



Suburban Mobility Authority for Regional Transportation

**Federal Awards
Supplemental Information
June 30, 2020**



Independent Auditor's Reports

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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 financial statements of the Suburban Mobility Authority for Regional Transportation (the "Authority") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 10, 2020, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to December 10, 2020.

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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

December 10, 2020

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, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2020.

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) as a basis for designing 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 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 2020-001, 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 financial statements. 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 Authority'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

December 10, 2020

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 programs for the year ended June 30, 2020. The Authority's major federal programs 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 programs.

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 programs for the year ended June 30, 2020.

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, 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, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2020-002, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance 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 compliance, and, accordingly, we express no opinion on it.

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

December 10, 2020

Suburban Mobility Authority for Regional Transportation

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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-04-0091	\$ -	\$ 329,772
Section 5339 Capital	2012-0170 P18	20.526	MI-34-0005	-	223,835
Total Federal Transit - Investment Grants				-	553,607
Formula Grants:					
COVID-19 CARES Act - COVID-19 Federal Transit Formula Grant	N/A	20.507	MI-XX-XXXX	-	6,000,000
Capital Assistance	N/A	20.507	MI-90-0756	8,616	8,616
Capital Assistance	N/A	20.507	MI-90-0678	7,567	2,877,424
CAPITAL ASSISTANCE FY17-18-19	N/A	20.507	MI-2018-018-03	-	4,000,000
Capital Assistance	N/A	20.507	MI-90-0777	-	3,826,189
Capital Assistance	N/A	20.507	MI-90-0777	-	488,042
Capital Assistance	N/A	20.507	MI-90-0777	-	143,442
Capital Assistance	N/A	20.507	MI-90-0777	225,004	225,004
Capital Assistance	N/A	20.507	MI-90-0777	-	6,308,656
Operating Assistance (Monroe) FY20	N/A	20.507	MI-XX-XXXX	418,500	418,500
Operating Assistance (Monroe) FY19	N/A	20.507	MI-XX-XXXX	92,750	92,750
Capital Assistance FY16-17	N/A	20.507	MI-95-0122	-	252,101
Capital Assistance FY18-19	N/A	20.507	MI-90-0079	-	6,708,213
Capital Assistance FY18-19	N/A	20.507	MI-90-0079	-	101,337
Capital Assistance FY16	N/A	20.507	MI-34-0022	-	2,562
Capital Assistance FY16	N/A	20.507	MI-34-0022	-	1,956,443
Capital Assistance FY16	N/A	20.507	MI-34-0022	-	122,764
Capital Assistance FY18-19	N/A	20.507	MI-34-0046	-	1,891,629
Total Federal Transit - Formula Grants				752,437	35,423,672
Total Federal Transit Cluster				752,437	35,977,279
Transit Services Programs Cluster:					
5310 NEW FREEDOM CAPITAL	2012-0170 P20	20.513	MI-16-X007	162,581	162,581
5310 NEW FREEDOM OPERATING	2012-0170 P20	20.513	MI-16-X007	73,396	73,396
5310 NEW FREEDOM MOBILITY MANAGEMENT	2012-0170 P20	20.513	MI-16-X007	63,313	63,313
5310 NEW FREEDOM CAPITAL	2012-0170 P20	20.513	MI-16-X013	1,257,284	1,257,284
SMART 5310 PROGRAM ADMIN	2012-0170 P20	20.513	MI-16-X013	-	11,866
5310 NEW FREEDOM OPERATING	2012-0170 P20	20.513	MI-16-X013	414,057	414,057
5310 NEW FREEDOM MOBILITY MANAGEMENT	2012-0170 P20	20.513	MI-16-X013	2,324	2,324
5310 NEW FREEDOM CAPITAL	2012-0170 P20	20.513	MI-16-X034	2,209,320	2,209,320
5310 NEW FREEDOM PREVENTATIVE MAINT	2012-0170 P20	20.513	MI-16-X034	4,243	4,243
SMART 5310 PROGRAM ADMIN	2012-0170 P38	20.513	N/A	-	11,412
5310 NEW FREEDOM OPERATING	2012-0170 P38	20.513	N/A	746,656	746,656
5310 NEW FREEDOM MOBILITY MANAGEMENT	2017-0130 P28	20.513	N/A	-	336,746
5310 NEW FREEDOM CAPITAL	2017-0130 P28	20.513	MI-16-2001	-	116,287
SECTION 5310 - CAPITAL	2017-0130 P5	20.513	MI-XX-XXXX	-	354,180
SECTION 5311	2017-0130 P10	20.516	MI-2017-030	-	117,474
SECTION 5311	2017-0130 P10	20.516	MI-2017-030	-	65,033
SECTION 5310	2017-0130 P16	20.516	MI-2018-033	-	153,103
SECTION 5311	2017-0130 P14	20.521	MI-2017-030	-	37,500
SECTION 5310	2017-0130 P20	20.513	MI-2019-037	-	60,000
SECTION 5317 NEW FREEDOM PROGRAM ADMIN	N/A	20.521	MI-57-6018	-	2,413
SECTION 5317 NEW FREEDOM PROGRAM ADMIN	N/A	20.521	MI-57-6024	-	13,026
SMART JARC PROGRAM ADMIN	N/A	20.516	MI-37-6043	-	5,642
SMART JARC PROGRAM OPERATING	N/A	20.516	MI-37-4050	48,778	48,778
Total Transit Services Programs Cluster				4,981,952	6,266,634

See notes to schedule of expenditures of federal awards.

Suburban Mobility Authority for Regional Transportation

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

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 (2019)	2017-0130 P09	20.509	MI-18-0055	\$ 61,320	\$ 61,320
OPERATING ASSIST. LET- SEC 5311 (2020)	2017-0130 P15	20.509	MI-18-0055	<u>253,304</u>	<u>253,304</u>
Total passed through the Michigan Department of Transportation				314,624	314,624
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	-	346,100
TRANSIT ASSET MGT	N/A	20.505	2015-0009	<u>-</u>	<u>95,490</u>
Total passed through the Southeast Michigan Council of Governments				<u>-</u>	<u>441,590</u>
Total expenditures of federal awards				<u>\$ 6,049,013</u>	<u>\$ 43,000,127</u>

See notes to schedule of expenditures of federal awards.

Suburban Mobility Authority for Regional Transportation

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

Year Ended June 30, 2020

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 13,001,337
Add federal portion of capital contributions - As reported on the financial statements (includes all funds)	26,494,407
Adjustment to current year revenue related to adjustments to beginning balance of grants receivable	<u>3,504,383</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 43,000,127</u>

Suburban Mobility Authority for Regional Transportation

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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, 2020. 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 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, 2020

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? X Yes None reported

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
20.500, 20.507, 20.526	Federal Transit Cluster	Unmodified
20.513, 20.516, 20.521	Transit Services Programs Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$1,290,004

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, 2020

Section II - Financial Statement Audit Findings

Reference Number	Finding
2020-001	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - General ledger activity should be recorded in accordance with accounting principles generally accepted in the United States of America.</p> <p>Condition - Journal entries were necessary to adjust certain account balances in order to properly state them as of June 30, 2020.</p> <p>Context - The vast majority of all transactions was properly accounted for by the Authority; however, our financial statement audit procedures did detect necessary adjustments to grants receivable and a lack of proper controls over the recording of grants receivable and related cash receipts.</p> <p>Cause - The Authority did not have processes in place to reconcile and review these statement of net position accounts.</p> <p>Effect - As a result of these balances not being reconciled as of the end of the year, the Authority's grants receivable required adjustments as of June 30, 2020. The Authority has posted the proper adjustments. Additionally, once a reconciliation was performed, the Authority identified receivables that had not been reimbursed in over a year. The Authority is now following up with the granting agency.</p> <p>Recommendation - 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 at 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.</p> <p>Views of Responsible Officials and Planned Corrective Actions - SMART agrees with the need to monitor the accounts receivable balances more closely. SMART has implemented a quarterly receivable reconciliation, which involves review of the underlying detail of receivable and agreeing the total balance to the general ledger. Further, SMART's grant accountant reviews the aging of receivables quarterly and will follow up, as necessary, with appropriate owing organizations. Additionally, the director of finance and manager of grant accounting and accounts payable will review the grant accountant's follow-up collection activity on a quarterly basis to ensure follow-up activities are appropriate. We believe this will prevent any issues with accounts receivable balances in the future.</p>

Suburban Mobility Authority for Regional Transportation

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section III - Federal Program Audit Findings

Reference Number	Finding
2020-002	<p data-bbox="362 531 1481 619">CFDA Number, Federal Agency, and Program Name - CFDA #20.513, #20.516, #20.521, Department of Transportation, Transit Services Program Cluster and CFDA #20.500, #20.526, #20.507, Department of Transportation, Federal Transit Cluster</p> <p data-bbox="362 642 1481 699">Federal Award Identification Number and Year - Various awards related to clusters noted above</p> <p data-bbox="362 722 683 749">Pass-through Entity - N/A</p> <p data-bbox="362 772 797 800">Finding Type - Significant deficiency</p> <p data-bbox="362 823 610 850">Repeat Finding - No</p> <p data-bbox="362 873 1481 930">Criteria - 2 CFR Section 200.303 requires that the Authority establish and maintain effective internal controls over federal awards.</p> <p data-bbox="362 953 1481 1041">Condition - The Authority's appropriate certifying individual approves drawdowns prior to being uploaded into the ECHO system; however, there is no evidence of secondary review of the payment request by the appropriate individual prior to submission within the online portal.</p> <p data-bbox="362 1064 1481 1211">Context - The Authority completed 46 draws during the year. All but 1 drawdown request contained evidence that they were reviewed by the certifying official prior to uploading the draw information into the ECHO system; however, our procedures identified that no secondary review of the drawdown requests is completed prior to submission within the online portal. No errors were noted with the submissions in the sample selected for testing.</p> <p data-bbox="362 1234 1481 1352">Cause and Effect - Without a review of the prepared draw in the ECHO system, there is a risk that the amount requested from the awarding agency will not match the support reviewed by the certifying official. If such an error existed, it would not be identified until the Authority's year-end reconciliation procedures are performed.</p> <p data-bbox="362 1375 1481 1493">Recommendation - We recommend the Authority implement procedures to ensure all drawdown requests show evidence of review in the form of sign-offs by the appropriate individual and that these requested balances are reviewed within the ECHO system by the appropriate secondary reviewer prior to or shortly after making request.</p> <p data-bbox="362 1516 1481 1633">Views of Responsible Officials and Corrective Action Plan - SMART agrees with the importance of the appropriate approvals and reviews by management of the drawdown requests. SMART has implemented additional training with our grant accounting staff to ensure the proper procedures and sign-offs are completed prior to submission of drawdown requests.</p>