



MIAMI-DADE TRANSIT

Single Audit Reports
in Accordance with OMB Circular A-133 and
the Florida Single Audit Act

Year ended September 30, 2006

MIAMI-DADE TRANSIT

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Independent Auditors' 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*

The Honorable Mayor and the Members of the Board of County Commission
Miami-Dade County, Florida:

We have audited the financial statements of Miami-Dade Transit (MDT), an enterprise fund of Miami-Dade County, as of and for the year ended September 30, 2006, and have issued our report thereon dated March 23, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered MDT's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MDT's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDT'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of MDT in a separate letter dated March 23, 2007.

This report is intended solely for the information and use of the Honorable Mayor, the Members of the Board of County Commission, management of MDT, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 23, 2007
Certified Public Accountants



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Miami, FL 33131

**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Federal Program and State Project and on Internal Control over
Compliance in Accordance with OMB Circular A-133 and
Chapter 10.550, Rules of the Auditor General, State of Florida**

The Honorable Mayor and Members of the Board of County Commission
Miami-Dade County, Florida:

Compliance

We have audited the compliance of Miami-Dade Transit (MDT) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. MDT's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of MDT's management. Our responsibility is to express an opinion on MDT's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*, State of Florida. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about MDT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of MDT's compliance with those requirements.

As described in item 2006-02, Federal Transit Cluster, in the accompanying schedule of findings and questioned costs, MDT did not comply with the requirements regarding Allowable Costs/Cost Principles that are applicable to its Federal Transit Cluster. Compliance with such requirements is necessary, in our opinion, for MDT to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, MDT complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-03.



Internal Control over Compliance

The management of MDT is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered MDT's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedules of Expenditures of Federal Awards and State Financial Assistance

We have audited the basic financial statements of Miami-Dade Transit, an enterprise fund of Miami-Dade County, as of and for the year ended September 30, 2006, and have issued our report thereon dated March 23, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, the Members of the Board of County Commissioners, management of MDT, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 23, 2007
Certified Public Accountants

MIAMI-DADE TRANSIT

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

<u>Federal Grants</u>	<u>CFDA #</u>	<u>Grant</u>	<u>Grant/Contract Number</u>	<u>Expenditures 2006</u>
U.S. Department of Transportation:				
Passed through the Florida Department of Transportation:				
U.S. 1 Reconstruction (Seg 1-N)	20.205	MTM471	AM-471	\$ 59,969
South Miami-Dade Busway	20.500	MT0212	FL-03-0212	16,358,420
FTA – Bus Projects	20.500	MT0232	FL-03-0232	1,244,796
FTA – FY-04 Fixed Guideway	20.500	MT0267	FL-03-0267	409,157
FTA – FY-05 Fixed Guideway	20.500	MT5000	FL-03-0293	189,120
FTA - FY-06 Fixed Guideway	20.500	MT0588	FL-05-0088	13,286,021
				<u>31,487,514</u>
Capital Funding for Busway Construction	20.507	MTX350	FL-90-X350 - FY 97/98	2,422,241
FY05 Formula Grant	20.507	MT9005	FL-90-X546 - FY 04/05	1,056,476
FY06 Formula Grant	20.507	MTX578	FL-90-X578 - FY 05/06	45,480,060
				<u>48,958,777</u>
FTA – Passenger Info. Kiosk	20.514	MT7001	FL-26-7001	3,124
FTA – South Dade Busway BRT Demo.	20.514	MT7010	FL-26-7010	5,333
				<u>8,457</u>
Department of Homeland Security:				
Urban Areas Security Initiative Mass Transit Security Grant	97.008	MT062H	2003-EU-T3-0062	12,216
Passed through the Florida Department of Community Affairs:				
Urban Areas Security Initiative Mass Transit Security Grant	97.008	MT0304	05DS-2S-11-23-20-304	70,747
				<u>82,963</u>
Total Federal Awards				<u>\$ 80,597,680</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

MIAMI-DADE TRANSIT

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

<u>State Grants</u>	<u>CSFA #</u>	<u>Grant</u>	<u>Grant/Contract Number</u>	<u>Expenditures 2006</u>
Florida Department of Transportation:				
Transportation Disadvantaged Comm. FY2006	55.001	MTTD06	AO157	\$ 7,381,308
Dade Monroe Express	55.007	MTNU28	ANU28	200,000
CIGP Purchase Buses	55.008	MTL084	AL084	1,000,000
Flager Street Bus Terminal	55.008	MTK494	AK-494	(240)
				<u>999,760</u>
Public Transit Block Grant Program	55.010	411411	AO 440	16,128,842
Park and Ride Facilities	55.011	MTL131	AL - 131	40,630
Service Development FY01	55.012	MTL459	AL459	185,000
Busway Flyer	55.012	MTK412	AK-412	343,887
Community Feeder	55.012	MTN384	AN-384	5,000
				<u>533,887</u>

(Continued)

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Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2006

<u>State Grants</u>	<u>CSFA #</u>	<u>Grant</u>	<u>Grant/Contract Number</u>	<u>Expenditures 2006</u>
South Miami-Dade Busway	55.013	MTE199/MTJ309	AE-199	\$ 387,234
Flagler Max Bus Route	55.013	MTK441	AK - 441	450,001
South Dade Busway Routes	55.013	MTO599	AO559	450,000
				<u>1,287,235</u>
Construction Phase I – Bus Bay	55.017	MTNP58	ANP58	<u>2,296</u>
Total State Financial Assistance				<u>\$ 26,573,958</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

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**Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance**

Year ended September 30, 2006

(1) General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) presents the activity of all federal programs and state projects of Miami-Dade Transit (MDT) for the year ended September 30, 2006. The MDT's reporting entity is described in note 1 to the financial statements. All federal and state financial assistance received directly from federal and state agencies are included in the Schedule.

(2) Basis of Presentation

The Schedule has been prepared on the accrual basis of accounting. This basis of accounting is described in note 2(a) to the MDT's financial statements.

MIAMI-DADE TRANSIT
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2006

Section I – Summary of Auditors’ Results

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) Circular A-133? X Yes No

Identification of major programs/projects:

Federal programs	Federal CFDA No.
U.S. Department of Transportation: Federal Transit Cluster	20.500/20.507

The threshold for distinguishing Type A and Type B programs was \$2,417,930 for federal programs.

Auditee qualified as low risk auditee. Yes X No

MIAMI-DADE TRANSIT
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Section II – Financial Statement Findings

2006-01 Accounts Payable Cut-Off Procedures

Criteria

An entity shall have a system of internal controls over financial reporting that ensures recorded amounts are accurate and complete in accordance with generally accepted accounting principles.

Condition Found

We recognize that MDT has made significant improvements in their finance department during the current year. However, during our audit, we noted that certain accruals required under generally accepted accounting principles were not made by management. Specifically, we proposed significant audit adjustments related to year-end accruals in order to correct material misstatements in MDT's books and records.

Perspective

The finding is considered systemic in nature.

Effect

The recorded amounts regarding year-end accrual were understated and required significant audit adjustments in order to correct the material misstatement.

Cause

MDT did not appear to have adequate internal controls regarding the year-end accrual cut-off process.

Recommendation

We recommend that management reinforce the formal policies and procedures related to period-end cutoff to record accruals. Additional training on the formal procedures should include procedures for the review of open purchase orders, open receiving reports and invoices received and/or paid subsequent to period-end. Furthermore, the training should include enhancements to the review process in order for management to identify significant misstatements in a timely manner.

Management's Response

Management concurs with the auditor's observation. MDT has policies and procedures in place relating to period-end accruals. Unfortunately, policies and procedures were not followed resulting to understatement of accruals. Management will take the necessary steps to correct the recording of liabilities for future period-end accruals.

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Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Section III – Federal Awards Findings and Questioned Costs

2006-02 Federal Transit Cluster (U.S. Department of Transportation, CFDA No. 20.500 and 20.507)

Criteria – Allowable Costs/Cost Principles

OMB Circular A-87 requires recipients of federal awards to maintain effective controls over the recording and claiming for reimbursement of costs related to a federal program, and that the accounting treatment applied to those costs be consistently applied among the various federal programs. Additionally, OMB Circular A-87, B8(h) requires that the distribution of salaries and related benefits of employees who are assigned to work on multiple activities or cost centers be supported by personnel activity reports or equivalent documentation which meets the standards outlined in B8 (h)(5) of OMB Circular A-87 unless a statistical sampling system or other substitute system has been approved by the cognizant federal agency. Such documentary support is required in a variety of circumstances such as when employees are assigned to work on multiple federal award programs. When an employee is assigned to work solely on one federal program or cost objective, certifications must be prepared at least semiannually certifying to this fact, and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Condition Found

During 2005, it was noted in finding 2005-06 that MDT did not prepare the required semiannual certifications which certify that the employees worked solely on the respective program. During 2006, for preventive maintenance workers, MDT prepared the required certification on an annual basis only, not the required semiannual basis. Furthermore, for non-preventative maintenance workers, MDT did not prepare the required semiannual certifications. The total payroll related cost amounted to \$27,992,949.

Questioned Costs

None.

Perspective

The finding is considered systemic in nature.

Cause

MDT did not properly design the procedures regarding the required certification process.

Effect

MDT is not in compliance with the requirements of OMB Circular A-87 with regards to documentation required for the distribution of salary and related benefit charges to the programs.

Recommendation

MDT should develop a policy regarding the preparation and maintenance of the required semiannual payroll certifications for those employees who work solely on one federal program or cost objective. We further recommend that MDT develop a standard certification format and implement procedures and controls to ensure that the required semiannual certifications are obtained and maintained in accordance with the requirements set forth in OMB Circular A-87.

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Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Management's Response

Management concurs with the finding after consultation with the FTA and is in the process of implementing procedures to comply with Circular A-87.

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Schedule of Findings and Questioned Costs
Year ended September 30, 2006

2006-03 Federal Transit Cluster (U.S. Department of Transportation, CFDA No. 20.500 and 20.507)

Criteria – Equipment and Real Property Management

An appropriate control system should exist to safeguard equipment purchased with federal funds.

Condition Found

As part of our testing, we noted that five (5) of twenty-three (23) assets acquired from federal funds were not physically tagged; however, they were denoted in the Fixed Asset System (FAS) as being purchased with federal funds. We tested twenty-three (23) current year purchases totaling \$5,775,462 of which five (5) purchases totaling \$78,631 were not physically tagged.

Questioned Costs

None.

Perspective

The finding is considered systemic in nature.

Effect

The lack of separate identification of property may impede the ability of management to properly perform a physical inventory of assets acquired with federal funds, track the assets when they are no longer needed, and identify sales of such assets, which the federal agency has the right to a proportionate amount of the current fair market value upon such sale.

Cause

Management did not reconcile the assets tagged in the FAS to the Miami-Dade County General Services System for assets acquired with federal funds to ensure they were physically tagged.

Recommendation

MDT should enhance their policies and procedures, including their review process to ensure assets acquired with federal funds are properly tagged.

Management's Response

Management concurs with this finding. Items greater than \$1,000 are tagged by Miami-Dade County General Service Administration Department, not Miami-Dade Transit. Miami-Dade Transit identifies assets that are acquired with federal funds by index code in the FAS and will implement procedures to monitor the physical tagging of assets acquired with federal funds.

MIAMI-DADE TRANSIT
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Section IV – State Assistance Findings and Questioned Costs

None noted.