Greater Roanoke Transit Company (A Component Unit of the City of Roanoke, Virginia) Financial Report



(A Component Unit of the City of Roanoke, Virginia)

Table of Contents

	Page(s)
Financial Section	
Independent Auditor's Report	1 - 3
Basic Financial Statements:	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Basic Financial Statements	7 - 17
Compliance Section	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
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>	20 - 21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	22 – 25
Summary of Compliance Matters	26
Schedule of Findings and Questioned Costs	27 - 34
Schedule of Prior Audit Findings	35 - 37



Independent Auditor's Report

To the Honorable Members of the Board of Directors Greater Roanoke Transit Company Roanoke, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying basic financial statements and the related notes to the financial statements, as listed in the table of contents, of the Greater Roanoke Transit Company (the "Company"), a component unit of the City of Roanoke, Virginia, as of and for the years ended June 30, 2024 and 2023.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Company, as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Company's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also 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 basic 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 or to 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2024 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia December 14, 2024

(A Component Unit of the City of Roanoke, Virginia)

Statements of Net Position

June 30, 2024 and 2023

Assets		2024	2023 (As restated, see Note 9)
		2024	see note)
Current assets: Cash and cash equivalents Due from:	\$	- \$	177,724
Federal Transit Administration Commonwealth of Virginia City of Roanoke Accounts receivable Supplies and materials (note 3) Other assets	_	3,870,568 218,202 - 456,935 473,360 -	2,522,709 1,522,980 54,606 405,523 659,326 4,125
Total current assets		5,019,065	5,346,993
Restricted assets (note 2): Restricted cash and cash equivalents		1,713,830	
Capital assets (note 4): Land Buildings, structures and improvements Buses Shop and garage equipment Office equipment and furnishings Construction in progress Accumulated depreciation Capital assets, net Total assets		1,627,487 $22,151,963$ $24,377,256$ $3,437,108$ $687,117$ $20,705$ $(22,571,240)$ $29,730,396$ $36,463,291$	1,627,487 21,408,851 25,876,838 3,426,938 688,641 1,048,580 (24,236,553) 29,840,782 35,187,775
Liabilities			
Current liabilities: Cash overdraft Trade accounts payable Due to: Federal Transit Administration		102,127 1,601,679 5,400	- 3,893,939 -
Accrued salaries and benefits Unearned revenue		468,747 1,455,303	424,616
Total current liabilities	_	3,633,256	4,318,555
Net Position		<u> </u>	i
Net investment in capital assets Unrestricted Total net position	\$	29,730,396 3,099,639 32,830,035 \$	27,158,242 3,710,978 30,869,220
1	Ť –	- , •,• •	

4

See accompanying notes to the basic financial statements.

(A Component Unit of the City of Roanoke, Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

			2023 (As restated,
		2024	see Note 9)
Operating revenues:	¢	1 101 701 0	1 102 1/7
Charges for passenger fares	\$	1,181,721 \$	1,183,167
Operating expenses:		5 102 700	4 004 022
Salaries and wages		5,193,709	4,984,832
Fringe benefits		1,873,855	2,117,077
Services		1,147,944	905,668
Utilities		221,331 252,931	196,284
Insurance		,	279,709
Purchased services and other expenses		4,167,486	3,502,542
Materials and supplies		1,476,721	1,090,611
Depreciation		2,892,229	1,968,943
Total operating expenses		17,226,206	15,045,666
Operating loss		(16,044,485)	(13,862,499)
Nonoperating revenues:			
Noncapital grants or assistance:		7.051 (4(4.041.(22
Federal Transit Administration		7,051,646	4,941,633
Commonwealth of Virginia		4,020,059	3,453,984
City of Roanoke, Virginia		2,193,612	1,804,736
City of Salem, Virginia		273,898	246,984
Town of Vinton, Virginia		85,419	84,988
New River Valley Metropolitan Planning Organization		81,000	94,795
Virginia Tech University		221,439	233,255
Carilion Foundation		63,000	62,339
Other local operating assistance	_	23,511	13,955
Total noncapital revenues		14,013,584	10,936,669
Local share and other revenues:			
Advertising		148,335	144,854
Rental revenue (expense)		(2,500)	11,000
Interest income		1,867	2,605
Gain/(Loss) on disposal of asset		70,282	(17,627)
Other		76,930	103,127
Total local share and other revenues	_	294,914	243,959
Total nonoperating revenues		14,308,498	11,180,628
Loss before capital contributions		(1,735,987)	(2,681,871)
Capital contributions		3,696,802	8,357,396
Change in net position		1,960,815	5,675,525
Total net position at beginning of year, as restated (note 9)		30,869,220	25,193,695
Total net position at end of the year	\$	32,830,035 \$	30,869,220

See accompanying notes to the basic financial statements.

(A Component Unit of the City of Roanoke, Virginia)

Statements of Cash Flows

Years ended June 30, 2024 and 2023

		2024	2023 (As restated, see Note 9)
Cash flows from operating activities and local share		2024	see Note 9)
and other revenues (excluding interest): Cash received from customers Cash payments to employees for services Cash payments to suppliers for goods and services Local share and other revenue received/(expenses paid)	\$	1,130,309 \$ (7,023,432) (6,583,916) 1,683,468	1,049,718 (6,933,698) (5,896,257) (217,292)
Net cash used in operating activities		(10,793,571)	(11,997,529)
Cash flows from noncapital financing activity: Noncapital grants received	_	12,409,958	12,086,957
Cash flows from capital and related financing activities: Acquisition of capital assets Capital contributions		(5,394,101) 5,311,953	(8,034,235) 7,729,972
Net cash used in capital and related financing activities		(82,148)	(304,263)
Cash flows from investing activity: Interest income received		1,867	2,605
Net changes in cash, cash equivalents and restricted cash Cash, cash equivalents and restricted cash at beginning of year		1,536,106 177,724	(212,230) 389,954
Cash, cash equivalents and restricted cash at end of year	\$	1,713,830 \$	177,724
Reconciliation of operating loss to net cash used in operating activities: Operating loss Adjustments to reconcile operating loss to net cash	\$	(16,044,485) \$	(13,862,499)
used in operating activities: Local share and other net revenue (excluding interest) Depreciation Changes in assets and liabilities:		222,765 2,892,229	241,354 1,968,943
Decrease (increase) in accounts receivable Decrease (increase) in supplies and materials Decrease (increase) in other assets Increase in cash overdraft		(51,412) 185,966 4,125 102,127	(133,449) (94,247) 214,769
Increase in trade accounts payable Increase (decrease) in accrued salaries and benefits Increase (decrease) in unearned revenue and due to		390,280 44,131	(41,965) 168,211
Federal Transit Administration		1,460,703	(458,646)
Net cash used in operating activities	\$	(10,793,571) \$	(11,997,529)
Reconciliation to cash on Statements of Net Position			
Cash and cash equivalents	\$	- \$	177,724
Restricted cash and cash equivalents		1,713,830	-
•	\$	1,713,830 \$	177,724
Supplemental cash flow data			
Noncash capital and financial activities			
Capital asset purchases financed with accounts payable	\$	\$	2,682,540

See accompanying notes to the basic financial statements.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies

(a) Organization and Purpose

The Greater Roanoke Transit Company (the "Company") is a private, nonprofit, public service organization wholly owned by the City of Roanoke, Virginia (the "City"). The Company provides a comprehensive range of transportation services for the residents of the greater Roanoke area, including bus service along fixed routes, special services for the disabled, and shuttle buses. Similar to other public transportation systems, government subsidies are required to fund operations. The Company is the recipient of operating and capital grants from federal, state, and local agencies, including the Federal Transit Administration (the "FTA"), the Virginia Department of Rail and Public Transportation (the "DRPT"), and the City.

Company policy decisions are made by the Board of Directors, which is comprised of two (2) City Council members, two (2) City employees, and three (3) citizens of the community at large. The Company contracts with First Group America Company (dba First Transit, Inc.) to provide senior management professionals. The remainder of the staff are employees of Southwestern Virginia Transit Management Company, Inc. ("SVTMC"), a subsidiary of First Transit, Inc. Bargaining unit employees of SVTMC, which include all bus drivers and mechanics, are under a separate contract ratified by the Amalgamated Transit Union, AFL-CIO-CLC, Local Union 1493 ("Union") effective July 1, 2022 and expiring on June 30, 2025.

The Company is reported as a discretely presented component unit with the City's reporting entity.

(b) Basis of Accounting

The accompanying financial statements reflect the transit operations of the Company and are accounted for on the economic resources measurement focus and use the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as promulgated by the Governmental Accounting Standards Board, and conform with the requirements of the FTA's National Transit Database, as amended. Accordingly, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. *Nonexchange transactions*, in which the Company receives value without directly giving equal value in exchange, include appropriations from the City, grants, and donations. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements, including time requirements, if any are met.

(c) Cash and Cash Equivalents

The Company's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities three months of less from date of acquisition.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(d) Supplies and Materials

Supplies and materials consist of various consumable items which are maintained on a perpetual basis with periodic verification based on physical count. Supplies and materials are valued using a weighted average cost approach.

(e) Capital Assets

Capital assets are stated at cost less accumulated depreciation computed by the straight-line method over the estimated lives of the respective assets as follows:

Buildings, structure, and improvements	2 to 40 years
Buses	2 to 12 years
Shop and garage equipment	2 to 10 years
Office equipment and furnishings	2 to 10 years

Contributed and donated capital assets are recorded at acquisition value at the date of receipt. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

(f) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company does not record an allowance for existing accounts receivable based on historical experience. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote.

(g) Compensated Absences

Company employees are granted vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation in full. Accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. Sick leave is recorded as an expense as the employee utilizes it.

In accordance with GAAP, the liability calculations include an accrual at the current rate of pay and ancillary salary-related payments associated with its ultimate liquidation. Compensated absence liabilities are reported as a component of accrued salaries and benefits.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(h) Operating Revenues and Expenses

Operating revenues consist of charges for passenger fares and are recorded as revenue at the time of sale. Rental and parking income are recorded on the accrual basis of accounting based upon the date in which services are provided to customers. Operating expenses include costs of services provided, including personnel costs, purchased services, utilities, materials and supplies, insurance and depreciation. All other revenues and expenses, with the exception of capital contributions, are classified as nonoperating revenues and expenses.

(i) Unearned Revenues

Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Grants and contributions received before the eligibility requirements are met have been recorded as unearned revenues.

(j) Deferred Compensation Plan

Company employees participate in the Southwestern Virginia Transit Management Company, Inc. Retirement Plan (the "Plan"), which is a deferred compensation plan and trust covering all eligible employees of the Company. Under the terms of the Plan agreement, all full-time employees are required to participate in the Plan upon completion of their probationary employment period, which is 90 days from date of hire for all employees. Southwest Virginia Transit Management Company, Inc. is the Trustee of the Plan, which is administered by the Reliance Trust Company. Participants contribute to the Plan through both mandatory and voluntary payroll deductions. Participants are required to contribute a minimum of 3% of annual compensation. Participants may elect to defer up to 100% of their pretax compensation not to exceed the Internal Revenue Service ("IRS") limitations on net contributions. The Company can make contributions at its discretion. The Plan qualifies as a government plan under Section 457 of the *Internal Revenue Code*. This qualification exempts the Plan from the Employee Retirement Income Security Act and the Department of Labor regulations. Charges to operations under the Plan are based on 3% of union and salary participants' eligible payroll.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(k) Net Position

Net position represents the difference between assets and liabilities. Net position may be comprised of three components:

Net Investment in Capital Assets – Consists of the historical cost of capital assets net of any accumulated depreciation.

Restricted – Consists of assets where limitations are imposed through external restrictions imposed by creditors, grantors, or the laws and regulations of other governments.

Unrestricted – All other net position is reported as net invested in this category.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net position at the date of the financial statements and the reported amounts of revenues, expenses, and changes in net position during the reporting period. Actual results could differ from these estimates.

(2) Cash and Cash Equivalents

All cash and cash equivalents are held by financial institutions in the name of the Company. At June 30, 2024 and 2023, all cash and cash equivalents were fully collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the <u>Code of Virginia</u>.

Restricted cash is composed of Coronavirus State and Local Fiscal Recovery Funds received from the City of Roanoke to fund the Company's Metroflex project of offering microstransit services to individuals in the Roanoke Valley. Restricted cash and cash equivalents totaled \$1,713,830 and \$- at June 30, 2024 and 2023, respectively.

(3) Supplies and Materials

As of June 30, 2024 and 2023, supplies and materials consisted of the following:

		2024		2023
Parts	\$	415,382	\$	626,042
Diesel Fuel		37,800		32,154
Lubricating Oil	_	20,178		1,130
	\$	473,360	\$	659,326

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(4) Capital Assets

	Balances June 30, 2023, as restated	Increases	Decreases	Balances June 30, 2024
Capital assets not being depreciated:				
Land	\$ 1,627,487	\$ -	\$ -	\$ 1,627,487
Construction in progress	1,048,580	1,409,055	(2,436,930)	20,705
Other capital assets being				
depreciated:				
Building, structures				
and improvements	21,408,851	859,580	(116,468)	22,151,963
Buses	25,876,838	2,421,061	(3,920,643)	24,377,256
Shop and garage equipment	3,426,938	544,235	(534,065)	3,437,108
Office equipment				
and furnishings	688,641	-	(1,524)	687,117
Accumulated depreciation	(24,236,553)	(2,892,229)	4,557,542	(22,571,240)
Net capital assets				
being depreciated	27,164,715	932,647	(15,158)	28,082,204
Capital assets, net	\$ 29,840,782	\$ 2,341,702	\$ (2,452,088)	\$ 29,730,396
	Balances June 30, 2022	Increases, as restated	Decreases, as restated	Balances June 30, 2023 as restated
Capital assets not being depreciated:	June 30, 2022	restated	restated	June 30, 2023 as restated
Land	June 30, 2022 \$ 1,627,487	restated \$ -	restated \$ -	June 30, 2023 as restated \$ 1,627,487
Land Construction in progress	June 30, 2022	restated	restated	June 30, 2023 as restated
Land Construction in progress Other capital assets being	June 30, 2022 \$ 1,627,487	restated \$ -	restated \$ -	June 30, 2023 as restated \$ 1,627,487
Land Construction in progress Other capital assets being depreciated:	June 30, 2022 \$ 1,627,487	restated \$ -	restated \$ -	June 30, 2023 as restated \$ 1,627,487
Land Construction in progress Other capital assets being depreciated: Building, structures	June 30, 2022 \$ 1,627,487 8,865,479	restated \$ - 6,975,193	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547	restated \$ - 6,975,193 14,317,304	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547 23,925,459	restated \$ - 6,975,193 14,317,304 1,951,379	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851 25,876,838
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses Shop and garage equipment	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547	restated \$ - 6,975,193 14,317,304	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses Shop and garage equipment Office equipment	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547 23,925,459 3,335,659	restated \$ - 6,975,193 14,317,304 1,951,379 91,279	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851 25,876,838 3,426,938
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses Shop and garage equipment Office equipment and furnishings	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547 23,925,459 3,335,659 644,142	restated \$ - 6,975,193 14,317,304 1,951,379 91,279 44,499	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851 25,876,838 3,426,938 688,641
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses Shop and garage equipment Office equipment and furnishings Accumulated depreciation	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547 23,925,459 3,335,659	restated \$ - 6,975,193 14,317,304 1,951,379 91,279	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851 25,876,838 3,426,938
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses Shop and garage equipment Office equipment and furnishings Accumulated depreciation Net capital assets being	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547 23,925,459 3,335,659 644,142 (22,267,610)	restated \$ - 6,975,193 14,317,304 1,951,379 91,279 44,499 (1,968,943)	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851 25,876,838 3,426,938 688,641 (24,236,553)
Land Construction in progress Other capital assets being depreciated: Building, structures and improvements Buses Shop and garage equipment Office equipment and furnishings Accumulated depreciation	June 30, 2022 \$ 1,627,487 8,865,479 7,091,547 23,925,459 3,335,659 644,142	restated \$ - 6,975,193 14,317,304 1,951,379 91,279 44,499	restated \$ -	June 30, 2023 as restated \$ 1,627,487 1,048,580 21,408,851 25,876,838 3,426,938 688,641

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(5) Deferred Compensation Plan

The Company has a deferred compensation plan (see note 1(j)) covering all hourly and salaried employees. The Company's contributions to the deferred compensation plan were \$143,286 and \$143,830 in 2024 and 2023, respectively.

(6) Contractual Commitments

Under the provisions of a management contract with First Group America Company (dba First Transit, Inc.), which originally became effective on March 1, 2010 and was renewed July 1, 2020, the Company paid a monthly fee of \$33,044 and \$27,331 for management services for years ended June 30, 2024 and 2023, respectively. Total fees paid for the years ended June 30, 2024 and 2023, were \$396,524 and \$327,976, respectively.

Certain assets acquired with FTA grants must be kept in service for a specified time period as a requirement of the grants. If these assets are removed from service, the Company must reimburse FTA for up to 80% of their fair market value on the date of disposition. Capital assets, net, approximated \$29.7 million and \$29.8 million for the years ended June 30, 2024 and 2023, respectively, and are subject to these grant requirements.

The Company has agreements with the City of Salem, Virginia and Town of Vinton, Virginia to provide bus service to each locality, which may be terminated by either party upon written notice of twelve months and six months, respectively. The localities reimburse the Company for 51% of the net operating costs based upon passenger counts and service miles.

(7) Risk Management

The Company is exposed to various risks of loss such as theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Company carries commercial insurance for their risks. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Company is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Company is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, results of operations, and/or liquidity of the Company.

(8) Subsequent Events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 14, 2024 report date.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(9) Prior Period Restatement of Net Position

The Company restated net position for inventory adjustments, accrued purchases, accrued salaries and benefits, construction in progress, and bus additions not recorded in the prior year. There was also an immaterial overstatement of depreciation expense in the prior year. The impacts of correcting these errors are summarized below:

Net position balance July 2023, as previously reported	\$ 30,984,393
Inventory adjustments	(85,198)
Fringe benefits expense	(11,812)
Construction in progress	(32,787)
Accrued purchases	(15,711)
Overstatement of depreciation expense	15,175
Unrecorded bus asset additions	 15,160
Net change	 (115,173)
Net position balance July 1, 2023, as restated	\$ 30,869,220

See below for a reconciliation of the previously issued June 30, 2023 Statements of Net Position and Statement of Revenues, Expenses and Changes in Net Position to the restated June 30, 2023 Statement of Net Position and Statements of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flow.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(9) Prior Period Restatement of Net Position (Continued)

Reconciliation of the Statement of Net Position June 30, 2023

Assets	2023	Restatement	2023, as restated
Current assets:			
Cash and cash equivalents	\$ 177,724 \$	5 _ \$	177,724
Due from:			
Federal Transit Administration	2,522,709	-	2,522,709
Due from Federal Government	-	-	-
Commonwealth of Virginia	1,522,980	-	1,522,980
City of Roanoke	54,606	-	54,606
Accounts receivable	405,523	-	405,523
Supplies and materials (note 3)	744,524	(85,198)	659,326
Other assets	4,125		4,125
Total current assets	5,432,191	(85,198)	5,346,993
Capital assets (note 4):			
Land	1,627,487	-	1,627,487
Buildings, structures and improvements	21,408,851	-	21,408,851
Buses	25,861,678	15,160	25,876,838
Shop and garage equipment	3,426,938	-	3,426,938
Office equipment and furnishings	688,641	-	688,641
Construction in progress	1,081,367	(32,787)	1,048,580
Accumulated depreciation	(24,251,728)	15,175	(24,236,553)
Capital assets, net	29,843,234	(2,452)	29,840,782
Total assets	35,275,425	(87,650)	35,187,775
Liabilities			
Current liabilities:			
Trade accounts payable	3,878,228	15,711	3,893,939
Accrued salaries and benefits	412,804	11,812	424,616
Total current liabilities	4,291,032	27,523	4,318,555
Net Position			
Net investment in capital assets	27,160,694	(2,452)	27,158,242
Unrestricted	3,823,699	(112,721)	3,710,978
Total net position	\$ 30,984,393	§ <u>(115,173)</u> \$	30,869,220

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(9) Prior Period Restatement of Net Position (Continued)

Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position Year ended June 30, 2023

	_	2023	Restatement	2023, as restated
Operating revenues:				
Charges for passenger fares	\$	1,183,167	\$\$	1,183,167
Operating expenses:				
Salaries and wages		4,984,832	-	4,984,832
Fringe benefits		2,105,265	11,812	2,117,077
Services		905,668	-	905,668
Utilities		196,284	-	196,284
Insurance		279,709	-	279,709
Purchased services and other expenses		3,502,542	-	3,502,542
Materials and supplies		989,702	100,909	1,090,611
Depreciation		1,984,118	(15,175)	1,968,943
Total operating expenses		14,948,120	97,546	15,045,666
Operating loss		(13,764,953)	(97,546)	(13,862,499)
Nonoperating revenues:	_			
Noncapital grants or assistance:				
Federal Transit Administration		4,941,633	-	4,941,633
Commonwealth of Virginia		3,453,984	-	3,453,984
City of Roanoke, Virginia		1,804,736	-	1,804,736
City of Salem, Virginia		246,984	-	246,984
Town of Vinton, Virginia		84,988	-	84,988
New River Valley Metropolitan Planning Organization		94,795	-	94,795
Virginia Tech University		233,255	-	233,255
Carilion Foundation		62,339	-	62,339
Other local operating assistance		13,955	-	13,955
Total noncapital revenues		10,936,669	-	10,936,669
Local share and other revenues:				
Advertising		144,854	-	144,854
Rental income		11,000	-	11,000
Interest income		2,605	-	2,605
Loss on disposal of asset		-	(17,627)	(17,627)
Other		103,127	-	103,127
Total local share and other revenues		261,586	(17,627)	243,959
Total nonoperating revenues		11,198,255	(17,627)	11,180,628
Loss before capital contributions		(2,566,698)	(115,173)	(2,681,871)
Capital contributions		8,357,396	-	8,357,396
Change in net position		5,790,698		5,675,525
Total net position at beginning of year		25,193,695	-	25,193,695
Total net position at end of the year	\$	30,984,393	\$\$	30,869,220

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(9) Prior Period Restatement of Net Position (Continued)

Reconciliation of the Statement of Cash Flows

Year ended June 30, 2023

		2023	Restatement	2023, as restated
Cash flows from operating activities and local share				
and other revenues (excluding interest):				
Cash received from customers	\$	1,049,718	s -	\$ 1,049,718
Cash payments to employees for services		(6,933,698)	-	(6,933,698)
Cash payments to suppliers for goods and services		(5,896,257)	-	(5,896,257)
Local share and other revenue received/(expenses paid)		(199,665)	(17,627)	(217,292)
Net cash used in operating activities		(11,979,902)	(17,627)	(11,997,529)
Cash flows from noncapital financing activity:				
Noncapital grants received		12,086,957		12,086,957
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(8,051,862)	17,627	(8,034,235)
Capital contributions		7,729,972		7,729,972
Net cash provided by (used in) capital and				
related financing activities	_	(321,890)	17,627	(304,263)
Cash flows from investing activity:				
Interest income received		2,605		2,605
Net changes in cash and cash equivalents		(212,230)	-	(212,230)
Cash and cash equivalents at beginning of year		389,954	-	389,954
Cash and cash equivalents at end of year	\$	177,724	-	177,724
Reconciliation of operating loss to net cash used	_			
in operating activities:				
Operating loss	\$	(13,764,953)	(97,546)	(13,862,499)
Adjustments to reconcile operating loss to net cash				
used in operating activities:				
Local share and other net revenue (excluding interest)		258,981	(17,627)	241,354
Depreciation		1,984,118	(15,175)	1,968,943
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable		(133,449)	-	(133,449)
Decrease (increase) in supplies and materials		(179,445)	85,198	(94,247)
Decrease (increase) in other assets		214,769	-	214,769
Increase in trade accounts payable		(57,676)	15,711	(41,965)
Increase (decrease) in accrued salaries and benefits		156,399	11,812	168,211
Increase (decrease) in unearned revenue		(458,646)		(458,646)
Net cash used in operating activities	\$	(11,979,902)	(17,627)	(11,997,529)

(A Component Unit of the City of Roanoke, Virginia)

Notes to Basic Financial Statements

June 30, 2024 and 2023

(10) New Accounting Standards

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

COMPLIANCE SECTION

(A Component Unit of the City of Roanoke, Virginia)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Assistance Listing Number	Identifying Number	Expenditures
Department of Transportation			
Federal Transit Cluster	20.507	NA 2021 020 01 00	¢ 04.0 22
FY21 FTA Capital Assistance	20.507	VA-2021-038-01-00	\$ 94,022
FY23 FTA Capital Assistance	20.507	VA-2023-002-01-00	1,868,850
FY23 FTA Operating Assistance	20.507	VA-2023-011-01-00	713,025
FY24 FTA Operating Assistance	20.507	VA-2024-010-01-00	5,962,424
Total Federal Transit Cluster			8,638,321
Formula Grants for Rural Areas			
Virginia Department of Rail and Public Transportation			
FY23 Operating Assistance	20.509	VA-2022-028	582,049
FY24 Operating Assistance	20.509	VA-2023-032	152,830
			734,879
Total Department of Transportation			9,373,200
Department of Treasury			
City of Roanoke, Virginia			
COVID-19 - Coronavirus State and Local Fiscal Recovery Fun	c 21.027	CSLFRF	376,197
Total Department of Treasury			376,197
Grand Total Federal Financial Assistance			\$ 9,749,397

See accompanying notes to schedule of expenditures of federal awards.

(A Component Unit of the City of Roanoke, Virginia)

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Greater Roanoke Transit Company (the "Company") under programs of the federal government for the year ended June 30, 2024. 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 Company, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Company.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Company has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – OUTSTANDING LOAN BALANCES

At June 30, 2024, the Company had no outstanding loan balances requiring continuing disclosure.



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 Directors Greater Roanoke Transit Company Roanoke, Virginia

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 Greater Roanoke Transit Company (the "Company") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated December 14, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 entity'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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Items 2024-001, 2024-002, 2024-003, and 2024-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as Items 2024-008 and 2024-009.

Company's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Brown, Edwards & Company, A. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia December 14, 2024



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors Greater Roanoke Transit Company Roanoke, Virginia

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited the Greater Roanoke Transit Company's (the "Company") 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 Company's major federal programs for the year ended June 30, 2024. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing # 20.507, Federal Transit Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion Section of our report, the Company complied, in all material respects, with compliance requirements referred to above that could have a direct and material effect on the Federal Transit Cluster for the year ended June 30, 2024.

Basis for Qualified Opinion

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Company's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Assistance Listing # 20.507, Federal Transit Cluster

As described in the accompanying schedule of findings and questioned costs, the Company did not comply with the requirements regarding *Assistance Listing # 20.507, Federal Transit Cluster* as described in Item 2024-005 for Cash Management.

Compliance with such requirements is necessary, in our opinion, for the Company to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Company's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design
 and perform audit procedures responsive to those risks. Such procedures include examining, on
 a test basis, evidence regarding the Company's compliance with the compliance requirements
 referred to above and performing such other procedures as we considered necessary in the
 circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Company's internal control over compliance Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Item **2024-007**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weakness es and significant deficiencies.

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. We consider the deficiency in internal control over compliance to the deficiency in internal control over compliance to a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-005 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-006 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

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.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia December 14, 2024

Summary of Compliance Matters June 30, 2024

As more fully described in the 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*, we performed tests of the Company's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

Local Compliance Matters

Company By-Laws

Commonwealth of Virginia Compliance Matters

Virginia Public Procurement Act – Prompt Payment Requirement

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

Schedule of Findings and Questioned Costs

June 30, 2024

A – Summary of Auditor's Results

- 1. The auditor's report expresses an **unmodified opinion** on the financial statements.
- 2. Four material weaknesses relating to the audit of the financial statements were reported in the 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.
- 3. Two instances of noncompliance material to the financial statements were disclosed.
- 4. **One material weakness and one significant deficiency** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- 5. The auditor's report on compliance for the major federal award program expresses a qualified opinion.
- 6. The audit disclosed three findings relating to the major program.
- 7. The program tested as major was:

Name of Program	Assistance Listing Number
Federal Transit Formula Grants – Operating and Capital Assistance	20.507

- 8. The threshold for distinguishing Type A and B programs was \$750,000.
- 9. The Company was not determined to be a low-risk auditee.

B – Findings – Financial Statement Audit

2024-001: Segregation of Duties and Management Oversight (Material Weakness)

Condition

Due to staff turnover, duties handled by the Director of Finance included incompatible duties during the year under audit such as: collection of cash, post receipts to general ledger, and prepare bank deposit slips. In addition, the Inventory Manager has access both to physical inventory and to the inventory tracking system.

<u>Criteria</u>

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. In addition, all significant transactions and controls should involve reconciliations and supervisory, or management level, reviews of those processes. An effective and timely review process is intended to prevent and detect both fraud and errors.

<u>Cause</u>

Turnover in key positions can result in individuals performing duties that are not appropriately segregated. In addition, turnover can also create challenges in the oversight or review function.

<u>Effect</u>

Internal controls are designed to safeguard assets and detect losses from employees dishonesty or error.

Schedule of Findings and Questioned Costs

June 30, 2024

Recommendation

Steps should be taken to eliminate conflicting duties and implement compensating controls, where possible.

View of Responsible Officials

Although turnover in key positions increased the need for staff to undertake incompatible duties, small staff sizes will likely perpetuate the need for the Director of Finance and Inventory Manager to occasionally perform duties which would be ideally segregated. To help alleviate the risks involved, management will develop additional compensating controls around these activities, including working with system vendors to identify activity logging capabilities and additional reports for periodic review by management.

2024-002: Grant Management and Operating Assistance (Material Weakness)

Condition

During 2024, various functions related to financial management were not performed timely resulting in difficulties and delays in completion of the annual audit. Additionally, the untimely nature of grant reconciliations and drawdowns has led to significant cash and grant management issues.

<u>Criteria</u>

Internal controls related to financial management should be designed to ensure timely reconciliations are performed, including submission of reimbursement requests and reconciling grant and local revenue.

<u>Cause</u>

Turnover in financial positions and increased levels of federal and state grant usage caused significant delays in performance of and reduction in effectiveness of certain financial duties.

<u>Effect</u>

Untimely drawdowns could result in vendors not being paid timely, result in cash shortages, and inability to pay payroll.

Recommendation

We recommend that the Company establish financial management procedures to ensure that timely reconciliations and submissions of reimbursement requests. We would recommend these procedures be performed monthly and include tracking and reconciling grant activity by type (federal, state, and local).

View of Responsible Officials

The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff members to better monitor reimbursement requests and ensure vendors are paid timely moving forward.

Schedule of Findings and Questioned Costs

June 30, 2024

2024-003: Bank Reconciliations (Material Weakness)

Condition

Monthly bank reconciliations were not prepared by an accountant and reviewed and approved by a supervisor in a timely manner.

<u>Criteria</u>

Monthly bank reconciliations should be performed by the 15th of the next month.

<u>Cause</u>

Staff shortage and lack of cash flow management.

<u>Effect</u>

Poor cash flow management resulting in vendor and contractor invoices not being paid timely.

Recommendation

We recommend bank reconciliations be prepared by an accountant and reviewed by a supervisor to ensure unreconciled or unusual items, or other matters noted in the reconciliation, are detected and addressed in a timely manner.

View of Responsible Officials

The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Currently, the Interim Director of Finance is preparing all company bank reconciliations.

2024-004: Trade Receivables and Revenue – Billing (Material Weakness)

Condition

There were multiple customer accounts that were not billed throughout the year as services were provided by the Company.

<u>Criteria</u>

Customers should be billed in a timely manner after being provided with services by the Company.

<u>Cause</u>

Staff shortage, lack of revenue cycle oversight, and lack of cash flow management.

Schedule of Findings and Questioned Costs

June 30, 2024

<u>Effect</u>

Poor revenue cycle management, leading to customers not being billed. This leads to cash shortages from operations and a further reliance on grant funding for operations. This could also lead to the Company being unable to collect billed balances, as certain customers were hit with substantial bills when invoices were caught up in June 2024.

Recommendation

We recommend billing customers for services rendered in a timely manner to improve cash flow and prevent collection issues.

View of Responsible Officials

Management is working to fill vacant Finance positions, including Accounts Receivable Associate. Until that time, the Interim Director of Finance has taken over responsibility for both advertising and operating billings. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities.

C – Findings and Questioned Costs – Major Federal Award Program Audit

2024-005: Federal Transit Cluster – AL# 20.507, Cash Management – Material Noncompliance/Material Weakness in Controls over Compliance

Condition

A lack of cash flow and grant management oversight resulted in contractors and vendors not being paid timely during FY2024. We noted 14 instances where contractors and vendors were not paid for over 30 days. We also noted four vendors were not paid for over 90 days.

<u>Criteria</u>

All grant activities should include management level oversight to ensure timeliness, accuracy, and compliance with specified grant requirements.

<u>Cause</u>

Lack of proactive cash flow and grant management occurred when invoices were received.

<u>Effect</u>

Multiple contractors and vendors were not paid for over 30 days after receipt of invoice. Four vendors were not paid for over 90 days.

Recommendation

A designated management level individual should have oversight to require timely drawdowns of capital grants and timely payment of invoices.

Schedule of Findings and Questioned Costs

June 30, 2024

View of Responsible Officials

Issues with the implementation of new Federal and Commonwealth transportation grant portals hindered staff from being able to submit grant draw requests in a timely manner. Management is addressing these issues as they arise. The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff members to better monitor reimbursement requests and ensure vendors are paid timely moving forward.

2024-006: Federal Transit Cluster – AL# 20.507, Period of Performance – Significant Deficiency, Controls over Compliance

Condition

There were numerous grants awarded to the Company that had award end dates prior to June 30, 2024 that had not been appropriately closed out at year-end.

<u>Criteria</u>

All grants that are not active should be closed out within the grant awards management system after their award end date.

<u>Cause</u>

Lack of proactive cash flow and grant management.

Effect

Out of 18 federal grant awards tested, 6 had award end dates prior to June 30, 2024. All 6 were still marked as active in the grant award management system as of June 30, 2024, with total remaining funds on these awards totaling \$673,179. Two of these grant awards had award beginning dates over 15 years old, had no activity during FY2024, and had not been closed out by June 30, 2024.

Recommendation

A designated management level individual should close out all grant awards whose period of performance has expired within the grants management system.

View of Responsible Officials

Five FTA grants are in Active Award/Ready for Closeout (as of August 13, 2024), including VA-2021-038-01, VA-2016-009-01, VA-2021-037-01, VA-2016-016-01 and VA-04-0027-01. Additionally, an inquiry was sent to the FTA on August 19, 2024 on what could be done with the remaining funds in VA-2019-018. Grant VA-2023-002-00 has experienced delays due to the all-electric vehicle demand and supply chain issues. GRTC has been in communications with the FTA regarding this situation. All other active FTA grants have end of performance dates in 2025.

Schedule of Findings and Questioned Costs June 30, 2024

2024-007: Federal Transit Cluster – AL# 20.507, Procurement – Finding, Non-material Non-compliance

Condition

As award recipients of Federal Transit Administration (FTA) funds, the Company is required to include certain clauses in contracts funded by FTA funds. We noted that the Company did not include the required "prohibition on certain telecommunications and video surveillance services or equipment" clause and the "notification of legal matters" clause as required clauses in their procurement manual and did not contain these clauses in one contract tested.

<u>Criteria</u>

The FTA mandates that contracts funded with FTA awards must contain certain clauses related to prohibited vendors under the Code of Federal Regulations section 200.216 and requires contractors to notify the Company and the FTA of any current legal matters.

<u>Cause</u>

Lack of compliance with FTA contract regulations.

<u>Effect</u>

Contracts do not meet FTA contract regulations and are non-compliant.

Recommendation

We recommend that the Company incorporate these required FTA clauses in their procurement manual and their standard contracts to properly incorporate in any future FTA funded contracts.

View of Responsible Officials

Missing FTA clauses will be addressed via revisions/updates to all of GRTC's solicitation and contract templates. As templates can often be edited by mistake, another tool to proof contracts is the "FTA Clause Matrix 2023 Applicability of Third Party Contract Provisions". The current version of this matrix includes provision from 2 CFR 200, Master Agreement 30 (FY 23) and Circular 4220.1F. Procurement received this matrix during an NTI Procurement 101 training course December 2023. Referencing this matrix has been added as a step in project checklists.

D – Findings – Commonwealth of Virginia and Other Nonmajor Federal Program Compliance

2024-008: Virginia Public Procurement Act Prompt Payment Requirement

Condition

The Company did not pay multiple vendors on a timely basis throughout the year.

Schedule of Findings and Questioned Costs

June 30, 2024

<u>Criteria</u>

Section 2.2-4352 of the *Code of Virginia* requires that every agency of local government that acquires goods or services shall promptly pay for the completed delivered goods or services by the required payment date. The required payment date shall be either (i) the date on which payment is due under the terms of the contract for the provision of the goods or services or (ii) if a date is not established by contract, not more than forty-five days after goods or services are received or the invoice is rendered.

<u>Cause</u>

Due to a lack of cash flow and grant management, insufficient funds were available to vendors in a timely manner.

<u>Effect</u>

Vendors were not paid timely as required by the Code of Virginia.

Recommendation

All vendors are to be paid in a timely manner as defined by the Code of Virginia.

View of Responsible Officials

Issues with the implementation of new Federal and Commonwealth transportation grant portals hindered staff from being able to submit grant draw requests in a timely manner. Management is addressing these issues as they arise. The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff members to better monitor reimbursement requests and ensure vendors are paid timely moving forward.

2024-009: Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) – AL# 21.027, Allowable Costs – Material Noncompliance/Material Weakness in Controls over Compliance

Condition

The Company received CSLFRF funding from the City of Roanoke (the "City") during the year under audit, and allowable costs of the funds were governed by a memorandum of understanding (MOU) between the City and the Company. The City provided these CSLFRF funds to the Company for the Company to provide Micro Transit services with ADA-accessible vehicles and to purchase bus shelters, sidewalk improvements, and other improvements for high-use transit locations. These funds were used to cover operating expenses during the year, which did not fall under the allowed uses enumerated in the MOU with the City.

<u>Criteria</u>

CSLFRF funds received should be spent according to MOU between the City and the Company, as the MOU governs the allowable costs for CSLFRF funds received by the Company. There was also a lack of controls to ensure that funds were used properly.

Schedule of Findings and Questioned Costs

June 30, 2024

<u>Cause</u>

Lack of proactive cash flow and grant management.

<u>Effect</u>

CSLFRF funds were inappropriately used for unallowable costs and used to cover operational expenses.

Recommendation

A designated management level individual should have oversight over the disbursement and tracking of CSLFRF funds to ensure compliance with the MOU.

View of Responsible Officials

In preparation for the receipt of CSLFRF funds, GRTC created a new bank account to separate these funds from regular operating funds. The MOU with the City was delayed in order to allow time for the separate account to be properly set up to receive the funds via ACH. In error, CSLFRF funds were deposited via ACH to GRTC's Operating account instead. Once the error was noticed, funds were adjusted to reflect their proper use.

Schedule of Prior Audit Findings June 30, 2024

A – Findings – Financial Statement Audit

2023-001: Segregation of Duties and Management Oversight (Material Weakness)

Condition

Due to staff turnover, duties handled by the Director of Finance included incompatible duties during the year under audit such as: collection of cash, post receipts to general ledger, and prepare bank deposit slips.

Recommendation

Steps should be taken to eliminate conflicting duties and implement compensating controls, where possible.

Current Status

Still applicable. See similar instance at 2024-001.

2023-002: Grant Management and Operating Assistance (Material Weakness)

Condition

During 2023, various functions related to financial management were not performed timely resulting in difficulties and delays in completion of the annual audit.

Recommendation

We recommend that the Company establish financial management procedures to ensure that timely reconciliations and submissions of reimbursement requests. We would recommend these procedures be performed monthly and include tracking and reconciling grant activity by type (federal, state, and local).

Current Status

Still applicable. See similar instance at 2024-002.

2023-003: Bank Reconciliations (Material Weakness)

Condition

Monthly bank reconciliations were not prepared by an accountant and reviewed and approved by a supervisor in a timely manner.

Recommendation

We recommend bank reconciliations be prepared by an accountant and reviewed by a supervisor to ensure unreconciled or unusual items, or other matters noted in the reconciliation, are detected and addressed in a timely manner.

Current Status

Still applicable. See similar instance at 2024-003.

Schedule of Prior Audit Findings June 30, 2024

2023-004: Virginia Public Procurement Act Prompt Payment Requirement

Condition

The Company did not pay a certain contractor for the construction of the bus transfer station on a timely basis.

Recommendation

All vendors are to be paid in a timely manner as defined by the Code of Virginia.

Current Status

Still applicable. See similar instance at 2024-008.

2023-005: Parts Inventory (Material Weakness)

Condition

There were several instances where the quantity and value of items did not agree between the supplied inventory listing and the physical inventory counted during the inventory observation.

Recommendation

We recommend that management perform annual inventory counts, reconcile inventory amounts on a periodic basis between the inventory management system and the general ledger, and that obsolete or otherwise outdated inventory items be disposed of.

Current Status

No longer applicable. During FY2024, the Company conducted an annual inventory count and disposed of obsolete and outdated inventory through a public surplus sale and discarded of damaged inventory items.

2023-006: Paid Time Off (Material Weakness)

Condition

The Company did not reconcile third-party reports used to calculate year-end Paid Time Off (PTO) accruals and expenses are not reconciled to internal Human Resources records used to track each employee's earned PTO. In addition, these third-party reports were not retained by the Company's staff for reference and the Company's PTO accrual and expense were only recorded once at year-end.

Recommendation

We recommend that management perform periodic reconciliations between the third-party PTO reports and the internal Human Resources records to ensure that the third-party reports are accurate and complete. If there are discrepancies, the Company can resolve them quickly. We also recommend that the client retain each third-party report for reference and for inspection.

Schedule of Prior Audit Findings June 30, 2024

Current Status

No longer applicable. During FY2024, the Company reconciled PTO reports to internal Human Resources records to ensure the year-end PTO accrual was complete and accurate.

C – Findings and Questioned Costs – Major Federal Award Program Audit

2023-007: Federal Transit Cluster – AL# 20.507, Cash Management – Material Noncompliance/Material Weakness in Controls over Compliance

Condition

A lack of cash flow and grant management oversight resulted in contractors and vendors not being paid timely for the construction of the bus transfer station and construction of bus shelters.

Recommendation

A designated management level individual should have oversight to require timely drawdowns of capital grants and timely payment of invoices.

Current Status

Still applicable. See similar instance at 2024-005.



CORRECTIVE ACTION PLAN

December 11, 2024

Southwestern Virginia Transit Management Company (SVTMC) respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm: Brown, Edwards & Company, L.L.P. 3906 Electric Road Roanoke, VA 24018

Audit period: June 30, 2024

The findings from the June 30, 2024, Schedule of Findings and Questioned Costs (the "Schedule") are discussed below. The findings are numbered consistently with the number assigned in the Schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2024-001: Segregation of Duties and Management Oversight (Material Weakness)

Condition:

Due to staff turnover, duties handled by the Director of Finance included incompatible duties during the year under audit such as: collection of cash, post receipts to general ledger, and prepare bank deposit slips. In addition, the Inventory Manager has access both to physical inventory and to the inventory tracking system.

Criteria:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. In addition, all significant transactions and controls should involve reconciliations and supervisory, or management level, reviews of those processes. An effective and timely review process is intended to prevent and detect both fraud and errors.

Cause:

Turnover in key positions can result in individuals performing duties that are not appropriately segregated. In addition, turnover can also create challenges in the oversight or review function.

Effect:

Internal controls are designed to safeguard assets and detect losses from employees dishonesty or error.

Recommendation:

Steps should be taken to eliminate conflicting duties and implement compensating controls, where possible.

(Continued)

Greater Roanoke Transit Company

P.O. Box 13247 • Roanoke, Virginia 24032 • Phone: 540.982.0305 • Fax: 540.982.2703 • www.valleymetro.com

Corrective Action:

Although turnover in key positions increased the need for staff to undertake incompatible duties, small staff sizes will likely perpetuate the need for the Director of Finance and Inventory Manager to occasionally perform duties

which would be ideally segregated. To help alleviate the risks involved, management will develop additional compensating controls around these activities, including working with system vendors to identify activity logging capabilities and additional reports for periodic review by management.

2024-002: Grant Management and Operating Assistance (Material Weakness)

Condition:

During 2024, various functions related to financial management were not performed timely resulting in difficulties and delays in completion of the annual audit. Additionally, the untimely nature of grant reconciliations and drawdowns has led to significant cash and grant management issues.

Criteria:

Internal controls related to financial management should be designed to ensure timely reconciliations are performed, including submission of reimbursement requests and reconciling grant and local revenue.

Cause:

Turnover in financial positions and increased levels of federal and state grant usage caused significant delays in performance of and reduction in effectiveness of certain financial duties.

Effect:

Untimely drawdowns could result in vendors not being paid timely, result in cash shortages, and inability to pay payroll.

Recommendation:

We recommend that the Company establish financial management procedures to ensure that timely reconciliations and submissions of reimbursement requests. We would recommend these procedures be performed monthly and include tracking and reconciling grant activity by type (federal, state, and local).

Corrective Action:

The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff members to better monitor reimbursement requests and ensure vendors are paid timely moving forward.

2024-003: Bank Reconciliations (Material Weakness)

Condition:

Monthly bank reconciliations were not prepared by an accountant and reviewed and approved by a supervisor in a timely manner.

Criteria:

Monthly bank reconciliations should be performed by the 15th of the next month.

Cause:

Staff shortage and lack of cash flow management.

Effect:

Poor cash flow management resulting in vendor and contractor invoices not being paid timely.

Recommendation:

We recommend bank reconciliations be prepared by an accountant and reviewed by a supervisor to ensure unreconciled or unusual items, or other matters noted in the reconciliation, are detected and addressed in a timely manner.

Corrective Action:

The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Currently, the Interim Director of Finance is preparing all company bank reconciliations.

2024-004: Trade Receivables and Revenue – Billing (Material Weakness)

Condition:

There were multiple customer accounts that were not billed throughout the year as services were provided by the Company.

Criteria:

Customers should be billed in a timely manner after being provided with services by the Company.

Cause:

Staff shortage, lack of revenue cycle oversight, and lack of cash flow management.

Effect:

Poor revenue cycle management, leading to customers not being billed. This leads to cash shortages from operations and a further reliance on grant funding for operations. This could also lead to the Company being unable to collect billed balances, as certain customers were hit with substantial bills when invoices were caught up in June 2024.

Recommendation:

We recommend billing customers for services rendered in a timely manner to improve cash flow and prevent collection issues.

Corrective Action:

Management is working to fill vacant Finance positions, including Accounts Receivable Associate. Until that time, the Interim Director of Finance has taken over responsibility for both advertising and operating billings. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2024-005: Federal Transit Cluster – AL# 20.507, Cash Management – Material Noncompliance/Material Weakness in Controls over Compliance

Condition:

A lack of cash flow and grant management oversight resulted in contractors and vendors not being paid timely during FY2024. We noted 14 instances where contractors and vendors were not paid for over 30 days. We also noted four vendors were not paid for over 90 days.

Criteria:

All grant activities should include management level oversight to ensure timeliness, accuracy, and compliance with specified grant requirements.

Cause:

Lack of proactive cash flow and grant management occurred when invoices were received.

Effect:

Multiple contractors and vendors were not paid for over 30 days after receipt of invoice. Four vendors were not paid for over 90 days.

Recommendation:

A designated management level individual should have oversight to require timely drawdowns of capital grants and timely payment of invoices.

Corrective Action:

Issues with the implementation of new Federal and Commonwealth transportation grant portals hindered staff from being able to submit grant draw requests in a timely manner. Management is addressing these issues as they arise. The Interim Director of Finance and Accounting Supervisor are currently reviewing operating procedures and implementing methods to streamline work and eliminate duplicate activity. A Monthly Close Checklist is under development, which will create consistency in the timing and manner of recording financial activities. Additionally, detailed spreadsheets tracking grant activity have been developed, which will allow staff members to better monitor reimbursement requests and ensure vendors are paid timely moving forward.

2024-006: Federal Transit Cluster – AL# 20.507, Period of Performance – Significant Deficiency, Controls over Compliance

Condition:

There were numerous grants awarded to the Company that had award end dates prior to June 30, 2024 that had not been appropriately closed out at year-end.

Criteria:

All grants that are not active should be closed out within the grant awards management system after their award end date.

Cause:

Lack of proactive cash flow and grant management.

Effect:

Out of 18 federal grant awards tested, 6 had award end dates prior to June 30, 2024. All 6 were still marked as active in the grant award management system as of June 30, 2024, with total remaining funds on these awards totaling \$673,179. Two of these grant awards had award beginning dates over 15 years old, had no activity during FY2024, and had not been closed out by June 30, 2024.

Recommendation:

A designated management level individual should close out all grant awards whose period of performance has expired within the grants management system.

Corrective Action:

Five FTA grants are in Active Award/Ready for Closeout (as of August 13, 2024), including VA-2021-038-01, VA-2016-009-01, VA-2021-037-01, VA-2016-016-01 and VA-04-0027-01. Additionally, an inquiry was sent to the FTA on August 19, 2024, on what could be done with the remaining funds in VA-2019-018. Grant VA-2023-002-00 has experienced delays due to the all-electric vehicle demand and supply chain issues. GRTC has been in communications with the FTA regarding this situation. All other active FTA grants have end of performance dates in 2025.

2024-007: Federal Transit Cluster – AL# 20.507, Procurement – Finding, Non-material Non-compliance

Condition:

As award recipients of Federal Transit Administration (FTA) funds, the Company is required to include certain clauses in contracts funded by FTA funds. We noted that the Company did not include the required "prohibition on certain telecommunications and video surveillance services or equipment" clause and the "notification of legal matters" clause as required clauses in their procurement manual and did not contain these clauses in one contract tested.

Criteria:

The FTA mandates that contracts funded with FTA awards must contain certain clauses related to prohibited vendors under the Code of Federal Regulations section 200.216 and requires contractors to notify the Company and the FTA of any current legal matters.

Cause:

Lack of compliance with FTA contract regulations.

Effect:

Contracts do not meet FTA contract regulations and are non-compliant.

Recommendation:

We recommend that the Company incorporate these required FTA clauses in their procurement manual and their standard contracts to properly incorporate in any future FTA funded contracts.

Corrective Action:

Missing FTA clauses will be addressed via revisions/updates to all of GRTC's solicitation and contract templates. As templates can often be edited by mistake, another tool to proof contracts is the "FTA Clause Matrix 2023 Applicability of Third-Party Contract Provisions". The current version of this matrix includes provision from 2 CFR

200, Master Agreement 30 (FY 23) and Circular 4220.1F. Procurement received this matrix during an NTI Procurement 101 training course December 2023. Referencing this matrix has been added as a step in project checklists.

If the Federal Audit Clearinghouse has questions regarding this plan, please call Kevin Price, General Manager at 540-982-0305.

Sincerely yours

Kevin Price General Manager