

**GREATER PORTLAND TRANSIT DISTRICT**

**Reports Required by *Government Auditing  
Standards* and the Uniform Guidance**

**For the Year Ended December 31, 2016**

**GREATER PORTLAND TRANSIT DISTRICT**  
**Reports Required by *Government Auditing Standards***  
**and the Uniform Guidance**  
**For the Year Ended December 31, 2016**

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**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**

To the Board of Directors  
Greater Portland Transit District

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 Greater Portland Transit District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Greater Portland Transit District's basic financial statements, and have issued our report thereon dated April 20, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Greater Portland Transit District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greater Portland Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greater Portland Transit District'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 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. *A significant deficiency* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Greater Portland Transit District'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*.

During our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. These items were reported to management in a separate letter dated April 20, 2017.

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



April 20, 2017  
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Greater Portland Transit District

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

We have audited the Greater Portland Transit District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Greater Portland Transit District's major federal programs for the year ended December 31, 2016. The Greater Portland Transit District'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 Greater Portland Transit District'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 Greater Portland Transit District'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 Greater Portland Transit District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

***Basis for Qualified Opinion on the Federal Transit Cluster***

As described in the accompanying schedule of findings and questioned costs, the Greater Portland Transit District did not comply with requirements regarding the Federal Transit Cluster as described in finding number 2016-001 for Wage Rate Requirements (Davis Bacon). Compliance with such requirements is necessary, in our opinion, for the Greater Portland Transit District to comply with the requirements applicable to that program.

***Qualified Opinion on the Federal Transit Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Greater Portland Transit District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Transit Cluster for the year ended December 31, 2016.

**Other Matters**

Greater Portland Transit District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Greater Portland Transit District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the Greater Portland Transit District is responsible for establishing and maintaining internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Greater Portland Transit District'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 Greater Portland Transit District'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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

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 Expenditure of Federal Awards by the Uniform Guidance**

We have audited the financial statements of the Greater Portland Transit District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Greater Portland Transit District's basic financial statements. We issued our report thereon dated April 20, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



April 20, 2017  
South Portland, Maine

**GREATER PORTLAND TRANSIT DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2016**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA number</b>	<b>Pass-through/ agreement number</b>	<b>Total Federal Expenditures</b>	<b>CFDA / Cluster Totals</b>	<b>Passed Through to Subrecipients</b>
U. S. Department of Transportation:					
Direct Programs:					
Federal Transit Cluster:					
Federal Transit Capital Investment Grants	20.500	ME-04-0012	\$ 108,828		-
Federal Transit - Formula Grants	20.507	ME-2016-003	112,081		-
Federal Transit - Formula Grants	20.507	ME-2016-017	261,721		-
Federal Transit - Formula Grants	20.507	ME-2016-016	2,248,260		-
Federal Transit - Formula Grants	20.507	ME-90-X196	121,143		-
Federal Transit - Formula Grants	20.507	ME-90-X205	12,659		-
Federal Transit - Formula Grants	20.507	ME-90-X213	4,860		-
Federal Transit - Formula Grants	20.507	ME-90-X216	408,000		-
Federal Transit - Formula Grants	20.507	ME-95-X017	57,468		-
Total Federal Transit Cluster				3,335,020	
Total U. S. Department of Transportation			3,335,020		-
<b>Totals</b>			<b>\$ 3,335,020</b>		<b>-</b>

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

**GREATER PORTLAND TRANSIT DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2016**

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**PURPOSE OF THE SCHEDULE**

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Office of Management Budget's Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

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**SIGNIFICANT ACCOUNTING POLICIES**

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- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Greater Portland Transit District for the fiscal year ended December 31, 2016. The reporting entity is defined in notes to financial statements of the Greater Portland Transit District.
  
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
  - 1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
  
  - 2. Major Programs - The Uniform Guidance establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for the Greater Portland Transit District have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.
  
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting, which is consistent with the reporting in the Transit District's financial statements.
  
- D. Indirect Cost Rate - Greater Portland Transit District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**GREATER PORTLAND TRANSIT DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2016**

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

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over compliance:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster

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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**GREATER PORTLAND TRANSIT DISTRICT**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section II - Findings Required to be Reported Under *Government Auditing Standards***

None

**GREATER PORTLAND TRANSIT DISTRICT**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section III - Findings and Questioned Costs for Federal Awards**

**2016-001 – U.S. Department of Transportation, For the Period January 1, 2016 through December 31, 2016, CFDA #20.507 and #20.500 Federal Transit Cluster**

Statement of Condition: Documentation of wage rate requirements in construction contracts and verification of certified weekly payrolls was not performed.

Criteria: All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. Management needs to ensure that all contractors and subcontractors are submitting weekly certified payrolls and verify that they are being paid at least the prevailing wage rates.

Effect: Employees could potentially not be paid prevailing wage rates which could jeopardize grant funding.

Cause: When performing our compliance testing, we discovered that one out of two construction contracts did not contain the prevailing wage rate clause and that certified payrolls were not received.

Recommendation: Management needs to ensure that all construction contracts with contractors in excess of \$2,000 have a prevailing wage rate clause and that certified payrolls are received and reviewed in a timely manner.

Questioned Costs: None

Management Response/Corrective Action Plan: *GPTD has been working on updating its policies and procedures since experiencing administrative staff turnover, and in October of 2016, drafted a Federal Procurement Procedures Manual to govern purchasing and contracting for services. That Manual includes the following language:*

*Construction services costing more than \$2,000 are required to pay federally established wages rates, or "Davis-Bacon Wage Rates." In order to ensure adherence to this regulation, any procurement of this type will need prior approval of the Finance Director, who will provide the wage rates to be used in the solicitation for quotes.*

*GPTD is working currently to draft a revised Contract Administration Manual, where the requirement for review of submitted payrolls will tie back to the procurement process, and the Davis-Bacon Wage Rates requirement.*

**GREATER PORTLAND TRANSIT DISTRICT**  
**Schedule of Findings and Questioned Costs, Continued**

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**Section IV - Summary Schedule of Prior Year Audit Findings for Federal Awards**

None