issued our report thereon dated July 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Expenditures of State Financial Assistance, we considered SCFE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule of Expenditures of State Financial Assistance, but not for the purpose of expressing an opinion on the effectiveness of SCFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SCFE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCFE's Schedule of Expenditures of State Financial Assistance is free of 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 the Schedule of Expenditures of State Financial Assistance 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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



Crowe LLP

Tampa, Florida
July 31, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE FINANCIAL ASSISTANCE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650 RULES OF THE AUDITOR GENERAL

Board of Directors
South Central Florida Express, Inc.
Clewiston, Florida

Report on Compliance for Each Major State Financial Assistance Project

We have audited South Central Florida Express, Inc.'s ("SCFE") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of SCFE's major state financial assistance projects for the year ended October 31, 2017. SCFE's major state financial assistance projects 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 statutes, regulations, and the terms and conditions of its state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SCFE's major state financial assistance projects 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, 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 state financial assistance project occurred. An audit includes examining, on a test basis, evidence about SCFE'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 state financial assistance project. However, our audit does not provide a legal determination of SCFE's compliance.

Opinion on Each Major State Financial Assistance Project

In our opinion, SCFE's 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 state financial assistance projects for the year ended October 31, 2017.

Report on Internal Control Over Compliance

Management of SCFE 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 SCFE's internal control over compliance with the types of requirements that could have a direct and material effect on each major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state financial assistance project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, 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 SCFE'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 state 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 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 state 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

SCFE's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. SCFE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Tampa, Florida
July 31, 2018

SOUTH CENTRAL FLORIDA EXPRESS, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED OCTOBER 31, 2017

<u>Grantor Agency/Program</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures</u>
State Financial Assistance			
Florida Department of Transportation			
Rail Development Grants:			
SCFE-C-17001	55.021	G0G48	\$ 2,185,998
SCFE-C-17002	55.021	G0H04	<u>1,555,941</u>
Total Expenditures of State Financial Assistance			<u>\$ 3,741,939</u>

See accompanying notes to Schedule of Expenditures of State Financial Assistance.

SOUTH CENTRAL FLORIDA EXPRESS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED OCTOBER 31, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance (the Schedule) includes the state grant activity of South Central Florida Express, Inc. (the Company) for the year ended October 31, 2017, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, *Florida Statutes*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Company. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and regulations.

NOTE 3 – NON-CASH ASSISTANCE

The Company had no non-cash State assistance during the reporting fiscal year.

SOUTH CENTRAL FLORIDA EXPRESS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 STATE FINANCIAL ASSISTANCE PROJECTS
 YEAR ENDED OCTOBER 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Schedule of Expenditures of State Financial Assistance

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to Schedule of Expenditures of State Financial Assistance noted?	No

State Financial Assistance

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, <i>Rules of the Auditor General</i> ?	Yes

Identification of major programs:

CSFA Number

Name of State Project

State:

55.021

Rail Passenger Service Development

Dollar threshold used to distinguish between Type A State Projects: \$300,000

(Continued)

SOUTH CENTRAL FLORIDA EXPRESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE FINANCIAL ASSISTANCE PROJECTS
YEAR ENDED OCTOBER 31, 2017

SECTION II – SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE STATEMENT FINDINGS

There were no such matters identified.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

Finding 2017-001: Labor Rate

Program: Rail Passenger Service Development
CSFA #: 55.021

Criteria: 2CFR 200.404 states in part: “(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received...” and (d) “...If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit...”

Condition: During testing, Crowe noted SCFE calculated payroll costs inclusive of wages and other allowable benefits. The total payroll costs were divided by two hour bases to determine a range of payroll rates. The payroll costs were divided by: 1) total hours and 2) by direct labor hours. The rate used to allocate the payroll costs to each job on a per labor hour basis was an adjusted rate between the two calculated rates. SCFE does not have a negotiated overhead or labor rate approved by the State.

Context: SCFE’s rate per hour was based on an industry standard (which was in-between the two rate calculations noted above). Using a rate allocation in excess of the rate per hour incurred across total employee time creates additional costs charged to the job that are in excess of actual. Total payroll charged to the project was \$16,661.11 or 0.4% of total expenditures.

Effect: Payroll expenditures charged to the project were in excess of those allowed under grant reporting.

Cause: SCFE’s hourly labor rate was in excess of actual expenses incurred on a per hour basis.

Recommendation: Crowe recommends SCFE utilize a labor rate based on actual expenses divided by total hours be charged on a per hour basis to projects for grant expenditure recognition.

Views of Responsible Officials: South Central Rail has corrected the hourly labor rate for this project and will only bill the employees hourly rate times the hours spent on this project instead of a calculated standard rate. This payroll has not been turned into the State of Florida for reimbursement yet therefore there will be no need to reimburse any monies on this project back to the State.

SECTION IV – FINDINGS FROM PRIOR YEAR

This is the first year SCFE’s State Projects have been audited, thus there are no findings from the prior year.

SECTION V – OTHER ISSUES

There are no additional items related to State financial assistance required to be reported in the management letter in accordance with Sections 215.97(9)(f), and 215.97(10)(d), *Florida Statutes*, and defined in Section 10.654(1)(e), *Rules of the Auditor General*.

July 31, 2018

SOUTH CENTRAL FLORIDA EXPRESS, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED OCTOBER 31, 2017

Finding 2017-001:

Significant Deficiency - Labor Rate

Corrective Action Plan:

South Central Rail has corrected the hourly labor rate for this project and will only bill the employees hourly rate times the hours spent on this project instead of a calculated standard rate. As of the date of this report, this payroll has not been turned into the State of Florida for reimbursement yet therefore there will be no need to reimburse any monies on this project back to the State.

Anticipated Completion Date:

Finding remediated as of report date.

Contact Information:

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