

**UMPQUA
PUBLIC
TRANSPORTATION
DISTRICT**

Roseburg, Oregon

Annual Financial Report

June 30, 2021

UMPQUA PUBLIC TRANSPORTATION DISTRICT

3076 NE Diamond Lake Blvd.
Roseburg, OR. 97470
(541) 671-0753

BOARD OF DIRECTORS

KAT STONE 219 Buena Vista Ln., Roseburg, OR 97471	Director
MARK HENDERSHOTT PO Box 526, Sutherlin, OR 97479	Director
JENNIFER BRAGG 762 Rice Valley South Rd., Oakland, OR 97462	Director
JOHN PARKER 471 Oakview Dr., Roseburg, OR 97471	Director
MIKE BAKER 1522 NW Keasey St., Roseburg, OR 97471	Director
SARAH THOMPSON 922 Cook St., Myrtle Creek, OR 97457	Director
LONNIE RAINVILLE 130 NE Keats Ct., Myrtle Creek, OR 97457	Director

ADMINISTRATION

CHERYL CHEAS 3076 NE Diamond Lake Blvd., Roseburg, OR 97470	District General Manager
CHRISTINE SEPULVEDA 3076 NE Diamond Lake Blvd., Roseburg, OR 97470	Executive Assistant

UMPOUA PUBLIC TRANSPORTATION DISTRICT

3076 NE Diamond Lake Blvd.

Roseburg, OR. 97470

(541) 671-0753

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Independent Auditors' Report

To the Board of Directors
Umpqua Public Transportation District,
3076 NE Diamond Lake Blvd. Suite A
Roseburg, OR 97470

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Umpqua Public Transportation District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Umpqua Public Transportation District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Umpqua Public Transportation District as of June 30, 2021, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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 Umpqua Public Transportation District 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 opinions.

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 Umpqua Public Transportation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 Umpqua Public Transportation District'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 Umpqua Public Transportation District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 1-7, schedules of revenues, expenditures and changes in fund balances – budget and actuals on pages 29-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

We have applied certain limited procedures to the management's discussion and analysis in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise District's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals described on pages 29-30 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenditures and changes in fund balances – budget and actuals are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

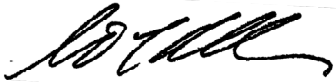
Other Information

The schedule of expenditures of federal awards, as listed in the Table of Contents, 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*, and is also not a required part of the basic financial statements.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, on our consideration of the Umpqua Public Transportation District'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 those reports is 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 internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Umpqua Public Transportation District's internal control over financial reporting and compliance.

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated March 20, 2023, on our consideration of the Umpqua Public Transportation District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on the District's compliance.



Steve Tuchscherer, CPA
Umpqua Valley Financial, LLC
Roseburg, Oregon
March 20, 2023

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2021

The discussion and analysis of Umpqua Public Transportation District's financial performance provide an overview of the District's financial activities for the fiscal year that ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2021, are as follows:

- General revenues accounted for \$14,966 in revenue. Program-specific revenues in the form of charges for services, and grants and contributions accounted for \$3,528,770 of total revenues of \$3,543,736.
- The District had \$2,803,056 in expenses, which was less than total revenues by \$740,680.
- Total assets for the year were \$4,717,223 and total liabilities were \$774,850.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduce the District's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all the District's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as the condition of school buildings and other facilities and changes in the district's enrollment, which dictates the majority of revenue to be collected through the State Funding Formula.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current-year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the distinct activities or functions of the District that are primarily supported by intergovernmental revenues, principally state and federal transportation grants. The governmental activity of the District includes transportation services.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2021

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of individual budgets versus actual statements and combining statements in a later section of this report.

Governmental funds, focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike government-wide financial statements, these statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund. The required supplementary information immediately follows the notes to the financial statements. Other supplementary data includes combining statements, individual fund statements and schedules, and other schedules. These statements and schedules immediately follow the required supplementary information in this report.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. The net position may serve over time as a useful indicator of a government's financial position.

The District's net position at fiscal year-end was \$3,942,373.

The following table provides a summary of the District's net position. Beginning with the second year of operations, this table will present both the current and prior fiscal years' net position information.

Summary of Net Position			
	<u>Governmental Activities</u>		
	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>
Assets			
Current and Other Assets	\$ 2,401,762	\$ 2,382,567	1%
Capital Assets	2,315,461	1,667,661	39%
Total Assets	4,717,223	4,050,228	16%
Liabilities			
Current Liabilities	253,935	848,535	-70%
Long-Term Liabilities	520,915	-	100%
Total Liabilities	774,850	848,535	-9%
Net Position			
Net Investment in			
Capital Assets	1,765,461	1,667,661	6%
Restricted	-	51,000	-100%
Unrestricted	2,176,912	1,483,032	47%
Total Net Position	\$3,942,373	\$3,201,693	23%

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2021

The following table shows the changes in net position. Beginning with the second year of operations, this table will present both the current and prior fiscal years' summary of changes in net position information.

Summary of Changes in Net Position

	<u>Governmental Activities</u>		Percentage Change
	<u>2020-21</u>	<u>2019-20</u>	
Revenues			
Program Revenues			
Charges for Services	\$ 227,998	\$ -	100%
Operating Grants and Contributions	3,300,772	4,906,836	-33%
Total Program Revenues	<u>3,528,770</u>	<u>4,906,836</u>	-28%
General Revenues			
Local Sources			
Interest & Investment Earnings	465	330	41%
Local Intergovernmental Revenues	-	243,225	
Other Revenues	14,501	24,295	-40%
Total General Revenues	<u>14,966</u>	<u>267,850</u>	-94%
Total Revenues	<u>3,543,736</u>	<u>5,174,686</u>	-32%
Program Expenses			
Transportation Programs	2,803,056	2,082,992	35%
Total Program Expenses	<u>2,803,056</u>	<u>2,082,992</u>	35%
Change in Net Position	<u>\$ 740,680</u>	<u>\$ 3,091,694</u>	-76%

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the one major functional activity of the District. The table also shows each function's net cost, should there be any (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions. Beginning with the second year of operations, this table will present both the current and prior fiscal years' summary of activities information.

Governmental Activities

	<u>Total Cost of Services</u>	
	<u>2020-21</u>	<u>2019-20</u>
Transportation Programs	<u>\$ 2,803,056</u>	<u>\$ 2,082,992</u>
Total Program Expenses	<u>\$ 2,803,056</u>	<u>\$ 2,082,992</u>

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unrestricted fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,561,901. The fund balance consists of committed and unassigned amounts. Of the current fund balances, \$998,371 is committed, and \$563,530 is unassigned and available for spending at the District's discretion.

BUDGETARY HIGHLIGHTS

General Fund revenues were budgeted and anticipated to be collected in the amount of \$3,982,428 during the fiscal year. Actual revenues of \$3,363,116 were less than budgeted revenues by \$619,312. The General Fund expenditures budget was under-spent by \$780,037. The actual ending fund balance was more than the budgeted ending fund balance by \$396,810.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the District had invested \$2,714,350 in capital assets. The District received a donation of \$1,802,817 of vehicles from Douglas County the prior year, which had provided transportation services to the region prior to the formation of the District. The value of those vehicles was based on insurance valuation reports which reflect fair market value at the time of the donation to the District.

The total depreciation expense for the year was \$215,922. Additional information on the District's capital assets can be found in the Capital Asset Note in the notes to the basic financial statements section of this report.

Long-Term Debt

At June 30, 2021, the District had no long-term debt outstanding.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The primary factors considered in developing the budget for next year were the District's continued commitment to providing public transportation programs for all of Douglas County while maintaining fiscal responsibility to their community.

The District's adopted budget for the fiscal year ending June 30, 2022, represents an overall increase of \$572,740 when compared with the current fiscal year. The total budget for the fiscal year ending June 30, 2022, is \$7,321,003.

The most significant changes in the 2021-22 budget are the increase in the budgeted beginning fund balance by \$ 822,371 as well as an increase in budgeted expenditures for personnel services of \$753,900. The remaining operating costs of governmental activities are expected to be similar to those of the current period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the Umpqua Public Transportation District at 3076 NE Diamond Lake Blvd. Suite A, Roseburg, OR 97470.

BASIC FINANCIAL
STATEMENTS

Government-Wide
Financial Statements

UMPQUA PUBLIC TRANSPORTATION DISTRICT

STATEMENT OF NET POSITION

For the Fiscal Year Ended June 30, 2021

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ 1,288,064
Receivables:	
Accounts	1,113,698
Total Current Assets	<u>2,401,762</u>
Capital Assets:	
Land	185,443
Capital Assets, Net of Depreciation	2,130,018
Total Capital Assets	<u>2,315,461</u>
Total Assets	<u>4,717,223</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable	\$ 178,190
Payroll Liabilities	46,660
Current Portion of Long-Term Liabilities:	
Notes Payable	29,085
Total Current Liabilities	<u>253,935</u>
Long-Term Liabilities:	
Noncurrent Portion of Long-Term Liabilities:	
Notes Payable	520,915
Total Long-Term Liabilities	<u>520,915</u>
Total Liabilities	<u>774,850</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,765,461
Unrestricted	2,176,912
Total Net Position	<u>\$ 3,942,373</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

		<u>Program Revenues</u>		<u>Net</u>
		<u>Charges</u>	<u>Operating</u>	<u>(Expense)</u>
	<u>Expenses</u>	<u>for</u>	<u>Grants</u>	<u>Revenue</u>
		<u>Services</u>	<u>and</u>	<u>and</u>
			<u>Contributions</u>	<u>Change in</u>
				<u>Net Position</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
Transportation Programs	\$ 2,803,056	\$ 227,998	\$ 3,300,772	\$ 725,714
Total Governmental Activities	<u>2,803,056</u>	<u>227,998</u>	<u>3,300,772</u>	<u>725,714</u>
				<u>Governmental</u>
				<u>Activities</u>
<u>CHANGES IN NET POSITION:</u>				
Net (expense) revenue				<u>\$ 725,714</u>
General Revenues:				
Interest and Investment Earnings				465
Other Revenue				<u>14,501</u>
Total General Revenues				<u>14,966</u>
Change in Net Position				740,680
Net Position, July 1, 2020				<u>3,201,693</u>
Net Position, June 30, 2021				<u>\$ 3,942,373</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Governmental Fund
Financial Statements

UMPQUA PUBLIC TRANSPORTATION DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Govern- mental Funds</u>
<u>ASSETS:</u>			
Cash and Investments	\$ 340,693	\$ 947,371	\$ 1,288,064
Receivables:			
Accounts	1,113,698	-	1,113,698
Total Assets	\$ 1,454,391	\$ 947,371	\$ 2,401,762
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	\$ 178,190	\$ -	\$ 178,190
Payroll Payable	46,660	-	46,660
Total Liabilities	224,850	-	224,850
Deferred Inflows of Resources:			
Transportation Revenue Not Available	\$ 615,011	\$ -	\$ 615,011
Total Deferred Inflows of Resources	615,011	-	615,011
Fund Balances:			
Committed for:			
Acquisitions of Capital Assets	-	998,371	998,371
Unassigned	563,530	-	563,530
Total Fund Balances	563,530	998,371	1,561,901
Total Deferred Inflows of Resources & Fund Balances	\$ 1,403,391	\$ 998,371	\$ 2,401,762

The accompanying notes to the basic financial statements are an integral part of this statement.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

**RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

For the Fiscal Year Ended June 30, 2021

Total Fund Balances - Governmental Funds \$ 1,561,901

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

The cost of the assets is -	\$ 2,714,350	
The accumulated depreciation is -	<u>(398,890)</u>	
Net Value of Assets		2,315,461

Certain receivables that will not be available to pay for current-period expenditures are deferred in the governmental funds:

Property Taxes		615,011
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

(550,000)

Net Position of Governmental Activities

\$3,942,373

The accompanying notes to the basic financial statements are an integral part of this statement.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Govern- mental Funds</u>
<u>REVENUES:</u>			
Local Income	\$ 227,998	\$ -	\$ 227,998
State Income	1,850,812	-	1,850,812
Federal Income	1,269,340	-	1,269,340
Investment Revenue	465	-	465
Other Revenue	14,501	-	14,501
Total Revenues	<u>3,363,116</u>	<u>-</u>	<u>3,363,116</u>
<u>EXPENDITURES:</u>			
Administration	407,921	-	407,921
Transportation Operations	2,155,343	-	2,155,343
Capital Outlay	-	877,193	877,193
Debt Service	10,399	-	10,399
Total Expenditures	<u>2,573,663</u>	<u>877,193</u>	<u>3,450,856</u>
Excess (Deficiency) of Revenues Over Expenditures	789,453	(877,193)	(87,740)
<u>OTHER FINANCING SOURCES (USES):</u>			
Interfund Transfers In	-	826,193	826,193
Interfund Transfers (Out)	(826,193)	-	(826,193)
Loan Proceeds In	550,000	-	550,000
Total Other Financing Sources (Uses)	<u>(276,193)</u>	<u>826,193</u>	<u>550,000</u>
Net Change in Fund Balances	513,260	(51,000)	462,260
Fund Balances, July 1, 2020	50,270	1,049,371	1,099,641
Fund Balances, June 30, 2021	<u>\$ 563,530</u>	<u>\$ 998,371</u>	<u>\$ 1,561,901</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

Net Changes in Fund Balances - Total Governmental Funds	\$ 462,260
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Expenditures for capitalized assets	863,722
Less current year depreciation	(215,922)
Some revenues are not collected for several months after the District's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.	
The changes in amounts deferred are as follows:	
Federal Grants	157,794
Proceeds from lease payable used to purchase equipment is revenue in the fund financial statements but is included as long-term debt in the government-wide statements	(550,000)
Change in Net Position of Governmental Activities	<u>\$ 717,854</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Notes to the Basic
Financial Statements

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Umpqua Public Transportation District was organized under the provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of providing public transportation to Douglas County. The District is governed by a separately elected Board of Directors who approve the administrative officials. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The basic financial statements of Umpqua Public Transportation District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

Reporting Entity

In determining the financial reporting entity, the Umpqua Public Transportation District complies with Governmental Accounting Standards Board Statement 14 as amended, "The Financial Reporting Entity." The criteria for including organizations as component units within the District's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the District holds the corporate powers of the organization; 3) the District appoints a voting majority of the organization's board; 4) the District is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the District; and 6) there is fiscal dependency by the organization on the District. Based on the criteria, the Umpqua Public Transportation District has no component units.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District with most of the inter-fund activities removed to minimize the double counting of internal activities. Governmental activities include programs supported primarily by taxes, state school support payments, grants, and other intergovernmental revenues. The District has no business-type activities that rely, to a significant extent, on fees and charges for support. The District also reports no fiduciary activities.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Basis of Presentation (Cont.)

Fund Financial Statements: During the fiscal year, the District segregates transactions related to school district functions or activities in separate funds to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds.

The fund financial statements provide reports on the financial condition and results of operations for governmental activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General Fund expenditures are categorized by Administration, Transportation Operations, Debt Service, and Interfund Transfers.

Capital Projects Fund – This fund accounts for capital purchases for the District.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; the basis of accounting refers to when transactions are recognized in the financial records and reported on the financial statements. The basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized when the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the long-term debt which is reported when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Measurement Focus/Basis of Accounting (Cont.)

The revenues susceptible to accrual are property taxes, charges for services, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when the revenue recognition is met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgeting

The District budgets all funds as required by state law. The District budgets for all funds on a modified accrual basis. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total expenditures are controlled by annual appropriations at the following organizational levels: instruction, support services, community services, facilities acquisition and construction, and other expenditures. Appropriations lapse as of the fiscal year-end. A detailed budget document is required that contains more detailed information for the above-mentioned expenditure categories.

Unexpected additional resources may be added to the budget using a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the District Board of Directors. Original and supplemental budgets may be modified using appropriations transfers between the levels of control. Such transfers require approval by the District Board of Directors.

Cash and Investments

For purposes of the statement of cash flows, cash, and cash equivalents include cash on hand, checking, savings, and money market accounts, and any short-term, highly liquid investments with initial maturity dates of three months or less.

The District has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the District to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The District's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. The fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short-Term Fund (OSTF) which was established by the State Treasurer. In seeking to best serve the local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury on the management and investment options of the LGIP.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Receivables

Amounts due from individuals, organizations, or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and materials provided by the District. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for federal and intergovernmental grants. In the governmental fund financial statements, transportation revenue not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources.

Intergovernmental grant reimbursement and entitlement amounts for which all eligibility requirements imposed by the provider have been met, but which were not received by the fiscal year-end, are reported as accounts receivable.

Restricted Assets and Liabilities

Assets with use restricted to future bond payments and the related liability are segregated in the statements of net position.

Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost, or estimated cost when the original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets are not capitalized, but rather are charged to expenditures in the governmental funds. The District does not possess any infrastructure. The capitalization threshold used by the District as recommended by the State of Oregon is \$5,000.

In the government-wide financial statements, all reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

<u>Asset Class</u>	<u>Estimated Years of Useful Lives</u>
Buildings and Improvements	50-100
Machinery & Equipment	5-30

In the governmental fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized, and related depreciation is not reported in the fund financial statements.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Compensated Absences and Accrued Liabilities:

The District has no provision for accumulated unpaid vacation, sick pay, and other employee benefits. A liability for accumulated sick pay does exist; however, it is not readily estimable. Each employee may accumulate sick leave and carry it over to the succeeding year. In a year when sick leave is used, the employee continues the regular salary during the absence to the extent of sick leave earned.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred pension contributions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, deferred earnings on pension assets. In the governmental funds' balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

Long-Term Debt

All bonds, notes, and capital lease payable are recognized in the government-wide financial statements as liabilities of the District. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

In the governmental fund financial statements, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. Principal and interest payments on long-term debt are recorded as debt service in the expenditure section of the statement and schedules. The District had no long-term debt as of June 30, 2021.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Equity Classifications

Government-wide Statements

Equity is classified as net position, which represents the difference between assets, liabilities, and deferred accounts. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Governmental Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision-making authority, the District Board, and does not lapse at year-end.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the District Board or through the District Board delegating this responsibility to selected staff members or through the budgetary process.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The District’s policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Pensions

Beginning after June 30, 2020, the District provides a retirement plan for employees through a defined contribution SEP IRA plan. No pension liabilities, deferred inflows, or deferred outflows are reported because of this plan.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

CASH AND INVESTMENTS:

For a discussion of deposit and investment policies and other related information, see the Cash and Investments note in the Summary of Significant Accounting Principles.

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at the Cash and Investments note in the Summary of Significant Accounting Principles.

Investments, including amounts held in pool cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. ORS 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Oregon Public Funds Collateralization Program (PFCP). Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2021, the reported amount of the District's deposits was \$1,287,699. The bank balance was \$1,313,004. Of the bank balance, the entire amount was insured by the FDIC or covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer. The District also held \$365 in Petty Cash.

Investments - Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The District has no credit risk policy or investment policy that would further limit its investment choices.

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2021, the District's had no investments.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a *concentration of credit risk*. The District places no limit on the amount that may be invested in any one issuer. The District had no investments throughout the fiscal year ending June 30, 2021.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2021:

Depreciable Assets Schedule For the Fiscal Year Ended June 30, 2021

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Assets not being depreciated:				
Land	\$ -	\$ 185,443	\$ -	\$ 185,443
Total	-	185,443	-	185,443
Assets being depreciated:				
Land Improvement	32,755	44,732	-	77,487
Building and Building Improvement	15,056	500,725	-	515,781
Machinery and Equipment	1,802,817	132,823	-	1,935,640
Total Depreciable Assets	1,850,628	678,279	-	2,528,907
Less: Accumulated Depreciation				
Land Improvement	2,184	5,166	-	7,349
Building and Building Improvement	502	17,193	-	17,695
Machinery and Equipment	180,282	193,564	-	373,846
Total Accumulated Depreciation	182,967	215,922	-	398,890
Net Value of Capital Assets Being Depreciated	1,667,661	462,357	-	2,130,018
Total Governmental Activities -- Net Value of Capital Assets	<u>\$ 1,667,661</u>	<u>\$ 647,800</u>	<u>\$ -</u>	<u>\$ 2,315,461</u>

Depreciation expense was charged to the functions of governmental activities as follows:

Transportation	<u>\$ 215,922</u>
Total Depreciation Expense	<u>\$ 215,922</u>

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description

The District did not offer post-employment benefits for the 2019-20 fiscal year. Per Resolution 20-7, the District elected to adopt a SEP IRA as its Retirement Plan effective as of July 1, 2020, with the District to contribute at a rate of 10%.

INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2021, were as follows:

	Transfers Out	Transfers In
General Fund	\$ 826,193	\$ -
Capital Outlay Fund	-	826,193
Total	<u>\$ 826,193</u>	<u>\$ 826,193</u>

The transfers out of the General Fund to the Capital Outlay Fund represent the District's election to provide general fund support for capital expenditures.

CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District expects such amount, if any, to be immaterial. The District is not currently named as a defendant in any pending or threatened litigation.

RISK:

To reduce the risk of loss from liability, fire, theft, accident, medical costs, and error and omissions, the District maintains various commercial insurance policies.

The District came under the State Unemployment Act on July 1, 1974. The District has elected to pay State Unemployment insurance to the State to pay for any claims paid to former employees. Any reimbursements are paid by the fund incurring the liability to the Employment Division of the State of Oregon. The estimated liability for unpaid claims is calculated as the present value of expected but unpaid claims based on historical experience and going concern assessments. The District's estimated liability for unpaid unemployment claims is immaterial. Therefore, no liability amount appears on the District's statement of net position or balance sheet.

There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

OVER-EXPENDITURE OF APPROPRIATIONS:

UMPQUA PUBLIC TRANSPORTATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2021

The District did not adopt an appropriations resolution for the fiscal year ended June 30, 2021. Accordingly, all expenditures were technically in excess of appropriations. The Board did adopt an appropriations resolution for the 2020-21 fiscal year.

<u>Fund / Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund/Administration	279,200	407,921	128,721
General Fund/Debt Service	0	10,399	10,399

REQUIRED
SUPPLEMENTARY
INFORMATION

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual GENERAL FUND

For the Fiscal Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Local Income	\$ 210,000	\$ 210,000	\$ 227,998	\$ 17,998
State Income	2,329,059	2,329,059	1,850,812	(478,247)
Federal Income	1,432,369	1,432,369	1,269,340	(163,029)
Investment Revenue	1,000	1,000	465	(535)
Other Revenue	10,000	10,000	14,501	4,501
Total Revenues	3,982,428	3,982,428	3,363,116	(619,312)
<u>EXPENDITURES:</u>				
Administration	279,200	279,200	407,921	128,721
Transportation Operations	2,774,500	2,774,500	2,155,343	(619,157)
Debt Service	-	-	10,399	10,399
Contingency	300,000	300,000	-	(300,000)
Total Expenditures	3,353,700	3,353,700	2,573,663	(780,037)
Excess (Deficiency) of Revenues Over Expenditures	628,728	628,728	789,453	160,725
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer (Out)	(860,835)	(860,835)	(826,193)	(34,642)
Loan Proceeds	-	-	550,000	550,000
Total Other Financing Sources / (Uses)	(860,835)	(860,835)	(276,193)	515,358
Net Change in Fund Balance	(232,107)	(232,107)	513,260	676,083
Fund Balance - July 1, 2020	329,543	329,543	50,270	(279,273)
Fund Balance - June 30, 2021	\$ 97,436	\$ 97,436	\$ 563,530	\$ 396,810

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual

CAPITAL OUTLAY FUND

For the Fiscal Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXPENDITURES:</u>				
Capital Outlay	<u>1,435,000</u>	<u>1,435,000</u>	<u>877,193</u>	<u>(557,807)</u>
Total Expenditures	<u>1,435,000</u>	<u>1,435,000</u>	<u>877,193</u>	<u>(557,807)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,435,000)	(1,435,000)	(877,193)	557,807
<u>Other Financing Sources / (Uses)</u>				
Operating Transfer In	860,835	860,835	826,193	(34,642)
Total Other Financing Sources	860,835	860,835	826,193	(34,642)
Net Change in Fund Balance	(574,165)	(574,165)	(51,000)	523,165
Fund Balance - July 1, 2020	<u>1,040,457</u>	<u>1,040,457</u>	<u>1,049,371</u>	<u>8,914</u>
Fund Balance - June 30, 2021	<u>\$ 466,292</u>	<u>\$ 466,292</u>	<u>\$ 998,371</u>	<u>\$ 532,079</u>

REPORTS ON OTHER LEGAL
AND
REGULATORY REQUIREMENTS

UMPQUA PUBLIC TRANSPORTATION DISTRICT

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

As of June 30, 2021

To the Governing Body of the Umpqua Public Transportation District
Roseburg, Oregon

We have audited the basic financial statements of the Umpqua Public Transportation District as of and for the year ended June 30, 2021 and have issued our report thereon dated March 20, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Umpqua Public Transportation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, with the following exceptions:

- Over-expenditure of appropriations as noted on page 24.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of Umpqua Public Transportation District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Steve Tuhscherer, CPA
Umpqua Valley Financial
Roseburg, Oregon
March 20, 2023

SINGLE AUDIT SECTION



**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
Umpqua Public Transportation District

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 governmental activities, each major fund, and the aggregate remaining fund information of Umpqua Public Transportation District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Umpqua Public Transportation District’s basic financial statements and have issued our report thereon dated March 20, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Umpqua Public Transportation 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 Umpqua Public Transportation District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Umpqua Public Transportation District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-2, 2021-3, 2021-4, 2021-5, 2021-6, 2021-7, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2021-1, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Umpqua Public Transportation District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-2, 2021-3, and 2021-

Umpqua Public Transportation District's Response to Findings

Umpqua Public Transportation District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Umpqua Public Transportation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Steve Tuhscherer, CPA
Umpqua Valley Financial, LLC
Roseburg, Oregon
March 20, 2023



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
Umpqua Public Transportation District

Report on Compliance for Each Major Federal Program

We have audited Umpqua Public Transportation District's compliance with the types of compliance requirements described in the OMB *Circular Compliance Supplement* that could have a direct and material effect on each of Umpqua Public Transportation District's major federal programs for the year ended June 30, 2021. Umpqua Public Transportation 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 Umpqua Public Transportation 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 non-compliance 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 Umpqua Public Transportation 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Umpqua Public Transportation District's compliance.

Basis for Qualified Opinion on Transit Services Program Cluster

As described in the accompanying schedule of findings and questioned costs, Umpqua Public Transportation District did not comply with requirements regarding 20.509 Formula Grants for Rural Areas and Tribal Transit Program, 20.513 Enhanced Mobility of Seniors and Individuals with Disabilities. And 20.509 CARES Operating Assistance as described in finding numbers 2021-9, 2021-10, 2021-11, 2021-12, 2021-13 and 2021-14 for Accounting for Grants, Schedule of Expenditures of Federal Awards, and Fiscal Management. Compliance with such requirements is necessary, in our opinion, for the Umpqua Public Transportation District to comply with the requirements applicable to that program.

Qualified Opinion on Transit Services Program Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Umpqua Public Transportation 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 Transit Services Program for the year ended June 30, 2021.

Other Matters

Umpqua Public Transportation District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Umpqua Public Transportation 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

The management of Umpqua Public Transportation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Umpqua Public Transportation 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 Umpqua Public Transportation District's internal control over compliance.

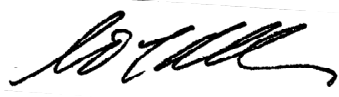
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-9, 2021-10, 2021-11, 2021-12, 2021-13, and 2021-14 to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-8 to be a significant deficiency.

Umpqua Public Transportation District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Umpqua Public Transportation 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.

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.



Steve Tuchscherer, CPA
Umpqua Valley Financial, LLC
Roseburg, Oregon
March 20, 2023

Umpqua Public Transportation District, 3076 NE Diamond Lake Blvd, Roseburg, OR 97470
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor Program Title	Federal Awarding Agency Prefix	AL Three- Digit Extension	Additional Award Identification	Federal Program Name	Federal Cluster Name	Grant Agreement Number	Federal Assistance Listing Number	Grant Period	Original Program or Grant Amount	(Recivable) / Deferred Revenue End of PY June 30, 2020	Federal Money Received FY 2020-2021	Total Federal Expenditures FY 2020-2021	(Recivable)/ Deferred Revenue June 30, 2021
U.S. Department of Transportation Federal Transit Administration													
Direct Programs													
Passed through State of Oregon Rail and Public Transit Division													
Rail and Public Transit Division Oregon Department of Transportation	20	509	Project Admin	Formula Grants for Rural Areas and Tribal Transit Program	Transit Services program Cluster	33420	20.509 (5311)	July 1, 2019 - June 30, 2021	\$ 196,554	\$ 49,138	\$ 74,809	\$ 125,539	\$ 99,868
Rail and Public Transit Division Oregon Department of Transportation	20	509	Operating Sliding Scale	Formula Grants for Rural Areas and Tribal Transit Program	Transit Services program Cluster	33420	20.509 (5311)	July 1, 2019 - June 30, 2021	598,651	126,584	137,411	366,592	355,765
Rail and Public Transit Division Oregon Department of Transportation	20	509	Preventive Maintenance	Formula Grants for Rural Areas and Tribal Transit Program	Transit Services program Cluster	33420	20.509 (5311)	July 1, 2019 - June 30, 2021	179,460	54,580	80,288	82,003	56,295
Rail and Public Transit Division Oregon Department of Transportation	20	509	COVID Ops	Formula Grants for Rural Areas and Tribal Transit Program	Transit Services program Cluster	33420	20.509 (5311)	July 1, 2019 - June 30, 2021	100,000	-	100,000	100,000	-
Rail and Public Transit Division Oregon Department of Transportation	20	513	Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	\$ 163,964	\$ 74,081	\$ 74,081	\$ 41,673	\$ 41,673
Rail and Public Transit Division Oregon Department of Transportation	20	513	Mobility Management	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	\$ 15,279	\$ -	\$ 6,087	\$ 14,765	\$ 8,678
Rail and Public Transit Division Oregon Department of Transportation	20	513	Mercy Medical Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	99,600	48,521	60,971	51,079	38,629
Rail and Public Transit Division Oregon Department of Transportation	20	513	North Douglas Betterment Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	18,003	11,290	14,284	6,713	3,719
Rail and Public Transit Division Oregon Department of Transportation	20	513	City of Reedsport Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	\$ 65,331	\$ 22,758	\$ 27,512	\$ 14,327	\$ 8,986
Rail and Public Transit Division Oregon Department of Transportation	20	513	Sunrise Enterprises Inc Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	24,615	11,417	14,616	11,289	8,090
Rail and Public Transit Division Oregon Department of Transportation	20	513	City of Sutherlin Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	47,263	13,985	14,600	615	-
Rail and Public Transit Division Oregon Department of Transportation	20	513	Umpqua Homes Inc Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	125,941	52,876	67,726	67,452	52,602
Rail and Public Transit Division Oregon Department of Transportation	20	513	Umpqua Valley Disability Network Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	208,045	107,488	128,443	94,535	73,580
Rail and Public Transit Division Oregon Department of Transportation	20	513	City of Winston Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	19,073	8,034	11,032	8,977	5,979
Rail and Public Transit Division Oregon Department of Transportation	20	513	United Community Action Network Contracted Services	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	33573	20.513 (5310)	July 1, 2019 - June 30, 2021	93,880	93,880	93,880	-	-
Rail and Public Transit Division Oregon Department of Transportation	20	513	Preventative Maintenance	Enhanced Mobility of Seniors and Individuals with Disabilities	Transit Services program Cluster	34317	20.513 (5310)	July 1, 2020 - June 30, 2022	40,000	-	4,813	16,658	11,845
Rail and Public Transit Division Oregon Department of Transportation	20	509	Provide relief from expenses incurred in response to the COVID 19 pandemic	Formula Grants for Rural Areas and Tribal Transit Program	Transit Services program Cluster	34741	20.509 (5311)	March 1, 2021 - June 30, 2023	79,840	-	-	71,865	71,865
Total PROJECT DESCRIPTION AND BUDGET - Passed Through Rail and Public Transit Division Oregon Department of Transportation									3,051,572	674,632	910,553	1,074,082	837,574
CARES Grants Passed Through State of Oregon Rail and Public Transit Division:													
Rail and Public Transit Division Oregon Department of Transportation	20	509	CARES 5311 Operating Assistance	Formula Grants for Rural Areas and Tribal Transit Program	Transit Services program Cluster	34196	20.509 (5311)	May 1, 2020 - June 30, 2021	487,332	124,979	324,073	186,387	154,013
Total U.S. Department of Treasury									487,332	124,979	324,073	186,387	154,013
TOTAL 2020-2021									\$ 3,538,904	\$ 799,611	\$ 1,234,626	\$ 1,260,469	\$ 991,587

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of federal awards (the “Schedule”) includes the federal award activity of Umpqua Public Transportation District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Umpqua Public Transportation District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Umpqua Public Transportation District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COSTS RATE

Umpqua Public Transportation District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The district did not charge indirect costs to federal grants.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results	
<u>Financial Statements</u>	
Type of auditor's report issued in accordance with GAAP (unmodified, qualified, adverse, or disclaimer):	<u>Qualified</u>
Internal Control over financial reporting:	
Material Weaknesses identified?	<u>Yes</u>
Significant deficiencies identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>Yes</u>
<u>Federal Awards</u>	
Internal Control over major federal programs:	
Material Weaknesses identified?	<u>Yes</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer):	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>Yes</u>
<u>Identification of major programs:</u>	
Assistance Listing (CFDA) Number(s)	Name of Federal Program of Cluster
20.509	Formula Grants for Rural Areas and Tribal Transit Program (5311)
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities (5310)
20.509	CARES Operating Assistance (5311)
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u>No</u>

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Section II—Financial Statements Findings

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses, significant deficiencies and material noncompliance that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Each finding has one of the following designations:

Material Weakness – A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the district’s financial statements will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – 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.

Material Noncompliance – Matters coming to the auditor’s attention relating to the district’s 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 the financial statement amounts.

Finding 2021-1 - Source Documentation, Strengthen Controls over Financial Reporting (Significant Deficiency)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Condition: District prepared drawdown calculations according to an internal reconciliation spreadsheet tool outside of the General Ledger rather than utilizing proper General Ledger expenditure and supporting backup information.

Cause: General ledger recording, or reconciling procedures were not enforced or completed. Dependable general ledger data was not available.

Effect or Potential Effect: The lack of effective internal control activities over financial reporting could allow for inadvertent errors, such as calculation errors, payments for unauthorized purposes, and result in improper financial reporting.

Questioned Cost: No

Context: During our testing of expenditures, we found no Federal drawdown reimbursement requests selected for testing that did not reconcile to their corresponding expenditures.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-1

Recommendation: The District should establish a more detailed process for the review and approval of GAAP package Reporting, and grant progress reporting. As part of this process, the individual underlying and supporting worksheets and calculations should be subject to independent challenge, review and approval at a sufficiently detailed level whereas calculation and other errors are prevented and detected in a timely manner.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

District's Response: The District had relied on a consultant accounting professional for recording activity in the general ledger. General ledger activity was not available timely, or in sufficient quality such that the General Manager could rely upon the general ledger to gather information for reporting to grantors. Consequently, the General Manager developed and relied upon their own spreadsheet records for grant reimbursement requests.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the District. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-2 – Schedule of Expenditures of Federal Awards, Strengthen Controls Over the Federal Grant Activity Schedule (Material Weakness)

Criteria: The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

Condition: During the Single Audit for Umpqua Public Transportation District for year ended June 30, 2021, we became aware of the ineffective processes and/or procedures relating to internal controls over financial reporting. The SEFA presented for audit included several unreconciled differences between the SEFA and the General Ledger. The districts attempt to complete the reconciliation did not effectively correct the differences, and the errors required adjustments to the Schedule of Expenditures of Federal Awards. Lack of adequate controls over the Schedule of Expenditures of Federal Awards resulted in the amounts that could not be directly substantiated with accounting records.

Cause: Umpqua Public Transportation District does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The district did not fully reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the district's general ledger.

Effect or Potential Effect: Without proper internal control over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of Umpqua Public Transportation District. Failure to properly ensure the Catalog of Federal domestic Assistance (CFDA) numbers and amounts are correct on the Federal Grant Activity Schedule could result in reporting errors on the district's Single Audit Report to the Federal Audit Clearinghouse.

Questioned Cost: No

Context: The SEFA presented for audit did not reconcile to the general ledger for Federal Awards, as it did not include all accruals from the general ledger or payments received during the year on prior year grants. Expenditures on the general ledger, from prior year, but not on the SEFA, mis-stated the expenditures of Federal Awards on the SEFA.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-2

Recommendation: We recommend that the district establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect,

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The district should provide appropriate training to staff who are assigned to prepare and review the SEFA.

District's Response: The District concurs with the recommendation. The district has hired a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants. These procedures will also include reconciliation of the amounts reported on the SEFA with the District's trial balance.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis. The duties of the Finance Manager will include overseeing the proper creation and reconciliation of the SEFA on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-3 – Accounting for Grants, Strengthen Controls Over Financial Reporting (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Condition: During our audit, we found errors in two general journal entries that were undetected throughout the fiscal year. This financial reporting error caused receivables and revenue/unavailable revenue to be misstated.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. Grant revenues/unavailable revenue were not tracked and reconciled to the general ledger at year-end.

Effect or Potential Effect: Without proper internal control structures over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of financial standing of Umpqua Public Transportation District.

Context: At FYE June 30, 2021 year end, the District had over-stated revenues of \$957,460, and overstated expenditures of \$772,792.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-3

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner.

District's Response: The District concurs with the recommendation. The district has hired a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-4 – Fiscal Management System, Ensure Compliance with Federal Regulations Over Accounting Systems (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

CFR Part 200.302.b Auditee Responsibilities includes the requirement that the financial management system of each non-Federal entity provide the following. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2020-2021, the district provided auditor with Separate and Identifiable General Ledger reports using QuickBooks Jobs feature, that showed a clear division between individual grant expenditures and revenues. Entries were not prepared or recorded on a timely basis, but completed retroactively, and not done for the entire fiscal year. This deficiency was instrumental in causing the general ledger to be inadequate for financial and Federal Award Reporting.

Cause: The District had relied on inadequately trained individuals to record activities in their general ledger. The accounting records were retroactively constructed to meet Federal award reporting purposes, but weren't fully corrected. District management did not have sufficient training or monitoring policies to recognize and correct the deficiency.

Effect or Potential Effect: Failure to record transactions timely into the general ledger for Umpqua Public Transportation District, and lack of proper accounting structure separating revenues and expenditures into each Federal and State or Local grant may result in transactions not being properly included in the district's financial statements. The potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information, may also cause misstatement of financial statements, and inappropriate reporting of federal awards.

Questioned Cost: No

Context: Various errors in amounts reported on the SEFA occurred, duplicating amounts also reported on the 2019-20 SEFA.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-4

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Recommendation: We recommend that Umpqua Public Transportation District improve their general ledger structure to meet the requirement for separate accounts for Federal awards for program revenues and program expenditures. We also recommend that the district establish policies and procedures to ensure that all program revenues and expenditures are reported in the correct fiscal year. In addition, we recommend that the district establish policies and procedures to ensure that all required matching of grant expenditures be recorded in sufficient detail tracking to ensure that all matching program revenues and expenditures are reported correctly in the fiscal year. We also recommend that the district establish a training program and policies and procedures for staff and management to receive appropriate training for administering and recording Federal Grant revenues and expenditures.

District's Response: The District concurs with the recommendation. The SEFA errors occurred during the retroactive construction of the SEFA, by the newly hired Finance Manager, using the information provided by the offsite Accountant. General ledger accounts separating Federal, State, and Local revenues and related expenditures will be adhered to and further training implemented.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the district. The Finance Manager retroactively creating accounting records to separate grant revenues and related expenditures, for both grant records as well as grant matching records. This will allow the activities of the district to be recorded in a manner that allows for reporting in compliance with federal requirements.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-5 – Fiscal Management Personnel Skills, Knowledge and Experience, Strengthen Controls Over Financial Reporting (Material weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Employees and contracted professionals tasked with recording and monitoring the financial activities of the district were not properly trained or experienced to perform such tasks. Management was not sufficiently trained to recognize or address such deficiencies.

Condition: During our audit, we found reliance on individuals who did not originally structure the general ledger to properly record or account for grants. In addition, original entries were not prepared or recorded on a timely basis, and available for compiling adequate, accurate supporting documentation for grant reimbursement requests. This deficiency was instrumental and causing the general ledger to be inadequate for Federal Reporting.

Cause: The current policies and procedures do not provide for sufficient detailed level of supervisory review and approval of the underlying and supporting information used in the financial statement reporting and key entries. District did not have sufficient staff or management to ensure that the accounting was properly or timely completed. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information.

Questioned Cost: No

Context: As a result of inadequate skills, knowledge, and experience in managing the accounting for the program activities, errors occurred in the recording of Federal awards in the general ledger. Due to recording errors, and

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

insufficient skills, knowledge, and experience at monitoring of the recording activities, requirements for reporting were unmet by the staff and management of Umpqua Public Transit District.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-5

Recommendation: We recommend that Umpqua Public Transit District hire staff who have the skills, knowledge and experience to record and manage the overall financial activities for the district, especially regarding Federally funded programs. In addition, we recommend that the district establish training programs and continuing education policies and procedures for staff and management. Training and education efforts should focus on compliance requirements of Federal awards.

District's Response: The District concurs with the recommendation. Compliance requirements for federal awards were not effectively communicated to the contracted professional hired by the district. Training programs are needed.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge and experience to design and monitor financial operations and controls of the district. This allowed the activities of the District to be retroactively recorded (partially) and will allow for future management in accordance with federal compliance requirements.

Planned Implementation Date: July 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-6 – Control Procedures, Controls Should be Strengthened to Ensure Proper Review Processes for Financial Reporting (Material weakness)

Criteria: *The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government* specify that a satisfactory control environment is only effective when there are adequate control activities in place. This includes, but is not limited to, the review process of transactions, proper support of transactions, proper documentation and support of methodologies used in accounting practices, proper support of information, and communication within the district, and a commitment to competence by management.

Umpqua Public Transit District does not have properly designed, implemented and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all **non-standard adjustments** are adequately researched, documented, supported, and reviewed prior to their recording in the general ledger.

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. General Journal entries were improperly recorded, resulting in overstatements of revenues and expenditures. The District has no internal control procedures for performing or monitoring accrual adjustments.

Cause: The District did not have properly designed, implemented or effective policies, procedures, processes, or controls around the financial reporting process. Grant revenues and expenditures were inadequately tracked and reconciled to supporting documents.

Effect or Potential Effect: Misstatement of grant revenues, expenditures, receivables, and deferred revenue.

Questioned Cost: No

Context: Errors in the recording of journal entries resulted in material misstatements.

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Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-6

Recommendation: We recommend that the district evaluate internal control procedures over the review and approval of transactions. Additionally, we recommend existing staff obtain the needed training to be able to accurately report, review and reconcile financial information. Internal controls should also be designed to prevent or detect and correct journal entry errors in a timely manner.

District's Response: We acknowledge that there were no policies or procedures for journal entries, and that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for adjusting entries.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-7 – Fiscal Management Controls Should be Strengthened to Ensure Proper Review Processes for Financial Reporting (Material weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Umpqua Public Transit District does not have properly designed, implemented, or effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Condition: During our audit, we found that significant accruals were entered into the general ledger at year end 06/30/2020 for both grant expenditures and grant revenues. These accruals created corresponding Accounts Receivables and Accounts Payables at year end to carry balances into FY 2021. Upon further review, it was found by tracking these revenues and expenditures into the FY 2021 general ledger, the district did not apply the payments or receipts against these balance sheet accounts. Journal entries were posted to reverse these amounts, however, the journal entries to accrue them for the prior year was posted as of July1, 2020. Accordingly, prior year accrued revenues and expenditures were recorded twice in 2020-21 fiscal year.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. General ledger assets and liabilities are not reconciled. Grant revenue/unavailable revenue and expenditures were not tracked and reconciled to the supporting documentation.

Effect or Potential Effect: Misstatement by duplication of revenues and expenditures.

Questioned Cost: No

Context: Revenues for Federal awards and Expenditures for Federal awards are over-reported in FY 2021 requiring auditor adjustments to correct the misstatement.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-8

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect,

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

or correct errors in a timely manner. We also recommend additional training for Umpqua Public Transportation District staff and Management in end of year processes and recording of revenues and expenditures.

District's Response: We acknowledge that there were no policies or procedures for reversing accruals, or reconciling balance sheet accounts. We acknowledge that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for reversing accruals and reconciling balance sheet accounts.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Section III—Findings and Questioned Costs for Federal Awards.

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by *OMB uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200*.

Each finding has one of the following designations:

Material Weakness – 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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – A *significant deficiency in internal control over compliance* is a deficiency, or 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.

Material Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor’s judgment have a direct and material effect on a major federal program.

Immaterial Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that do not have a direct and material effect on a major federal program.

Finding 2021-8 - Source Documentation (Significant Deficiency)

CFDA Title and Number: 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573 (City of Reedsport).

Name of Federal Agency: Transit Services Program Cluster

Internal Control over Compliance: Cash Management

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196.

Name of Federal Agency: Transit Services Program Cluster

Internal Control over Compliance: Cash Management

Criteria: 2 CFR Part 200.302(b)(1) The financial management system of each non-federal entity must provide for the following: Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. 200.302(b)(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 200.328 and 200.329.

Condition: The District prepared drawdown calculations according to an internal reconciliation spreadsheet tool outside of the General Ledger rather than utilizing proper General Ledger expenditure and supporting backup information.

Cause: General ledger reconciling procedures were not enforced or completed.

Effect or Potential Effect: Activities or costs that are allowed or allowable could potentially be overpaid or underpaid.

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Questioned Cost: No

Context: During our testing of expenditures, we found no Federal drawdown reimbursement requests selected for testing that did not reconcile to their corresponding expenditures.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-1

Recommendation: The District should establish policies and procedures to ensure that each drawdown is reconciled with supporting expenditure documents and general ledger postings prior to reimbursement being requested.

District's Response: The District has relied on inadequately skilled or trained individuals for recording activity in the general ledger. General ledger activity was not available timely, or in sufficient quality such that the General Manager could rely upon the general ledger to gather information for reporting to grantors. Consequently, the General Manager developed and relied upon their own spreadsheet records for grant reimbursement requests.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the District. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-9 – Schedule of Expenditures of Federal Awards (Material Weakness)

CFDA Title and Number 20.509 (5311) Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 33420.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33655.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508, CFR Part 200.510, Auditee Responsibilities state that the auditee must prepare the Schedule of Expenditures of Federal Awards, which must list individual Federal awards by Federal Agency, including the total Federal awards expended, name of the pass-through entity, CFDA number, and total amount provided to subrecipients. The information contained in the Schedule of Expenditures of Federal Awards should be

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Condition: The SEFA presented for audit included unreconciled differences between the SEFA and the General Ledger. The districts attempt to complete the reconciliation continued for months after fiscal year end, and the errors required adjustments to the SEFA.

Cause: Umpqua Public Transportation District does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The district did not reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the district's general ledger.

Effect or Potential Effect: Potential understatement or overstatement of expenditures could exist in the Schedule of Expenditures of Federal Awards and not be detected and corrected. Because the SEFA was completed incorrectly, and not reconciled to the general ledger, the financial statements were materially misstated prior to auditors' adjustments.

Questioned Cost: No

Context: The SEFA presented for audit did not reconcile to the general ledger for Federal Awards.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-2

Recommendation: We recommend that the district establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The district should provide appropriate training to staff who are assigned to prepare and review the SEFA.

District's Response: The District concurs with the recommendation. The district has hired a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants. These procedures will also include reconciliation of the amounts reported on the SEFA with the District's trial balance.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis. The duties of the Finance Manager will include overseeing the proper creation and reconciliation of the SEFA on a timely basis.

Planned Implementation Date: July1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-10 – Accounting for Grants (Material Weakness)

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Criteria: CFR Part 200.508 Auditee Responsibilities. For grants based on a formula, a receivable and revenue/unavailable revenue should be recognized as soon as all eligibility requirements have been met. For expenditure-driven grants (reimbursement-type grants), a receivable and revenue/unavailable revenue should be recognized when both qualifying expenditures and compliance with contingent requirements such as matching funds, are met. Unavailable revenue is revenue of the current period that is not yet considered available to liquidate liabilities of the current period.

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. A grant reimbursement request for expenditures was made but was not recorded in the general ledger revenue or receivables at year end during the prior year. In addition, these errors were not identified or corrected timely in the new year.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger into the new fiscal year.

Effect or Potential Effect: Misstatement of grant receivables and revenue/unavailable revenue.

Context: At FY 2020-2021 year end, the District had not recorded unavailable revenues from grants.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-3

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner.

District's Response: The District concurs with the recommendation. The district is hiring a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-11 – Fiscal Management System (Material Weakness)

Criteria: CFR Part 200.302.b Auditee Responsibilities includes the requirement that the financial management system of each non-Federal entity provide the following. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2020-2021, the district provided auditor with Separate and Identifiable General Ledger reports that showed a clear division between Federal, State and Local expenditures and revenues. However, the separation was done retroactivity and was not been completed for the entire fiscal year or life of grants. This deficiency was instrumental in causing the general ledger to be inadequate for financial and Federal Award Reporting.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Cause: The District had originally relied on unskilled individuals for structuring and recording activities in their general ledger. District management did not have sufficient staff or monitoring policies to recognize and correct the deficiency.

Effect or Potential Effect: Potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information.

Questioned Cost: No

Context: The lack of completed effort at separating revenues or expenditures by grant led to errors in reporting expenditures for Federal Awards.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-4

Recommendation: We recommend that Umpqua Public Transportation District improve their general ledger structure to meet the requirement for separate accounts for Federal awards for program revenues and program expenditures. We also recommend that the district establish policies and procedures to ensure that all program revenues and expenditures are reported in the correct fiscal year. In addition, we recommend that the district establish a training program and policies and procedures for staff and management to receive appropriate training for administering and recording Federal Grant revenues and expenditures.

District's Response: The District concurs with the recommendation. General ledger accounts separating Federal, State, and Local revenues and related expenditures will be designed and implemented.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the district. The Finance Manager has developed an accounting system for separating Federal, State, and Local revenues and related expenditures. This will allow the activities of the district to be recorded in a manner that allows for reporting in compliance with federal requirements.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-12 – Fiscal Management Personnel Skills, Knowledge and Experience (Material weakness)

Criteria: Employees tasked with recording and monitoring the financial activities of the district were not properly trained or experienced to perform such tasks. Management was not sufficiently trained to recognize or address such deficiencies.

Condition: During our audit, we found that during the course of the year, the General Manager was relying on individuals who were not sufficiently structure the general ledger to properly record or account for Federal Grants. In addition, entries were not prepared or recorded on a timely basis. This deficiency was instrumental and causing the general ledger to be inadequate for Federal Reporting.

Cause: The District did not have sufficient staff or management trained to recognize that the accounting was not properly or timely completed. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information.

Questioned Cost: No

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Context: As a result of inadequate skills, knowledge, and experience in managing the accounting for the program activities, errors occurred in the recording of Federal awards in the general ledger. Due to recording errors, and insufficient skills, knowledge, and experience at monitoring of the recording activities, requirements for reporting were unmet by the staff and Management of Umpqua Public Transit District.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-5

Recommendation: We recommend that Umpqua Public Transit District hire staff who have the skills, knowledge and experience to record and manage the overall financial activities for the district, especially regarding Federally funded programs. In addition, we recommend that the district establish training programs and continuing education policies and procedures for staff and management. Training and education efforts should focus on compliance requirements of Federal awards.

District's Response: The District concurs with the recommendation. Compliance requirements for federal awards were not fully understood by staff, and contracted professional hired by the district. Training programs are needed.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge and experience to design and monitor financial operations and controls of the district. This will allow the activities of the district to be recorded and managed in accordance with federal compliance requirements.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-13 – Control Procedures (Material weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Umpqua Public Transit District does not have properly designed, implemented and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all **non-standard adjustments** are adequately researched, supported, and reviewed prior to their recording in the general ledger

Condition: During our audit, we found errors in expenditure-driven grants where revenues and unavailable revenues were misstated. Grant reimbursement requests for expenditures were met, but expenses were not recorded in the general ledger correctly. In addition, the district has no internal control procedures for performing or monitoring accrual adjustments.

Cause: The District did not have properly designed, implemented or effective policies, procedures, processes, or controls around the financial reporting process. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Misstatement of grant receivables and revenue/unavailable revenue.

Questioned Cost: No

Context: Errors in the recording of journal entries for accruals related to Federal awards resulted in material misstatements.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-6

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Recommendation: We recommend that the district establish policies and procedures to ensure that accruals related to grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent or detect and correct journal entry errors in a timely manner.

District's Response: We acknowledge that there were no policies or procedures for journal entries, and that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for adjusting entries.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-14 – Fiscal Management (Material Weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Umpqua Public Transit District does not have properly designed, implemented, or effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Condition: During our audit, we found that significant accruals were entered into the general ledger at year end 06/30/2020 for both grant expenditures and grant revenues. These accruals created corresponding Accounts Receivables and Accounts Payables at year end to carry balances into FY 2021. Upon further review, it was found by tracking these revenues and expenditures into the FY 2021 general ledger, the district did not apply the payments or receipts against these balance sheet accounts. Additionally, journal entries were posted to record those accruals but posted in the current year instead of the prior year, and then reversed. Accordingly, amounts that had been recorded as expenditures and Accounts Payables in FY 2020 yet paid in FY 2021 were recorded as expenditures again in FY 2021, and grant revenues recorded as revenues and Accounts Receivables in FY 2020, yet received in FY 2021, were recorded as revenues again in FY 2021.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. General ledger assets and liabilities are not reconciled. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Misstatement by duplication of grant receivables and revenue/unavailable revenue, and misstatement of grant expenditures and accounts payable.

Questioned Cost: No

Context: Revenues for Federal awards and Expenditures for Federal awards are over-reported in FY 2021 requiring auditor adjustments to correct the misstatement.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-8

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner. We also recommend additional training for Umpqua Public Transportation District staff and Management in end of year processes and recording of revenues and expenditures.

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District's Response: We acknowledge that there were no policies or procedures for reversing accruals, or reconciling balance sheet accounts. We acknowledge that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for reversing accruals and reconciling balance sheet accounts.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Section IV—Summary Schedule of Prior Audit Findings

Prior Year Financial Statements Findings

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses, significant deficiencies and material noncompliance that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Finding 2020-1 Source Documentation, Strengthen Controls over Financial Reporting (Significant Deficiency)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Condition: District prepared drawdown calculations according to an internal reconciliation spreadsheet tool outside of the General Ledger rather than utilizing proper General Ledger expenditure and supporting backup information. Therefore, there were discrepancies between expenditures and their corresponding drawdowns.

Recommendation: The District should establish a more detailed process for the review and approval of GAAP package Reporting, and grant progress reporting. As part of this process, the individual underlying and supporting worksheets and calculations should be subject to independent challenge, review and approval at a sufficiently detailed level whereas calculation and other errors are prevented and detected in a timely manner.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the District. This will allow the activities of the district to be recorded and managed on a timely basis.

Actions Taken: Clear evidence of improvements were made to reduce the risk that expenditures may have been utilized twice for reimbursements. Because the prior year findings were presented after the end of the 2020-21 fiscal, all modifications to procedures were done retroactively. Separation of expenditures by grant was accomplished by using the Jobs” feature of QuickBooks and assigning costs to grants by adding detail to the accounting within the accounting system, rather than relying solely of separate spreadsheets. For the 2020-21 fiscal year, allocation of costs was not complete. Cost allocations, posted retroactively, were not supported with clear evidence as to the allocation amounts, but rather were made based on separate spreadsheets where the grant accounting continued to be maintained.

Finding 2020-2 Schedule of Expenditures of Federal Awards, Strengthen Controls Over the Federal Grant Activity Schedule (Material Weakness)

Criteria: The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

Condition: During the Single Audit for Umpqua Public Transportation District for year ended June 30, 2020, we became aware of the ineffective processes and/or procedures relating to internal controls over financial reporting. The SEFA presented for audit included several significant unreconciled differences between the SEFA and the General Ledger. The districts attempt to complete the reconciliation continued for months after fiscal year end, and

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Notes to the Schedule of Expenditures of Federal Awards

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the errors required adjustments to the Schedule of Expenditures of Federal Awards. Lack of adequate controls over the Schedule of Expenditures of Federal Awards resulted in the following:

Expenditures were accrued in the general ledger, but not reported on the Schedule of Expenditures of Federal Awards in the amount of \$175,538

Recommendation: We recommend that the district establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The district should provide appropriate training to staff who are assigned to prepare and review the SEFA.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis. The duties of the Finance Manager will include overseeing the proper creation and reconciliation of the SEFA on a timely basis.

Actions Taken: The District did hire a Finance Manager in June, 2021. The SEFA presented for audit for the 2020-21 fiscal year was greatly improved over what was presented for the prior year. However, reconciliations, in particular regarding amounts related to accrued costs, were not consistent or not provided. All in all, while still a weakness, the situation is improved substantially.

Finding 2020-3 Accounting for Grants, Strengthen Controls Over Financial Reporting (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. A grant reimbursement request for expenditures was made but was not recorded in the general ledger revenue or receivables at year end. This financial reporting omission caused receivables and revenue/unavailable revenue to be misstated. A grant reimbursement request for expenditures was made but was not recorded in the general ledger revenue or receivables at year end in the amount of \$109,999.

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis.

Actions Taken: Significant improvement was noted. However no changes were implemented until after the end of the 2020-21 fiscal year. Retroactive efforts, while ultimately useful, did not, of course, remedy the internal control weakness during the year.

Finding 2020-4 Fiscal Management System, Ensure Compliance with Federal Regulations Over Accounting Systems (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

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Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

CFR Part 200.302.b Auditee Responsibilities includes the requirement that the financial management system of each non-Federal entity provide the following. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2019-2020, the district was unable to provide auditor with Separate and Identifiable General Ledger reports that showed a clear division between Federal State and Local expenditures and revenues. Grant revenues for all state and federal grants were reported in one account. Expenditures were not separated for Federal grant expenditures. In addition, entries were not prepared or recorded on a timely basis, very large accruals were made at year end without sufficient detail or designation to properly reconcile the grants. This deficiency was instrumental in causing the general ledger to be inadequate for financial and Federal Award Reporting.

Recommendation: We recommend that Umpqua Public Transportation District improve their general ledger structure to meet the requirement for separate accounts for Federal awards for program revenues and program expenditures. We also recommend that the district establish policies and procedures to ensure that all program revenues and expenditures are reported in the correct fiscal year. In addition, we recommend that the district establish a training program and policies and procedures for staff and management to receive appropriate training for administering and recording Federal Grant revenues and expenditures.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the district. The Finance Manager will ensure that General ledger accounts separating Federal, State, and Local revenues and related expenditures will be designed and implemented. This will allow the activities of the district to be recorded in a manner that allows for reporting in compliance with federal requirements.

Actions Taken: The District's general ledger structure and postings to those accounts was improved significantly by the additional of "Jobs" accounting within the GL, wherein expenditures as assigned to grants ("Jobs"). This retroactive assignment of revenues and expenditures to specific grants was partially completed. Some assignment of costs to grants was not completed, particularly back to the beginning of the grant for grants awarded in the prior year.

Finding 2020-5 Fiscal Management Personnel Skills, Knowledge and Experience, Strengthen Controls Over Financial Reporting (Material weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Employees and contracted professionals tasked with recording and monitoring the financial activities of the district were not properly trained or experienced to perform such tasks. Management was not sufficiently trained to recognize or address such deficiencies.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Condition: During our audit, we found that the General Manager was relying upon a consultant financial professional who did not sufficiently structure the general ledger to properly record or account for Federal Grants. In addition, entries were not prepared or recorded on a timely basis. This deficiency was instrumental and causing the general ledger to be inadequate for Federal Reporting.

Recommendation: We recommend that Umpqua Public Transit District hire staff who have the skills, knowledge and experience to record and manage the overall financial activities for the district, especially regarding Federally funded programs. In addition, we recommend that the district establish training programs and continuing education policies and procedures for staff and management. Training and education efforts should focus on compliance requirements of Federal awards.

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge and experience to design and monitor financial operations and controls of the district. This will allow the activities of the district to be recorded and managed in accordance with federal compliance requirements.

Actions Taken: By the end of the 2020-21 fiscal year, the District had hired a Finance Director, who has shown that she has the skills, knowledge and experience, to make improvements in the accounting systems and internal control systems. Her desire to make improvements is evidenced by attendance at trainings and by the vastly improvement accounting records, which she has to go back and retroactively adjust to the extent she had the time and information to do so. It appears as though she has the support necessary to continue making improvements in these areas.

In addition to hiring a Finance Director, both the Finance Director and the General Manager have attended training from ODOT during 2022 that will assist them in improving grant recording and reporting in future periods. The Finance Director has also attended Grant management training during FY 2021, and Budget & Finance training and CTA Fundamental Financial Management training during 2022.

Finding 2020-6 Control Procedures, Controls Should be Strengthened to Ensure Proper Review Processes for Financial Reporting (Significant Weakness)

Criteria: *The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government* specify that a satisfactory control environment is only effective when there are adequate control activities in place. This includes, but is not limited to, the review process of transactions, proper support of transactions, proper documentation and support of methodologies used in accounting practices, proper support of information, and communication within the district, and a commitment to competence by management.

Umpqua Public Transit District does not have properly designed, implemented and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all **non-standard adjustments** are adequately researched, supported, and reviewed prior to their recording in the general ledger

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. A grant reimbursement request for expenditures was met, but was not recorded in the general ledger revenue or receivables. In addition, the district has no internal control procedures for performing or monitoring accrual adjustments.

Recommendation: We recommend that the district evaluate internal control procedures over the review and approval of transactions. Additionally, we recommend existing staff obtain the needed training to be able to accurately report, review and reconcile financial information. Internal controls should also be designed to prevent or detect and correct journal entry errors in a timely manner.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for adjusting entries.

Actions Taken: Little or no monitoring of accounting procedures was detected for the 2020-21 fiscal year. No evidence of management approval of general journal entries was detected. Few general journal entries were made, but two significant entries made at the beginning of the fiscal year were dated incorrectly, and resulted in over-stating of revenues and expenditures throughout the year for reporting to the management and the Board. This error was not detected by staff or management. Monitoring, to the extent that it did occur, did not appear to be done by one with requisite knowledge and skills to do so effectively.

Finding 2020-8 Fiscal Management Controls Should be Strengthened to Ensure Proper Review Processes for Financial Reporting (Significant Weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Umpqua Public Transit District does not have properly designed, implemented, or effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Condition: During our audit, we found that significant accruals were entered into the general ledger at year end 06/30/2020 for both grant expenditures and grant revenues. These accruals created corresponding Accounts Receivables and Accounts Payables at year end to carry balances into FY 2021. Upon further review, it was found by tracking these revenues and expenditures into the FY 2021 general ledger, the district did not apply the payments or receipts against these balance sheet accounts. Accordingly, invoices that had been recorded as expenditures and Accounts Payables in FY 2020 yet paid in FY 2021 were recorded as expenditures again in FY 2021, and grant revenues recorded as revenues and Accounts Receivables in FY 2020, yet received in FY 2021, were recorded as revenues again in FY 2021.

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner. We also recommend additional training for Umpqua Public Transportation District staff and Management in end of year processes and recording of revenues and expenditures.

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for reversing accruals and reconciling balance sheet accounts.

Actions Taken: Journal entries designed to record the accruals for the prior fiscal year were incorrectly posted to the current year. Reversing entries were correctly posted, but revenues and expenditures remained over-stated as a result. Furthermore, accrual entries made at year-end were recorded correctly for financial reporting, did not effect the accounting of grants in the "Jobs" system of QuickBooks. Review procedures, if any, were ineffective.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Prior Year - Findings and Questioned Costs for Federal Awards.

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by *OMB uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200*.

Each finding has one of the following designations:

Material Weakness – *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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Material Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor’s judgment have a direct and material effect on a major federal program.

Immaterial Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that do not have a direct and material effect on a major federal program.

Finding 2020-1 Source Documentation (Significant Deficiency)

CFDA Title and Number: 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573 (City of Reedsport).

Name of Federal Agency: Transit Services Program Cluster

Internal Control over Compliance: Cash Management

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196.

Name of Federal Agency: Transit Services Program Cluster

Internal Control over Compliance: Cash Management

Criteria: 2 CFR Part 200.302(b)(1) The financial management system of each non-federal entity must provide for the following: Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. 200.302(b)(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 200.328 and 200.329.

Condition: The District prepared drawdown calculations according to an internal reconciliation spreadsheet tool outside of the General Ledger rather than utilizing proper General Ledger expenditure and supporting backup information. Therefore, there were discrepancies between expenditures and their corresponding drawdowns.

Recommendation: The District should establish policies and procedures to ensure that each drawdown is reconciled with supporting expenditure documents and general ledger postings prior to reimbursement being requested.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the District. This will allow the activities of the district to be recorded and managed on a timely basis.

Actions Taken: Clear evidence of improvements were made to reduce the risk that expenditures may have been utilized twice for reimbursements. Because the prior year findings were presented after the end of the 2020-21 fiscal, all modifications to procedures were done retroactively. Separation of expenditures by grant was accomplished by using the Jobs” feature of QuickBooks and assigning costs to grants by adding detail to the accounting within the accounting system, rather than relying solely of separate spreadsheets. For the 2020-21 fiscal year, allocation of costs was not complete. Cost allocations, posted retroactively, were not supported with clear evidence as to the allocation amounts, but rather were made based on separate spreadsheets where the grant accounting continued to be maintained.

Finding 2020-2 Schedule of Expenditures of Federal Awards (Material Weakness)

CFDA Title and Number 20.509 (5311) Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 33420.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33655.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508, CFR Part 200.510, Auditee Responsibilities state that the auditee must prepare the Schedule of Expenditures of Federal Awards, which must list individual Federal awards by Federal Agency, including the total Federal awards expended, name of the pass-through entity, CFDA number, and total amount provided to subrecipients. The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Condition: The SEFA presented for audit included several significant unreconciled differences between the SEFA and the General Ledger. The districts attempt to complete the reconciliation continued for months after fiscal year end, and the errors required adjustments to the SEFA. Ultimately, a 20.509 (5311) CARES grant expenditure which had been accrued in the general ledger expenditures in the amount of \$175,538 for FY 2020, was not included in the 2020 SEFA.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Recommendation: We recommend that the district establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The district should provide appropriate training to staff who are assigned to prepare and review the SEFA.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis. The duties of the Finance Manager will include overseeing the proper creation and reconciliation of the SEFA on a timely basis.

Actions Taken: The District did hire a Finance Manager in June, 2021. The SEFA presented for audit for the 2020-21 fiscal year was greatly improved over what was presented for the prior year. However, reconciliations, in particular regarding amounts related to accrued costs, were not consistent or not provided. All in all, while still a weakness, the situation is improved substantially.

Finding 2020-3 Accounting for Grants (Material Weakness)

**CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities.
Grant Agreement 33573.**

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508 Auditee Responsibilities. For grants based on a formula, a receivable and revenue/unavailable revenue should be recognized as soon as all eligibility requirements have been met. For expenditure-driven grants (reimbursement-type grants), a receivable and revenue/unavailable revenue should be recognized when both qualifying expenditures and compliance with contingent requirements such as matching funds, are met. Unavailable revenue is revenue of the current period that is not yet considered available to liquidate liabilities of the current period.

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. A grant reimbursement request for expenditures was made but was not recorded in the general ledger revenue or receivables at year end.

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis.

Actions Taken: The District's general ledger structure and postings to those accounts was improved significantly by the additional of "Jobs" accounting within the GL, wherein expenditures as assigned to grants ("Jobs"). This retroactive assignment of revenues and expenditures to specific grants was partially completed. Some assignment of costs to grants was not completed, particularly back to the beginning of the grant for grants awarded in the prior year.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Finding 2020-4 – Fiscal Management System (Material Weakness)

Criteria: CFR Part 200.302.b Auditee Responsibilities includes the requirement that the financial management system of each non-Federal entity provide the following. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2019-2020, the district was unable to provide auditor with Separate and Identifiable General Ledger reports that showed a clear division between Federal State and Local expenditures and revenues. Grant revenues for all state and federal grants were reported in one account. Expenditures were not separated for Federal grant expenditures. In addition, entries were not prepared or recorded on a timely basis. This deficiency was instrumental in causing the general ledger to be inadequate for financial and Federal Award Reporting.

Recommendation: We recommend that Umpqua Public Transportation District improve their general ledger structure to meet the requirement for separate accounts for Federal awards for program revenues and program expenditures. We also recommend that the district establish policies and procedures to ensure that all program revenues and expenditures are reported in the correct fiscal year. In addition, we recommend that the district establish a training program and policies and procedures for staff and management to receive appropriate training for administering and recording Federal Grant revenues and expenditures.

Corrective Action Plan: The District will hire a Finance Manager to oversee the day-to-day financial operations of the district. The Finance Manager will ensure that General ledger accounts separating Federal, State, and Local revenues and related expenditures will be designed and implemented. This will allow the activities of the district to be recorded in a manner that allows for reporting in compliance with federal requirements.

Actions Taken: The District's general ledger structure and postings to those accounts was improved significantly by the additional of "Jobs" accounting within the GL, wherein expenditures as assigned to grants ("Jobs"). This retroactive assignment of revenues and expenditures to specific grants was partially completed. Some assignment of costs to grants was not completed, particularly back to the beginning of the grant for grants awarded in the prior year.

Finding 2020-5 Fiscal Management Personnel Skills, Knowledge and Experience (Material weakness)

Criteria: Employees and contracted professionals tasked with recording and monitoring the financial activities of the district were not properly trained or experienced to perform such tasks. Management was not sufficiently trained to recognize or address such deficiencies.

Condition: During our audit, we found that the General Manager was relying upon a consultant financial professional who did not sufficiently structure the general ledger to properly record or account for Federal Grants. In addition, entries were not prepared or recorded on a timely basis. This deficiency was instrumental and causing the general ledger to be inadequate for Federal Reporting.

Cause: The District did not have staff or management sufficiently trained to recognize that the accounting was not properly or timely completed. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Recommendation: We recommend that Umpqua Public Transit District hire staff who have the skills, knowledge and experience to record and manage the overall financial activities for the district, especially regarding Federally funded programs. In addition, we recommend that the district establish training programs and continuing education policies and procedures for staff and management. Training and education efforts should focus on compliance requirements of Federal awards.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge and experience to design and monitor financial operations and controls of the district. This will allow the activities of the district to be recorded and managed in accordance with federal compliance requirements.

Actions Taken: By the end of the 2020-21 fiscal year, the District had hired a Finance Director, who has shown that she has the skills, knowledge and experience, to make improvements in the accounting systems and internal control systems. Her desire to make improvements is evidenced by attendance at trainings and by the vastly improvement accounting records, which she has to go back and retroactively adjust to the extent she had the time and information to do so. It appears as though she has the support necessary to continue making improvements in these areas.

In addition, the District has supported the new Finance Director in receiving additional specific training to improve understanding and skills. The Finance Director has also attended Grant management training during FY 2021, and Budget & Finance training and CTAA Fundamental Financial Management training during 2022, and Grant Management Training in 2021.

Finding 2020-6 Control Procedures (Significant Weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Umpqua Public Transit District does not have properly designed, implemented and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all **non-standard adjustments** are adequately researched, supported, and reviewed prior to their recording in the general ledger

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. A grant reimbursement request for expenditures was met, but was not recorded in the general ledger revenue or receivables. In addition, the district has no internal control procedures for performing or monitoring accrual adjustments.

Recommendation: We recommend that the district establish policies and procedures to ensure that accruals related to grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent or detect and correct journal entry errors in a timely manner.

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for adjusting entries.

Actions Taken: Little or no monitoring of accounting procedures was detected for the 2020-21 fiscal year. No evidence of management approval of general journal entries was detected. Few general journal entries were made, but two significant entries made at the beginning of the fiscal year were dated incorrectly, and resulted in overstating of revenues and expenditures throughout the year for reporting to the management and the Board. This error was not detected by staff or management. Monitoring, to the extent that it did occur, did not appear to be done by one with requisite knowledge and skills to do so effectively.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Finding 2020-7 Grant Management (Significant Deficiency)

CFDA Title and Number 20.509 (5311) Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 33420.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33655.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.329 The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. All of the Federal grant agreements contracted to Umpqua Public Transit District require quarterly progress reports to be submitted within 45 days of each quarter. These reports are the mechanism through which reimbursement of grant expenditures are processed.

Condition: During our audit, we observed that required deadlines for Progress Reports through Oregon Public Transit Information System (OPTIS) were not being submitted on time.

Recommendation: We recommend that the district establish policies and procedures for attending to Grant deadlines, and timely recording of expenditures within the General Ledger to facilitate reporting needs.

District's Response: We acknowledge that progress reports were filed beyond the required date. Our reliance on UCAN (major service provider) was problematic.

Corrective Action Plan: The District will assume responsibility for operational accounting processes needed to file progress reports timely. Internal control policies and procedures will be designed and implemented to ensure reporting requirements are met.

Actions Taken: By end of the 2020-2021 fiscal year, the timing of the reimbursement requests, was showing improvement.

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Finding 2020-8 Fiscal Management (Material Weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Umpqua Public Transit District does not have properly designed, implemented, or effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Condition: During our audit, we found that significant accruals were entered into the general ledger at year end 06/30/2020 for both grant expenditures and grant revenues. These accruals created corresponding Accounts Receivables and Accounts Payables at year end to carry balances into FY 2021. Upon further review, it was found by tracking these revenues and expenditures into the FY 2021 general ledger, the district did not apply the payments or receipts against these balance sheet accounts. Accordingly, invoices that had been recorded as expenditures and Accounts Payables in FY 2020 yet paid in FY 2021 were recorded as expenditures again in FY 2021, and grant revenues recorded as revenues and Accounts Receivables in FY 2020, yet received in FY 2021, were recorded as revenues again in FY 2021.

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner. We also recommend additional training for Umpqua Public Transportation District staff and Management in end of year processes and recording of revenues and expenditures.

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for reversing accruals and reconciling balance sheet accounts.

Actions Taken: Journal entries designed to record the accruals for the prior fiscal year were incorrectly posted to the current year. Reversing entries were correctly posted, but revenues and expenditures remained over-stated as a result. Furthermore, accrual entries made at year-end were recorded correctly for financial reporting, did not effect the accounting of grants in the "Jobs" system of QuickBooks. Review procedures, if any, were ineffective.

Finding 2020-9 Fiscal Management Material Weakness

Criteria: CFR Part 200.302.b.3 Financial management requires that a non-Federal entity's records must identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2019-2020, it was observed that numerous federal grant and operation invoices received from service vendors did not contain sufficient detail to adequately demonstrate the underlying expenditures and ensure that expenditures were accurate and appropriate for Federal awards. Numerous invoice corrections from the vendors were also observed, which did not show, or explain with detail documentation what had changed. These invoices were accepted and paid by Umpqua Public Transportation District without receiving supporting detail documentation from the service vendors. District did not have sufficient detail from supplier to identify and explain the underlying invoice details to demonstrate appropriateness of expenditures for the grant. The invoices were also often provided on a delayed basis to Umpqua Public Transportation District, without sufficient time to request and review to ensure they were correct.

Recommendation: We recommend that the district establish a policy and procedure to require that all supplies and sub vendors supply detail with every invoice to allow Umpqua Public Transportation District to review that all

UMPQUA PUBLIC TRANSPORTATION DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

expenditures for Federal awards are correct and appropriate and approved prior to payment from Umpqua Public Transportation District.

District's Response: We acknowledge that there are were numerous instances where detailed invoices were not available or obtained from service vendors. We acknowledge the importance of requiring such detailed invoices from service providers to meet compliance requirements.

Corrective Action Plan: The District will hire a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for the many compliance matters described in these findings.

Actions Taken: Given that the prior year findings were identified after the end of the 2020-21 fiscal year, recommended procedures were not implemented during the 2020-21 fiscal year. The District has indicated changes were made after the end of the 2020-21 fiscal year, including reducing the number of entities with which it contracts to provide transportation services and payroll. This should reduce the likelihood problems with vendor billings.



This Corrective Action Plan is in response to the Single Audit Report for the fiscal year ended June 30, 2021 prepared by Umpqua Valley Financial, LLC.

Section II—Financial Statements Findings

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses, significant deficiencies and material noncompliance that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Each finding has one of the following designations:

Material Weakness – A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the district’s financial statements will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – 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.

Material Noncompliance – Matters coming to the auditor’s attention relating to the district’s 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 the financial statement amounts.

Finding 2021-1 - Source Documentation, Strengthen Controls over Financial Reporting (Significant Deficiency)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Condition: District prepared drawdown calculations according to an internal reconciliation spreadsheet tool outside of the General Ledger rather than utilizing proper General Ledger expenditure and supporting backup information.

Cause: General ledger recording, or reconciling procedures were not enforced or completed. Dependable general ledger data was not available.

Effect or Potential Effect: The lack of effective internal control activities over financial reporting could allow for inadvertent errors, such as calculation errors, payments for unauthorized purposes, and result in improper financial reporting.

Questioned Cost: No

Umpqua Public Transportation District – 3076 NE Diamond Lake Blvd. – Roseburg, OR 97470

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Context: During our testing of expenditures, we found no Federal drawdown reimbursement requests selected for testing that did not reconcile to their corresponding expenditures.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-1

Recommendation: The District should establish a more detailed process for the review and approval of GAAP package Reporting, and grant progress reporting. As part of this process, the individual underlying and supporting worksheets and calculations should be subject to independent challenge, review and approval at a sufficiently detailed level whereas calculation and other errors are prevented and detected in a timely manner.

District's Response: The District had relied on a consultant accounting professional for recording activity in the general ledger. General ledger activity was not available timely, or in sufficient quality such that the General Manager could rely upon the general ledger to gather information for reporting to grantors. Consequently, the General Manager developed and relied upon their own spreadsheet records for grant reimbursement requests.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the District. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-2 – Schedule of Expenditures of Federal Awards, Strengthen Controls Over the Federal Grant Activity Schedule (Material Weakness)

Criteria: The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

Condition: During the Single Audit for Umpqua Public Transportation District for year ended June 30, 2021, we became aware of the ineffective processes and/or procedures relating to internal controls over financial reporting. The SEFA presented for audit included several unreconciled differences between the SEFA and the General Ledger. The districts attempt to complete the reconciliation did not effectively correct the differences, and the errors required adjustments to the Schedule of Expenditures of Federal Awards. Lack of adequate controls over the Schedule of Expenditures of Federal Awards resulted in the amounts that could not be directly substantiated with accounting records.

Cause: Umpqua Public Transportation District does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The district did not fully reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the district's general ledger.

Effect or Potential Effect: Without proper internal control over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of Umpqua Public Transportation District. Failure to properly ensure the Catalog of Federal domestic Assistance (CFDA) numbers and amounts are correct on the Federal Grant Activity Schedule could result in reporting errors on the district's Single Audit Report to the Federal Audit Clearinghouse.

Questioned Cost: No

Context: The SEFA presented for audit did not reconcile to the general ledger for Federal Awards, as it did not include all accruals from the general ledger or payments received during the year on prior year grants. Expenditures on the general ledger, from prior year, but not on the SEFA, mis-stated the expenditures of Federal Awards on the SEFA.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-2

Recommendation: We recommend that the district establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The district should provide appropriate training to staff who are assigned to prepare and review the SEFA.

District's Response: The District concurs with the recommendation. The district has hired a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants. These procedures will also include reconciliation of the amounts reported on the SEFA with the District's trial balance.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis. The duties of the Finance Manager will include overseeing the proper creation and reconciliation of the SEFA on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-3 – Accounting for Grants, Strengthen Controls Over Financial Reporting (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Condition: During our audit, we found errors in two general journal entries that were undetected throughout the fiscal year. This financial reporting error caused receivables and revenue/unavailable revenue to be misstated.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. Grant revenues/unavailable revenue were not tracked and reconciled to the general ledger at year-end.

Effect or Potential Effect: Without proper internal control structures over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of financial standing of Umpqua Public Transportation District.

Context: At FYE June 30, 2021 year end, the District had over-stated revenues of \$957,460, and overstated expenditures of \$772,792.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-3

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner.

District's Response: The District concurs with the recommendation. The district has hired a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-4 – Fiscal Management System, Ensure Compliance with Federal Regulations Over Accounting Systems (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

CFR Part 200.302.b Auditee Responsibilities includes the requirement that the financial management system of each non-Federal entity provide the following. Identification, in its accounts, of all Federal

awards received and expended and the Federal programs under which they were received. Accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2020-2021, the district provided auditor with Separate and Identifiable General Ledger reports using QuickBooks Jobs feature, that showed a clear division between individual grant expenditures and revenues. Entries were not prepared or recorded on a timely basis, but completed retroactively, and not done for the entire fiscal year. This deficiency was instrumental in causing the general ledger to be inadequate for financial and Federal Award Reporting.

Cause: The District had relied on inadequately trained individuals to record activities in their general ledger. The accounting records were retroactively constructed to meet Federal award reporting purposes, but weren't fully corrected. District management did not have sufficient training or monitoring policies to recognize and correct the deficiency.

Effect or Potential Effect: Failure to record transactions timely into the general ledger for Umpqua Public Transportation District, and lack of proper accounting structure separating revenues and expenditures into each Federal and State or Local grant may result in transactions not being properly included in the district's financial statements. The potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information, may also cause misstatement of financial statements, and inappropriate reporting of federal awards.

Questioned Cost: No

Context: Various errors in amounts reported on the SEFA occurred, duplicating amounts also reported on the 2019-20 SEFA.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-4

Recommendation: We recommend that Umpqua Public Transportation District improve their general ledger structure to meet the requirement for separate accounts for Federal awards for program revenues and program expenditures. We also recommend that the district establish policies and procedures to ensure that all program revenues and expenditures are reported in the correct fiscal year. In addition, we recommend that the district establish policies and procedures to ensure that all required matching of grant expenditures be recorded in sufficient detail tracking to ensure that all matching program revenues and expenditures are reported correctly in the fiscal year. We also recommend that the district establish a training program and policies and procedures for staff and management to receive appropriate training for administering and recording Federal Grant revenues and expenditures.

District's Response: The District concurs with the recommendation. The SEFA errors occurred during the retroactive construction of the SEFA, by the newly hired Finance Manager, using the information provided by the offsite Accountant. General ledger accounts separating Federal, State, and Local revenues and related expenditures will be adhered to and further training implemented.

Corrective Action Plan: The District hired a Finance Manager to oversee the day-to-day financial operations of the district. The Finance Manager retroactively creating accounting records to separate grant revenues and related expenditures, for both grant records as well as grant matching records. This will allow the activities of the district to be recorded in a manner that allows for reporting in compliance with federal requirements.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-5 – Fiscal Management Personnel Skills, Knowledge and Experience, Strengthen Controls Over Financial Reporting (Material weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

Employees and contracted professionals tasked with recording and monitoring the financial activities of the district were not properly trained or experienced to perform such tasks. Management was not sufficiently trained to recognize or address such deficiencies.

Condition: During our audit, we found reliance on individuals who did not originally structure the general ledger to properly record or account for grants. In addition, original entries were not prepared or recorded on a timely basis, and available for compiling adequate, accurate supporting documentation for grant reimbursement requests. This deficiency was instrumental and causing the general ledger to be inadequate for Federal Reporting.

Cause: The current policies and procedures do not provide for sufficient detailed level of supervisory review and approval of the underlying and supporting information used in the financial statement reporting and key entries. District did not have sufficient staff or management to ensure that the accounting was properly or timely completed. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information.

Questioned Cost: No

Context: As a result of inadequate skills, knowledge, and experience in managing the accounting for the program activities, errors occurred in the recording of Federal awards in the general ledger. Due to recording errors, and insufficient skills, knowledge, and experience at monitoring of the recording activities, requirements for reporting were unmet by the staff and management of Umpqua Public Transit District.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-5

Recommendation: We recommend that Umpqua Public Transit District hire staff who have the skills, knowledge and experience to record and manage the overall financial activities for the district, especially regarding Federally funded programs. In addition, we recommend that the district establish training programs and continuing education policies and procedures for staff and management. Training and education efforts should focus on compliance requirements of Federal awards.

District's Response: The District concurs with the recommendation. Compliance requirements for federal awards were not effectively communicated to the contracted professional hired by the district. Training programs are needed.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge and experience to design and monitor financial operations and controls of the district. This allowed the activities of the District to be retroactively recorded (partially) and will allow for future management in accordance with federal compliance requirements.

Planned Implementation Date: July 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-6 – Control Procedures, Controls Should be Strengthened to Ensure Proper Review Processes for Financial Reporting (Material weakness)

Criteria: *The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government* specify that a satisfactory control environment is only effective when there are adequate control activities in place. This includes, but is not limited to, the review process of transactions, proper support of transactions, proper documentation and support of methodologies used in accounting practices, proper support of information, and communication within the district, and a commitment to competence by management.

Umpqua Public Transit District does not have properly designed, implemented and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all **non-standard adjustments** are adequately researched, documented, supported, and reviewed prior to their recording in the general ledger.

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. General Journal entries were improperly recorded, resulting in overstatements of revenues and expenditures. The District has no internal control procedures for performing or monitoring accrual adjustments.

Cause: The District did not have properly designed, implemented or effective policies, procedures, processes, or controls around the financial reporting process. Grant revenues and expenditures were inadequately tracked and reconciled to supporting documents.

Effect or Potential Effect: Misstatement of grant revenues, expenditures, receivables, and deferred revenue.

Questioned Cost: No

Context: Errors in the recording of journal entries resulted in material misstatements.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-6

Recommendation: We recommend that the district evaluate internal control procedures over the review and approval of transactions. Additionally, we recommend existing staff obtain the needed training to be able to accurately report, review and reconcile financial information. Internal controls should also be designed to prevent or detect and correct journal entry errors in a timely manner.

District's Response: We acknowledge that there were no policies or procedures for journal entries, and that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for adjusting entries.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-7 – Fiscal Management Controls Should be Strengthened to Ensure Proper Review Processes for Financial Reporting (Material weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Umpqua Public Transit District does not have properly designed, implemented, or effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Condition: During our audit, we found that significant accruals were entered into the general ledger at year end 06/30/2020 for both grant expenditures and grant revenues. These accruals created corresponding Accounts Receivables and Accounts Payables at year end to carry balances into FY 2021. Upon further review, it was found by tracking these revenues and expenditures into the FY 2021 general ledger, the district did not apply the payments or receipts against these balance sheet accounts. Journal entries were posted to reverse these amounts, however, the journal entries to accrue them for the prior year was posted as of July 1, 2020. Accordingly, prior year accrued revenues and expenditures were recorded twice in 2020-21 fiscal year.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. General ledger assets and liabilities are not reconciled. Grant revenue/unavailable revenue and expenditures were not tracked and reconciled to the supporting documentation.

Effect or Potential Effect: Misstatement by duplication of revenues and expenditures.

Questioned Cost: No

Context: Revenues for Federal awards and Expenditures for Federal awards are over-reported in FY 2021 requiring auditor adjustments to correct the misstatement.

Repeat of a Prior-Year Finding: Yes, Financial Statement Findings 2020-8

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner. We also recommend additional training for Umpqua Public Transportation District staff and Management in end of year processes and recording of revenues and expenditures.

District's Response: We acknowledge that there were no policies or procedures for reversing accruals, or reconciling balance sheet accounts. We acknowledge that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for reversing accruals and reconciling balance sheet accounts.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Section III—Findings and Questioned Costs for Federal Awards.

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by *OMB uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200*.

Each finding has one of the following designations:

Material Weakness – 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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – A *significant deficiency in internal control over compliance* is a deficiency, or 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.

Material Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor’s judgment have a direct and material effect on a major federal program.

Immaterial Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that do not have a direct and material effect on a major federal program.

Finding 2021-8 - Source Documentation (Significant Deficiency)

CFDA Title and Number: 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573 (City of Reedsport).

Name of Federal Agency: Transit Services Program Cluster

Internal Control over Compliance: Cash Management

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196.

Name of Federal Agency: Transit Services Program Cluster

Internal Control over Compliance: Cash Management

Criteria: 2 CFR Part 200.302(b)(1) The financial management system of each non-federal entity must provide for the following: Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. 200.302(b)(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 200.328 and 200.329.

Condition: The District prepared drawdown calculations according to an internal reconciliation spreadsheet tool outside of the General Ledger rather than utilizing proper General Ledger expenditure and supporting backup information.

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Cause: General ledger reconciling procedures were not enforced or completed.

Effect or Potential Effect: Activities or costs that are allowed or allowable could potentially be overpaid or underpaid.

Questioned Cost: No

Context: During our testing of expenditures, we found no Federal drawdown reimbursement requests selected for testing that did not reconcile to their corresponding expenditures.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-1

Recommendation: The District should establish policies and procedures to ensure that each drawdown is reconciled with supporting expenditure documents and general ledger postings prior to reimbursement being requested.

District's Response: The District has relied on inadequately skilled or trained individuals for recording activity in the general ledger. General ledger activity was not available timely, or in sufficient quality such that the General Manager could rely upon the general ledger to gather information for reporting to grantors. Consequently, the General Manager developed and relied upon their own spreadsheet records for grant reimbursement requests.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the District. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-9 – Schedule of Expenditures of Federal Awards (Material Weakness)

CFDA Title and Number 20.509 (5311) Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 33420.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33655.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

CFDA Title and Number: 20.509 (5311) CARES 5311 Operating Assistance. Formula Grants for Rural Areas and Tribal Transit Program. Grant Agreement 34196

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508, CFR Part 200.510, Auditee Responsibilities state that the auditee must prepare the Schedule of Expenditures of Federal Awards, which must list individual Federal awards by Federal Agency, including the total Federal awards expended, name of the pass-through entity, CFDA number, and total amount provided to subrecipients. The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Condition: The SEFA presented for audit included unreconciled differences between the SEFA and the General Ledger. The districts attempt to complete the reconciliation continued for months after fiscal year end, and the errors required adjustments to the SEFA.

Cause: Umpqua Public Transportation District does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The district did not reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the district's general ledger.

Effect or Potential Effect: Potential understatement or overstatement of expenditures could exist in the Schedule of Expenditures of Federal Awards and not be detected and corrected. Because the SEFA was completed incorrectly, and not reconciled to the general ledger, the financial statements were materially misstated prior to auditors' adjustments.

Questioned Cost: No

Context: The SEFA presented for audit did not reconcile to the general ledger for Federal Awards.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-2

Recommendation: We recommend that the district establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA. Internal controls should be designed to prevent, detect, or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The district should provide appropriate training to staff who are assigned to prepare and review the SEFA.

District's Response: The District concurs with the recommendation. The district has hired a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants. These procedures will also include reconciliation of the amounts reported on the SEFA with the District's trial balance.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a

timely basis. The duties of the Finance Manager will include overseeing the proper creation and reconciliation of the SEFA on a timely basis.

Planned Implementation Date: July1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-10 – Accounting for Grants (Material Weakness)

CFDA Title and Number 20.513 (5310) Enhanced Mobility of Seniors and Individuals with Disabilities. Grant Agreement 33573.

Name of Federal Agency: Transit Services Program Cluster

Compliance/Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508 Auditee Responsibilities. For grants based on a formula, a receivable and revenue/unavailable revenue should be recognized as soon as all eligibility requirements have been met. For expenditure-driven grants (reimbursement-type grants), a receivable and revenue/unavailable revenue should be recognized when both qualifying expenditures and compliance with contingent requirements such as matching funds, are met. Unavailable revenue is revenue of the current period that is not yet considered available to liquidate liabilities of the current period.

Condition: During our audit, we found errors in expenditure-driven grants where receivables and revenue/unavailable revenue were misstated. A grant reimbursement request for expenditures was made but was not recorded in the general ledger revenue or receivables at year end during the prior year. In addition, these errors were not identified or corrected timely in the new year.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger into the new fiscal year.

Effect or Potential Effect: Misstatement of grant receivables and revenue/unavailable revenue.

Context: At FY 2020-2021 year end, the District had not recorded unavailable revenues from grants.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-3

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner.

District's Response: The District concurs with the recommendation. The district is hiring a Finance Manager to develop policies and procedures for all grants, including Federal, State, and County. Grant expenditures and reimbursement will be recorded in the general ledger on a timely basis. A proper cutoff of expenditures and revenues will be made at year end, ensuring accurate recording of accrued expenditures, and accrued revenues from grants.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the district. This will allow the activities of the district to be recorded and managed on a timely basis.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-11 – Fiscal Management System (Material Weakness)

Criteria: CFR Part 200.302.b Auditee Responsibilities includes the requirement that the financial management system of each non-Federal entity provide the following. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Accurate, current, and complete disclosure of the financial results of each Federal award or program.

Condition: During the audit of Umpqua Public Transportation District for Fiscal Year 2020-2021, the district provided auditor with Separate and Identifiable General Ledger reports that showed a clear division between Federal, State and Local expenditures and revenues. However, the separation was done retroactively and was not been completed for the entire fiscal year or life of grants. This deficiency was instrumental in causing the general ledger to be inadequate for financial and Federal Award Reporting.

Cause: The District had originally relied on unskilled individuals for structuring and recording activities in their general ledger. District management did not have sufficient staff or monitoring policies to recognize and correct the deficiency.

Effect or Potential Effect: Potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information.

Questioned Cost: No

Context: The lack of completed effort at separating revenues or expenditures by grant led to errors in reporting expenditures for Federal Awards.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-4

Recommendation: We recommend that Umpqua Public Transportation District improve their general ledger structure to meet the requirement for separate accounts for Federal awards for program revenues and program expenditures. We also recommend that the district establish policies and procedures to ensure that all program revenues and expenditures are reported in the correct fiscal year. In addition, we recommend that the district establish a training program and policies and procedures for staff and management to receive appropriate training for administering and recording Federal Grant revenues and expenditures.

District's Response: The District concurs with the recommendation. General ledger accounts separating Federal, State, and Local revenues and related expenditures will be designed and implemented.

Corrective Action Plan: The District has hired a Finance Manager to oversee the day-to-day financial operations of the district. The Finance Manager has developed an accounting system for separating Federal, State, and Local revenues and related expenditures. This will allow the activities of the district to be recorded in a manner that allows for reporting in compliance with federal requirements.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-12 – Fiscal Management Personnel Skills, Knowledge and Experience (Material weakness)

Criteria: Employees tasked with recording and monitoring the financial activities of the district were not properly trained or experienced to perform such tasks. Management was not sufficiently trained to recognize or address such deficiencies.

Condition: During our audit, we found that during the course of the year, the General Manager was relying on individuals who were not sufficiently structure the general ledger to properly record or account for Federal Grants. In addition, entries were not prepared or recorded on a timely basis. This deficiency was instrumental and causing the general ledger to be inadequate for Federal Reporting.

Cause: The District did not have sufficient staff or management trained to recognize that the accounting was not properly or timely completed. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information.

Questioned Cost: No

Context: As a result of inadequate skills, knowledge, and experience in managing the accounting for the program activities, errors occurred in the recording of Federal awards in the general ledger. Due to recording errors, and insufficient skills, knowledge, and experience at monitoring of the recording activities, requirements for reporting were unmet by the staff and Management of Umpqua Public Transit District.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-5

Recommendation: We recommend that Umpqua Public Transit District hire staff who have the skills, knowledge and experience to record and manage the overall financial activities for the district, especially regarding Federally funded programs. In addition, we recommend that the district establish training programs and continuing education policies and procedures for staff and management. Training and education efforts should focus on compliance requirements of Federal awards.

District's Response: The District concurs with the recommendation. Compliance requirements for federal awards were not fully understood by staff, and contracted professional hired by the district. Training programs are needed.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge and experience to design and monitor financial operations and controls of the district. This will allow the activities of the district to be recorded and managed in accordance with federal compliance requirements.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-13 – Control Procedures (Material weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-

Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Umpqua Public Transit District does not have properly designed, implemented and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all **non-standard adjustments** are adequately researched, supported, and reviewed prior to their recording in the general ledger

Condition: During our audit, we found errors in expenditure-driven grants where revenues and unavailable revenues were misstated. Grant reimbursement requests for expenditures were met, but expenses were not recorded in the general ledger correctly. In addition, the district has no internal control procedures for performing or monitoring accrual adjustments.

Cause: The District did not have properly designed, implemented or effective policies, procedures, processes, or controls around the financial reporting process. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Misstatement of grant receivables and revenue/unavailable revenue.

Questioned Cost: No

Context: Errors in the recording of journal entries for accruals related to Federal awards resulted in material misstatements.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-6

Recommendation: We recommend that the district establish policies and procedures to ensure that accruals related to grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent or detect and correct journal entry errors in a timely manner.

District's Response: We acknowledge that there were no policies or procedures for journal entries, and that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for adjusting entries.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District

Finding 2021-14 – Fiscal Management (Material Weakness)

Criteria: CFR Part 200.303 Internal controls, requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Umpqua Public Transit District does not have properly designed, implemented, or effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

Condition: During our audit, we found that significant accruals were entered into the general ledger at year end 06/30/2020 for both grant expenditures and grant revenues. These accruals created corresponding Accounts Receivables and Accounts Payables at year end to carry balances into FY 2021. Upon further review, it was found by tracking these revenues and expenditures into the FY 2021 general ledger, the district did not apply the payments or receipts against these balance sheet accounts. Additionally, journal entries were posted to record those accruals but posted in the current year instead of the prior year, and then reversed. Accordingly, amounts that had been recorded as expenditures and Accounts Payables in FY 2020 yet paid in FY 2021 were recorded as expenditures again in FY 2021, and grant revenues recorded as revenues and Accounts Receivables in FY 2020, yet received in FY 2021, were recorded as revenues again in FY 2021.

Cause: The District does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. General ledger assets and liabilities are not reconciled. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger.

Effect or Potential Effect: Misstatement by duplication of grant receivables and revenue/unavailable revenue, and misstatement of grant expenditures and accounts payable.

Questioned Cost: No

Context: Revenues for Federal awards and Expenditures for Federal awards are over-reported in FY 2021 requiring auditor adjustments to correct the misstatement.

Repeat of a Prior-Year Finding: Yes, Findings and Questioned Costs 2020-8

Recommendation: We recommend that the district establish policies and procedures to ensure that grant activity is recorded in the general ledger timely and accurately. Internal controls should also be designed to prevent, detect, or correct errors in a timely manner. We also recommend additional training for Umpqua Public Transportation District staff and Management in end of year processes and recording of revenues and expenditures.

District's Response: We acknowledge that there were no policies or procedures for reversing accruals, or reconciling balance sheet accounts. We acknowledge that they are important for accurate financial reporting.

Corrective Action Plan: The District has hired a Finance Manager that has the skills, knowledge, and experience to design and monitor internal control policies and procedures for reversing accruals and reconciling balance sheet accounts.

Planned Implementation Date: July 1, 2021

Responsible Person: General Manager, Umpqua Public Transit District