

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

**For the Year Ended
June 30, 2010**

Regional Transportation Commission of Southern Nevada
Single Audit Compliance Report
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For the Year Ended June 30, 2010

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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, 2010. 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.

As described in items 10-2 and 10-3 in the accompanying schedule of findings and questioned costs, the RTC did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principals and procurement and suspension and debarment, that are applicable to its U.S. Department of Transportation, Office of Federal Transit Administration, Federal Transit Cluster and its Department of Transportation, Office of Federal Highway Administration, Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program. Compliance with such requirements is necessary, in our opinion, for the RTC to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the RTC complied, in all material respects, with the 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RTC's internal control over compliance.

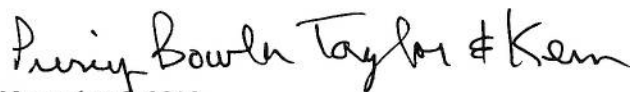
A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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 deficiencies, 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 financial statements of governmental activities, the business-type activities, and each major fund of the RTC as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. 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 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 awarding agencies and pass through entities. However, this report is a matter of public record, and its distribution is not limited.



November 8, 2010

Regional Transportation Commission of Southern Nevada

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Entity Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation, Office of Federal Transit Administration</u>			
Federal Transit Cluster*			
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X033	\$ 1,190,245
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X056	3,049,447
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-90-X060	25,140,095
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-95-X004	323,423
Federal Transit - Formula Grants, Urbanized Area Formula Program	20.507*	NV-95-X005	2,802,501
Federal Transit - Formula Grants, Urbanized Area Formula Program - American Recovery and Reinvestment Act (ARRA)	20.507*	NV-96-X001	21,710,450
			<u>54,216,161</u>
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-03-0018	2,411,499
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-03-0027	7,936,802
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-03-0028	8,894,520
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0004	447,972
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0005	3,898,048
Federal Transit - Capital Investment Grants, Fixed Guideway Modernization Bus and Bus Facility New Starts	20.500*	NV-04-0010	208,870
			<u>23,797,711</u>
Total Federal Transit Cluster			<u>78,013,872</u>
Job Access Reverse Commute	20.516	NV-37-X012	414,613
Job Access Reverse Commute	20.516	NV-37-X014	502,357
			<u>916,970</u>
New Freedom Program	20.521	NV-57-X003	240,009
New Freedom Program	20.521	NV-57-X007	132,675
			<u>372,684</u>
Passed Through State of Nevada, Department of Transportation Metropolitan Transportation Planning Grant, Metropolitan Planning Program	20.505	NDOT PR252-08-802	392,810
Total U.S. Department of Transportation, Office of Federal Transit Administration			<u>79,696,336</u>
<u>U.S. Department of Transportation, Office of Federal Highway Administration</u>			
Passed Through State of Nevada, Department of Transportation Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT PR238-04-804	1,679,447
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT PR312-06-063	568,739

* A major program.

(continued)

Regional Transportation Commission of Southern Nevada

Schedule of Expenditures of Federal Awards (Continued) For the Year Ended June 30, 2010

U.S. Department of Transportation, Office of Federal Highway Administration (continued)

Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT PR715-05-804	190,031
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program	20.205*	NDOT PR004-10-804	644,062
Highway Planning and Construction, Federal-Aid Highway Program, Federal Lands Highway Program - American Recovery and Reinvestment Act (ARRA)	20.205*	NDOT PR174-10-802	54,605
Total U.S. Department of Transportation, Office of Federal Highway Administration			<u>3,136,884</u>
Total U.S. Department of Transportation			<u>82,833,220</u>

U.S. Department of Homeland Security

Passed Through State of Nevada, Department of Public Safety Rail and Transit Security Grant Program	97.075	97075TS6	85,401
Rail and Transit Security Grant Program	97.075	97075TS7	77,818
			<u>163,219</u>
State Homeland Security Program (SHSP)	97.073	97067HL7	15,711
Total U.S. Department of Homeland Security			<u>178,930</u>
Total federal assistance expended			<u><u>\$ 83,012,150</u></u>

* A major program.

Regional Transportation Commission of Southern Nevada

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

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 an 8 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 Cities of Boulder City, Henderson, North Las Vegas and Mesquite

The RTC's operating activities are comprised primarily of providing both the transit system 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.

Section I - Summary of Auditors' Results:**Financial Statements:**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements?	None reported

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies 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)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	U.S. Department of Transportation, Office of Federal Transit Administration: Federal Transit Cluster
20.205	U.S. Department of Transportation, Office of Federal Highway Administration: Federal-Aid Highway Program, Federal Lands Highway Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,490,365
Auditee qualified as low-risk auditee?	Yes

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States:

10-1

Criteria:	Expenses should be recorded in the period for which services were rendered to prevent financial statement misstatements.
Condition:	Several errors were noted in which expenses were entered into the accounting system based on the invoice date rather than the period for which the services were provided. Review of the expenses failed to identify the errors.
Effect:	The expenses reported for the year and related asset and liability accounts could be materially misstated.
Cause:	Ineffective application and monitoring of the payables process.
Recommendation:	We recommend that policies and procedures regarding the payables process be revised to insure that the data entry of invoices provides that expenses are recorded in the proper period.
Management's response:	Management has informed us that they have initiated the recommended changes to policies and procedures and will monitor compliance therewith timely.

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**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010**

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

10-2

Programs:	U.S. Department of Transportation, Office of Federal Highway Administration: Federal-Aid Highway Program, Federal Lands Highway Program (CFDA # 20.205)
Specific requirements:	The Federal Highway Administration requires that a recipient establish project specific goals for disadvantaged business enterprise (DBE) participation.
Condition / context:	A signed verification of DBE goals was not received from one contractor.
Questioned costs:	Not applicable
Effect:	Verification of goals set for the use of DBEs could not be obtained.
Cause:	Failure to obtain a signed DBE verification from a contractor.
Recommendation:	Policies and procedures should be implemented to ensure that a signed DBE verification is attained from each contractor and should monitor such compliance.
Management's response:	Management has informed us that it will instruct personnel as to the importance of compliance with applicable requirements and will monitor such compliance.

Regional Transportation Commission of Southern Nevada

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2010**

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

10-3

Programs:	U.S. Department of Transportation, Office of Federal Transit Administration: Federal Transit Cluster (CFDA # 20.507)
Specific requirements:	The Federal Transit Administration requires that all steel, iron, and manufactured products used in certain projects must be manufactured in the United States, as demonstrated by a Buy America certificate, or, in the case of rolling stock, the cost of components produced in the United States is more than 60% of the cost of all components and final assembly of the vehicle takes place in the United States (49 CFR part 661).
Condition/context:	A vendor supplied some bus shelters that were manufactured in Tijuana, Mexico, resulting in a violation of the Buy America requirements; and therefore, in violation of federal requirements.
Questioned costs:	The total dollar amount and questioned costs is unknown as the number of bus shelters in violation of the Buy America requirement is not determinable at this time. The total contract was \$1.5 million of which \$1.2 million has been paid to the vendor and 80% of the \$1.2 million was reimbursed through grant funds.
Effect:	Unallowable costs were expensed against the grant.
Cause:	The vendor failed to comply with the contractual obligations and certifications of the grant.
Recommendation:	All vendors should comply with the contractual documents attested to in order to comply with specific grant requirements and additional monitoring of such compliance should be provided.
Management's response:	Management has informed us that it will instruct personnel as to the importance of compliance with applicable requirements and will monitor such compliance.