

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

**For the Fiscal Year Ended
June 30, 2009**

Regional Transportation Commission of Southern Nevada
Single Audit Compliance Report
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For the Fiscal Year Ended June 30, 2009

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Board of Commissioners
Regional Transportation Commission of Southern Nevada
Las Vegas, Nevada

Compliance. We have audited the compliance of the Regional Transportation Commission of Southern Nevada (the RTC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The RTC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the RTC's management. Our responsibility is to express an opinion on the RTC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the RTC's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the RTC's compliance with those requirements.

In our opinion, the RTC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance. Management of the RTC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the RTC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RTC's internal control over compliance.

A *control deficiency* in an the RTC's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the RTC's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the RTC's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the RTC's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards. We have audited the basic financial statements of the RTC as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the RTC's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of the RTC's management and members of the Board of Commissioners, and federal award agencies and pass through entities. However, this report is a matter of public record, and its distribution is not limited.


December 9, 2009

Regional Transportation Commission of Southern Nevada

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-through Entity Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Federal Transit Authority			
Federal Transit Cluster			
Federal Transit - Formula Grant	20.507*	NV-90-X033	\$ 344,355
Federal Transit - Formula Grant	20.507*	NV-90-X043	48,307
Federal Transit - Formula Grant	20.507*	NV-90-X048	7,304,960
Federal Transit - Formula Grant	20.507*	NV-95-X002	17,376,372
Federal Transit - Formula Grant	20.507*	NV-90-X056	51,696,487
Federal Transit - Formula Grant	20.507*	NV-96-X001	208,424
			<u>76,978,905</u>
FTA Section 5309 New Starts Program	20.500*	NV-03-0018	41,239
FTA Section 5309 New Starts Program	20.500*	NV-03-0028	8,776,961
FTA Section 5309 New Starts Program	20.500*	NV-03-0033	971,779
FTA Section 5309 New Starts Program	20.500*	NV-03-0034	116,767
FTA Section 5309 New Starts Program	20.500*	NV-03-0037	31,383,654
FTA Section 5309 New Starts Program	20.500*	NV-04-0004	449,028
FTA Section 5309 New Starts Program	20.500*	NV-04-0005	8,327,589
			<u>50,067,017</u>
Passed Through State of Nevada, Department of Transportation			
FTA Section 5309 Discretionary Bus and Facilities Program	20.500*	NDOT PR385-08-802	294,000
FTA Section 5307 Transit Capital and Operating Assistance	20.507*	NDOT P103-08-802	250,000
Total Federal Transit Cluster			<u>127,589,922</u>
FTA Section 5303 Planning Funds	20.505	NDOT PR252-08-802	906,704
PL Funds	20.205	NDOT PR238-04-804	1,520,522
Laughlin-Bullhead City Bridge Project	20.205	NDOT PR312-06-063	182,651
Transportation Demand Mgmt. Program - CMAQ Funding	20.205	NDOT PR715-05-804	1,143,147
			<u>2,846,320</u>
U.S. Department of Homeland Security			
Passed Through State of Nevada, Department of Public Safety			
Division of Emergency Management			
2005 Transit Security Grant Program	97.075	97075TS5	130,517
2006 Transit Security Grant Program	97.075	97075TS6	14,580
2007 IIP Transit Security Grant Program Supplemental	97.075	97075TS7	255,410
			<u>400,507</u>
State Homeland Security Program SHSP	97.073	97067HL7	747
Total federal assistance expended			<u>\$ 131,744,200</u>

* A major program.

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Notes to Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2009

Note 1. Reporting Entity

In accordance with Nevada Revised Statutes (NRS) 378, an ordinance was adopted by the Clark County Board of County Commissioners on June 7, 1965, creating the Regional Streets and Highway Commission. On December 4, 1979, this name was changed to the Regional Transportation Commission and on September 21, 2000, the name was changed to the Regional Transportation Commission of Southern Nevada (the "RTC"). The RTC is governed by a 7 member Board of Commissioners, comprised of elected officials, as follows:

1. Two representatives appointed from the Clark County Board of County Commissioners
2. Two representatives appointed from the governing board of the City of Las Vegas
3. One representative appointed from each of the governing boards of City of Boulder City, Henderson, North Las Vegas and City of Mesquite

The RTC's operating activities are comprised primarily of providing both the transit authority and transportation-planning in southern Nevada.

The accompanying schedule of expenditures of federal awards presents the activity of all of the RTC's federal financial assistance programs.

Note 2. Basis of Presentation

The schedule includes all expended federal financial assistance received directly from federal agencies or passed through other government agencies and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the RTC's basic financial statements.

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**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009**

Section I - Summary of Auditors' Results:

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies (reportable conditions) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	None reported

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies (reportable conditions) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	None reported

Identification of major programs:

CFDA Number:	20.500 and 20.507
Name of Federal Program or Cluster:	Federal Transit Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

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**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2009**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States:

09-1

Criteria:	As part of management's control process, general ledger account analyses and related revenue reconciliations should be completed to identify and prevent financial statement misstatements.
Condition:	The preparers of the reconciliations and supporting schedules do not investigate, identify and document differences resulting from this process timely.
Effect:	The revenue reported for the year could be materially misstated.
Cause:	Ineffective application and monitoring of the account analyses and reconciliation process.
Recommendation:	We recommend that policies and procedures be adopted requiring the preparers of such reconciliations and supporting schedules to timely identify, investigate and document any differences resulting from this process, and that the resulting documentation be timely and appropriately reviewed and approved.
Management's response:	Management of the Regional Transportation Commission (the RTC) has informed us that it has initiated the recommended policies and procedures and will monitor compliance therewith timely.

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**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2009**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States:

09-2

Criteria: Cash on hand, including cash drawers, should be subject to restricted access in secure locations, and all cash on hand should be counted and reconciled to properly documented underlying transactions daily.

Condition: Several times each month, the cash drawers were determined by RTC employees to be not in balance at the end of the shift. The variances were reported to the accounting department where they were not investigated timely. The key lock box requires two keys to access sensitive keys to the vault and drop bins; however, these two keys are identical. In addition, the cash dropped from previous days is kept in clear bags until the count team is available to count the money. Each bag has an individual identifier; however, there are no security tags/seals to prevent employees from opening and closing the bags without being traced.

Effect: Discrepancies between cash on hand, revenue from cash transactions and credit transactions have not been resolved timely. Identical keys allow a single employee to make a duplicate key and have access to the sensitive keys and ultimately the cash contained in the vault and drop bins.

Cause: Adequate policies and procedures are not in place to protect cash on hand from, or to detect timely, improper accounting and misappropriation.

Recommendation: Since cash is readily susceptible to misappropriation, we recommend that cash drawer discrepancies be investigated timely and adequately explained as part of the shift closing process. Security tags should be used for cash stored in bags before being counted, and two unique keys should be required to access keys to the vault and drop bins.

Management's response: Management of the RTC has informed us that it has adopted the recommended policies and procedures and will monitor compliance therewith timely.

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**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2009**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States:

09-3

Criteria:	Accounts receivable should be based on documented transactions reflecting the earnings process.
Condition:	Accounts receivable for revenues earned in the current year are currently recorded based on cash received and deposited subsequent to year end.
Effect:	Such practices increase the risk that revenues and asset classifications would be misstated.
Cause:	Ineffective and/or untimely review and approval of monthly deposit reconciliations and related journal entries.
Recommendation:	We recommend the RTC record revenues, where applicable, upon the occurrence of sales transactions or events rather than based on subsequent cash deposits and that fare box collections in the vault be recorded as cash instead of a receivable. To further enhance the controls over the revenue process, we recommend that such receivables be recorded monthly and an analysis of the collectability thereof be part of the monthly internal financial reporting process.
Management's response:	Management of the RTC has informed us that it has adopted the recommended policies and procedures and will monitor compliance therewith timely.

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**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2009**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States:

09-4

Criteria:	Controls should be in place to provide reasonable assurance that accounts payable are being paid in a timely manner and aging reports tie to the general ledger.
Condition:	No accounts payable aging reports are currently used by management, vendor account information is not periodically reviewed for debit balances, and no systematic overall review of outstanding payables is made to identify and investigate past due accounts.
Effect:	Reasonable assurance cannot be attained that accounts payable are properly recorded, managed and paid timely.
Cause:	A lack of policies and procedures designed to provide appropriate aged accounts payable schedules and the effective and systematic review of the appropriate posting of accounts payable transactions and the potential affect on future cash flows.
Recommendation:	We recommend that the RTC implement and monitor policies and procedures to address these accounts payable control issues.
Management's response:	Management of the RTC has informed us that it has implemented the recommended policies and procedures and will monitor compliance therewith timely.

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**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2009**

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

None reported