

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Schedule of Expenditures of Federal Awards
and OMB Uniform Guidance Auditors' Reports**

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Advisory Board of the
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

Report on Compliance for Each Major Federal Program

We have audited the Berkshire Regional Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Berkshire Regional Transit Authority's major federal programs for the year ended June 30, 2018. The Berkshire Regional Transit 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Berkshire Regional Transit 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 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* (Uniform Guidance). Those standards and the Uniform Guidance 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 Berkshire Regional Transit 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 Berkshire Regional Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Berkshire 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 year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Berkshire 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 Berkshire Regional Transit 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 the Uniform Guidance, 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 Berkshire Regional Transit 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 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, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, of the Berkshire Regional Transit Authority of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Berkshire Regional Transit Authority's basic financial statements. We issued our report thereon dated September 8, 2018, 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 the Uniform Guidance 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 to 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.

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

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Pittsfield, MA

September 8, 2018

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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*

To the Advisory Board of the
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

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 financial statements of the business-type activities of the Berkshire Regional Transit Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Berkshire Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Berkshire Regional Transit 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Berkshire Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berkshire Regional Transit 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berkshire 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*.

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.

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Pittsfield, MA

September 8, 2018

BERKSHIRE REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation Federal Transit Administration				
Federal Transit Cluster 5307, 5309 and 5339 Direct Programs				
Section 5307 Capital and Operating Assistance	20.507	MA-90-X690	\$ 8,572	\$ ---
Section 5307 Capital and Operating Assistance	20.507	MA-90-X732	883	---
Section 5307 Capital and Operating Assistance	20.507	MA-90-X743	313,809	---
Section 5307 Capital and Operating Assistance	20.507	MA-90-X762	702,084	---
Section 5307 Capital and Operating Assistance	20.507	MA-90-X771	789,630	---
Section 5309 Capital Assistance	20.500	MA-04-0081	58,791	---
Section 5339 Capital Assistance	20.526	MA-2017-032	494,934	---
Total Federal Transit Cluster 5307, 5309 and 5339 Direct Programs			<u>2,368,703</u>	<u>---</u>
Passed through Massachusetts Department of Transportation				
Federal Transit Administration				
Transit Services Programs Cluster 5310, 5316 and 5317				
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	102907	2,223	---
Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	98273	5,355	---
Section 5310 Capital Assistance	20.513	MA-16-X011	49,491	---
Section 5316 Job Access Reverse Commute	20.516	100648	69,613	---
Section 5317 New Freedom Program	20.521	MA-57-X031	16,997	---
Total Transit Services Programs Cluster 5310, 5316 and 5317			<u>143,679</u>	<u>---</u>
Section 5311 Operating assistance	20.509	N/A	<u>278,234</u>	<u>---</u>
Total Passed through Massachusetts Department of Transportation			<u>421,913</u>	<u>---</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,790,616</u>	<u>\$ ---</u>

See accompanying notes to schedule of expenditures of federal awards.

BERKSHIRE REGIONAL TRANSIT AUTHORITY**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****June 30, 2018****NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Berkshire Regional Transit Authority under programs of the federal government for the year ended June 30, 2018. The information in this 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*, (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Berkshire Regional Transit Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Berkshire Regional Transit Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in The Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Berkshire Regional Transit Authority has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ___yes ✓no
- Significant deficiencies identified? ___yes ✓none reported

Noncompliance material to financial statements noted? ___yes ✓no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ___yes ✓no
- Significant deficiencies? ___yes ✓none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified opinion on all major programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___yes ✓no

Identification of major federal programs:

CFDA Number

Federal Grantor

Cluster

20.500, 20.507 and 20.526

Federal Transit Administration Cluster:

Section 5307, 5309 and 5339 Federal Transit Cluster

See detail on Schedule of Expenditures of Federal Awards

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ___yes ✓no

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2018.

STATUS OF PRIOR AUDIT FINDINGS

Prior Year Finding 2017-001: Lack of controls over procurement at Berkshire Transit Management, Inc.

U.S. Department of Transportation

Federal Transit Administration

Program: Federal Transit Cluster 5307 and 5309 Direct Programs

CFDA Number: 20.507

Grant Number: MA-90-X743 and MA-90-X762

Grant Period: Year Ended June 30, 2017

Prior Year Condition

During our audit of fiscal year 2017, Berkshire Transit Management, Inc. (BTM), the Authority's fixed route operator, was unable to provide sufficient documentation that proper procurement was performed over the purchase of fuels in accordance with Federal law, which requires sealed bids (formal advertising) on purchases in excess of \$150,000.

Prior Year Recommendation

We recommended that the Authority require and monitor that BTM implements the following:

1. BTM should review and update its procurement manual to be consistent with current Federal rules and regulations, which reflect the Authority's procurement practice.
2. BTM should designate a Chief Procurement Officer to oversee procurement. This individual should receive regular training.
3. Procurement documentation should be maintained in one central location, and filed by year and purchase. Each procurement file should include a documentation checklist to ensure all applicable procurement requirements have been met in accordance with Federal law.
4. Due to the volatile nature of fuel prices and the length of time for completing the procurement process, BTM should consider implementing a two-step process when procuring for fuel.
 - a. Step one – pre-qualify the vendors
Issue the request for proposal in accordance with Federal law and pre-qualify the vendors.
 - b. Step two – obtain price quotes
Once the vendors are pre-qualified, obtain the price quotes.

The two-step process would help ensure that procurement over fuels in excess of \$150,000 is completed in accordance with Federal law and it minimizes the time between obtaining price quotes and executing the contract to ensure favorable pricing for BTM, and ultimately, the Authority.

Current Status

The Authority has and continues the process of updating its procurement manual to include current Federal rules and regulations. The Deputy Administrator has been appointed as the Chief Procurement officer, including procurement conducted at BTM. Procurement files are maintained in a central location and filed by year and by purchase. The Authority and BTM now uses the pre-qualification method for its procurement of fuel.