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# Suburban Mobility Authority for Regional Transportation

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**Federal Awards Supplemental Information**  
**June 30, 2019**

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

**Independent Auditor's Report**

To the Board of Directors  
Suburban Mobility Authority for Regional Transportation

We have audited the basic financial statements of the Suburban Mobility Authority for Regional Transportation (the "Authority") as of and for the year ended June 30, 2019 and have issued our report thereon dated November 12, 2019, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to November 12, 2019.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis, as required by the Uniform Guidance, and are not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

November 12, 2019

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*

**Independent Auditor's Report**

To Management and the Board of Directors  
Suburban Mobility Authority for Regional Transportation

We have audited, 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, the financial statements of the Suburban Mobility Authority for Regional Transportation (the "Authority") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 12, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2019-001, that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**The Authority's Response to the Finding**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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.

To Management and the Board of Directors  
Suburban Mobility Authority for Regional Transportation

**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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

November 12, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required  
by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Directors  
Suburban Mobility Authority for Regional Transportation

**Report on Compliance for Each Major Federal Program**

We have audited the Suburban Mobility Authority for Regional Transportation's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2019. The Authority's major federal program is 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 program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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* (the "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 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 Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

To the Board of Directors  
Suburban Mobility Authority for Regional Transportation

### **Report on Internal Control Over Compliance**

Management of the 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 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 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 a 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.

*Plante & Moran, PLLC*

November 12, 2019

**Suburban Mobility Authority for Regional Transportation**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2019**

Federal Agency/Pass-through Agency/Program Title	Identifying Number	CFDA Number	Project Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation - Direct programs:					
Federal Transit Cluster:					
Investment Grants:					
Capital Assistance	N/A	20.500	MI-04-0080	\$ -	\$ 53,040
PROGRAM ADMINISTRATION	N/A	20.500	MI-04-0080	-	19,999
Capital Assistance	N/A	20.500	MI-04-0091	-	960,734
Section 5339 Capital	2012-0170 P18	20.526	MI-34-0005	-	7,788
Total Federal Transit - Investment Grants				-	1,041,561
Formula Grants:					
Capital Assistance	N/A	20.507	MI-90-0756	5,819	5,819
Capital Assistance	N/A	20.507	MI-90-0678	206,599	1,759,494
CAPITAL ASSISTANCE FY17-18-19	N/A	20.507	MI-2018-018-01	-	1,040,000
CAPITAL ASSISTANCE FY17-18-19	N/A	20.507	MI-2018-018-03	-	2,000,000
Capital Assistance	N/A	20.507	MI-90-0777	-	593,805
Capital Assistance	N/A	20.507	MI-90-0777	-	2,000,000
Capital Assistance	N/A	20.507	MI-90-0777	-	843,874
Capital Assistance	N/A	20.507	MI-90-0777	3,198	3,198
Capital Assistance	N/A	20.507	MI-90-0777	-	8,050,787
Capital Assistance	N/A	20.507	MI-90-0777	-	110,627
Operating Assistance (Monroe) FY18	N/A	20.507	MI-XX-XXXX	391,500	391,500
Operating Assistance (Monroe) FY19	N/A	20.507	MI-XX-XXXX	110,627	183,764
Capital Assistance	N/A	20.507	MI-95-0077	-	261,699
Capital Assistance FY16	N/A	20.507	MI-95-0122	-	6,171,200
Capital Assistance FY17	N/A	20.507	MI-95-0122	-	1,478,894
Capital Assistance FY16	N/A	20.507	MI-34-0022	-	6,779
Capital Assistance FY16	N/A	20.507	MI-34-0022	-	1,965,826
Total Federal Transit - Formula Grants				717,743	26,867,266
Total Federal Transit Cluster				717,743	27,908,827
Transit Services Program Cluster:					
5310 NEW FREEDOM CAPITAL	2012-0170 P20	20.513	MI-16-X007	213,427	213,427
SMART 5310 PROGRAM ADMIN	2012-0170 P20	20.513	MI-16-X007	-	9,466
5310 NEW FREEDOM OPERATING	2012-0170 P20	20.513	MI-16-X007	302,578	302,578
5310 NF PREVENTATIVE MAINTENANCE	2012-0170 P20	20.513	MI-16-X007	-	11,809
5310 NEW FREEDOM MOBILITY MANAGEMENT	2012-0170 P20	20.513	MI-16-X007	13,581	29,330
5310 NEW FREEDOM CAPITAL	2012-0170 P20	20.513	MI-16-X013	1,885,836	1,885,836
SMART 5310 PROGRAM ADMIN	2012-0170 P20	20.513	MI-16-X013	-	10,802
5310 NEW FREEDOM OPERATING	2012-0170 P20	20.513	MI-16-X013	781,345	781,345
5310 NEW FREEDOM MOBILITY MANAGEMENT	2012-0170 P20	20.513	MI-16-X013	242,748	242,748
5310 NEW FREEDOM CAPITAL	2012-0170 P38	20.513	N/A	335,810	335,810
SMART 5310 PROGRAM ADMIN	2012-0170 P38	20.513	N/A	-	5,248
5310 NEW FREEDOM OPERATING	2012-0170 P38	20.513	N/A	126,669	126,669
5310 NF PREVENTATIVE MAINTENANCE	2012-0170 P38	20.513	MI-2018-020-02	-	14,344
5310 NEW FREEDOM MOBILITY MANAGEMENT	2012-0170 P38	20.513	MI-2018-020-02	149,879	149,879
SECTION 5310	N/A	20.521	N/A	-	51,448
SECTION 5311	N/A	20.516	N/A	-	55,999
SECTION 5317 NEW FREEDOM PROGRAM ADMIN	N/A	20.521	MI-57-0024	-	13,769
SECTION 5317 NEW FREEDOM CAPITAL	N/A	20.521	MI-57-0024	29,339	29,339
SECTION 5317 NEW FREEDOM PROGRAM ADMIN	N/A	20.521	MI-57-6024	-	9,584
SMART JARC PROGRAM ADMIN	N/A	20.516	MI-37-6043	-	18,958
SMART JARC CAPITAL	N/A	20.516	MI-37-0050	65,425	65,425
SMART JARC PROGRAM OPERATING	N/A	20.516	MI-37-4050	56,154	56,154
Total Transit Services Program Cluster				4,202,791	4,419,967

**Suburban Mobility Authority for Regional Transportation**

**Schedule of Expenditures of Federal Awards (Continued)**

**Year Ended June 30, 2019**

Federal Agency/Pass-through Agency/Program Title	Identifying Number	CFDA Number	Project Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation - Pass-through programs from the State of Michigan Department of Transportation:					
OPERATING ASSIST. LET- SEC 5311 (2018)	2017-0130 P09	20.509	MI-18-0055	\$ 96,681	\$ 96,681
OPERATING ASSIST. LET- SEC 5311 (2019)	2017-0130 P15	20.509	MI-18-0055	157,549	157,549
Total passed through the Michigan Department of Transportation				254,230	254,230
U.S. Department of Transportation - Pass-through programs from the Southeast Michigan Council of Governments:					
PLANNING & TECHNICAL STUDIES UWP PROGRAM	N/A	20.505	MI-80-X006	-	318,806
TRANSIT ASSET MGT	N/A	20.505	2015-0009	-	429,268
OPER REVIEW	N/A	20.505	2015-0009	-	177,000
Total passed through the Southeast Michigan Council of Governments				-	925,074
Total expenditures of federal awards				<b>\$ 5,174,764</b>	<b>\$ 33,508,098</b>

**Suburban Mobility Authority for Regional Transportation**

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**Reconciliation of Basic Financial Statements Federal Revenue  
with Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2019**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 8,597,258
Add federal portion of capital contributions - As reported on the financial statements (includes all funds)	<u>24,910,840</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 33,508,098</b></u>

## Suburban Mobility Authority for Regional Transportation

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# Notes to Schedule of Expenditures of Federal Awards

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Year Ended June 30, 2019

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Suburban Mobility Authority for Regional Transportation (the "Authority") under programs of the federal government for the year ended June 30, 2019. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost 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. Pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

**Suburban Mobility Authority for Regional Transportation**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2019**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
20.500, 20.507, 20.526	Federal Transit Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$1,005,243

Auditee qualified as low-risk auditee?        Yes   X   No

# Suburban Mobility Authority for Regional Transportation

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2019-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - General ledger activity should be recorded in accordance with accounting principles generally accepted in the United States of America.</p> <p><b>Condition</b> - Journal entries were necessary to adjust certain account balances in order to properly state them as of June 30, 2019.</p> <p><b>Context</b> - The vast majority of all transactions were properly accounted for by the Authority; however, our financial statement audit procedures did detect necessary adjustments to grants receivable, capital assets, and beginning net position.</p> <p><b>Cause</b> - The Authority did not have processes in place to reconcile and review these statement of net position accounts.</p> <p><b>Effect</b> - As a result of these balances not being reconciled as of the end of the year, the Authority's grants receivable, capital assets, and beginning net position required adjustments as of June 30, 2019. The Authority has posted the proper adjustments.</p> <p><b>Recommendation</b> - We recommend the Authority implement procedures to ensure all statement of net position accounts are reconciled as of the end of the year. Rather than being just an accumulation of the transactions posted throughout the year, the ending balances should be reconciled to supporting records. Grants receivable should agree to the sum of reimbursements requested during the year for which cash was not received until after year end and revenue earned but not yet requested for reimbursement as of the end of the year. To make the reconciliation process easier as of the end of the year, we recommend the Authority ensure reimbursements are being requested on a timely basis, cash receipts are received timely, and cash receipts are posted against the appropriate receivable accounts. Capital assets, including construction in progress, should agree to the detailed records of all capital assets. The sum of net position accounts should agree to the ending net position recorded in the financial statements as of the previous year end.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Authority is in the process of hiring an accountant in lieu of a financial assistant to distribute the grant accounting workload. This hiring will ensure that grant accounting is done on a timelier basis. This hiring will also allow for the incumbent capital and general ledger accountant to analyze internal reports concerning capital assets and construction in progress amounts. Furthermore, the manager of governmental accounting and accounts payable has developed a checklist that will assist in following up during the monthly closing process to insure that all grant receivable and capital asset activity is invoiced, recorded, reconciled, and analyzed monthly.</p> <p>The manager of financial reporting and budget has developed a net position reconciliation report to be annually included in the Authority's financial audit workpapers. This reconciliation will analyze all adjustments made to the financial net position ending and beginning account balances. This analysis will insure that ending net position from the prior year reconciles with the beginning net position of the audit year.</p>

**Suburban Mobility Authority for Regional Transportation**

**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2019**

**Section III - Federal Program Audit Findings**

Reference Number	Finding	Questioned Costs
<b>Current Year</b>	None	