

**REGIONAL TRANSPORTATION COMMISSION
OF SOUTHERN NEVADA**

SINGLE AUDIT

Year ended June 30, 2018

REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA
Las Vegas, Nevada

SINGLE AUDIT
Year ended June 30, 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE.....	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	7

**INDEPENDENT AUDITOR'S 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**

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

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 governmental activities, the business-type activities, and each major fund of the Regional Transportation Commission of Southern Nevada (RTC), a component unit of Clark County, Nevada, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the RTC's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report included an emphasis of matter regarding the implementation of GASB Statement No. 75. Our report was not modified with respect to this matter.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2018-002 to be a significant deficiency.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RTC's financial statements are 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 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*.

The RTC's Response to Findings

The RTC's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The RTC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Costa Mesa, California
November 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Regional Transportation Commission of Southern Nevada's (RTC), a component unit of Clark County, Nevada, 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 RTC's major federal programs for the year ended June 30, 2018. The RTC'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the RTC'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the RTC's compliance.

Opinion on Each Major Federal Program

In our opinion, the RTC 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.

(Continued)

Report on Internal Control over Compliance

Management of the RTC 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 RTC'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 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. *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. 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.

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.

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

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the RTC as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the RTC's basic financial statements. We issued our report thereon dated November 30, 2018, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter regarding the implementation of GASB Statement No. 75. Our report was not modified with respect to this matter. Our audit was conducted for the purpose of forming opinions 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California
November 30, 2018

REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

<u>Federal Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Direct Program and Pass-through Grant Identifying Number</u>	<u>Federal Expenditures</u>
Department of Transportation			
Federal Transit Administration			
Direct Programs:			
Federal Transit Cluster			
Federal Transit – Formula Grants	20.507	NV-90-X076	\$ 3,169,386
Federal Transit – Formula Grants	20.507	NV-2016-003	1,110,881
Federal Transit – Formula Grants	20.507	NV-2017-015	44,216,184
Federal Transit – Formula Grants	20.507	NV-2018-003	6,000,000
			<u>54,496,451</u>
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NV-2017-009	<u>3,077,546</u>
Total Federal Transit Administration			57,573,997
Office of the Secretary			
Direct Programs:			
National Infrastructure Investments	20.933	NV-2017-004	13,324,000
Federal Highway Administration			
Passed through Nevada Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	NDOT P302-16-063	1,336,724
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	NDOT PR222-17-804	2,153,354
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	NDOT PR382-13-015	35,930,180
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	NDOT P649-16-800	120,766
			<u>39,541,024</u>
Total Expenditures of Federal Awards			<u>\$ 110,439,021</u>

See accompanying notes to the schedule of expenditures of federal awards.

REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the RTC 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 RTC operations, it does not present the financial position, changes in net position, or cash flows of the RTC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The RTC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the 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.

NOTE 2 - MATCHING COSTS

The nonfederal share of program costs (matching costs) are not included in the accompanying Schedule of Expenditure of Federal Awards.

REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiencies identified not considered to be material weaknesses?

Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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 Numbers

20.507

20.513

Federal Transit Cluster

Transit Services Programs Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

Yes No

(Continued)

REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Finding 2018-001 – Preparation of the Schedule of Expenditures of Federal Awards (Material Weakness)

Criteria: 2 CFR 200 requires that proper internal controls are in place over the SEFA to ensure that all federal grant expenditures are properly classified by CFDA number.

Condition: The incorrect CFDA number was presented on the SEFA for the Enhanced Mobility of Seniors and Disabilities program, a program within the Transit Services Programs cluster.

Cause: The process for preparing and reviewing the SEFA did not include tracing the federal award number to the grant agreement or other similar sources to verify the accuracy of the CFDA number presented.

Effect: The Transit Services Programs cluster was not presented on the SEFA provided by management. \$3,077,546 of expenditures were classified under CFDA number 20.507 (Federal Transit cluster) instead of CFDA numbers 20.513 (Transit Services Programs cluster). The Transit Services Programs cluster was required to be tested as a major program.

Recommendation: We recommend that management review the CFDA number presented for each grant listed on the SEFA by tracing the CFDA number to the related grant award agreement.

Management's Response: Management agrees with this finding. Going forward, management will cross-reference grants presented on the SEFA to the related grant award agreement or sam.gov to ensure the CFDA number presented on the SEFA is accurate.

Finding 2018-002 – Information System Controls (Significant Deficiency)

Criteria: Internal controls over information systems are a key component of an organization's control environment. Entities should have internal controls including policies and procedures regarding user access, change management, and back-up and recovery. Where adequate segregation of duties cannot be employed to separate those with super user access from operational access to process transactions, detective and monitoring internal controls should be established that adequately monitor user activity.

Condition: We evaluated system access to the RTC's financial reporting system, GEMS. During our assessment of RTC's system access we noted the following: (1) There are two users in the Finance Department who maintain super user access. Super user access includes the ability to add/modify/delete user accounts as well as assign security privileges to user accounts. (2) There is no formal, regularly scheduled review of user access levels.

Cause: Super user access was granted to the two individuals as management had not yet identified an individual they deemed appropriate within the entity, but outside the finance department, which could permanently fulfill the role.

Effect: Improper segregation of duties among personnel responsible for changes to user account security settings while also performing in an operational capacity during the regular course of business could lead to management override of internal controls. The absence of appropriate monitoring of super user access could result in unauthorized transactions recorded in the financial reporting system, where management would not be able to detect such activity timely.

(Continued)

REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

Recommendation: We recommend that management should establish written policies and procedures which provide for the appropriate levels of user access based on the relative roles and responsibilities within the financial reporting system. A best practice is to provide the lowest level of access based on operational need. Further, if super user access is not removed, we recommend that management monitor and maintain documentation of changes made to individual user account profiles within the financial reporting system to ensure all changes are approved and necessary in the normal course of business.

Management's Response: Management agrees with this finding. Management implemented a review control which looked back at vendor and access changes throughout the audit period. Management has removed super user access for individual with bank authorization to approve Automated Clearing House (ACH) and wire transaction. Additionally, for fiscal year 2019 management has implemented a monitoring control in which any profile changes in GEMS prompt an email alert to the Manager of Finance and Internal Auditor.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

None