

**BIDDEFORD-SACO-OLD ORCHARD BEACH
TRANSIT COMMITTEE**

**Reports Required by *Maine Uniform
Accounting and Auditing Practices for
Community Agencies***

For the Year Ended June 30, 2022

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Reports Required by *Maine Uniform Accounting and*
Auditing Practices for Community Agencies
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Transit Committee
Biddeford-Saco-Old Orchard Beach Transit Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Biddeford-Saco-Old Orchard Beach Transit Committee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Biddeford-Saco-Old Orchard Beach Transit Committee's basic financial statements, and have issued our report thereon dated April 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Biddeford-Saco-Old Orchard Beach Transit Committee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Biddeford-Saco-Old Orchard Beach Transit Committee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Biddeford-Saco-Old Orchard Beach Transit Committee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Biddeford-Saco-Old Orchard Beach Transit Committee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Biddeford-Saco-Old Orchard Beach Transit Committee’s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Biddeford-Saco-Old Orchard Beach Transit Committee’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Biddeford-Saco-Old Orchard Beach Transit Committee’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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 20, 2023
South Portland, Maine

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND
AUDITING PRACTICES FOR COMMUNITY AGENCIES**

To the Transit Committee
Biddeford-Saco-Old Orchard Beach Transit Committee

Report on Compliance for Each Major Department Agreement

Opinion on Each Major Department Agreement

We have audited Biddeford-Saco-Old Orchard Beach Transit Committee's compliance with the types of compliance requirements described in the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP) that could have a direct and material effect on each of Biddeford-Saco-Old Orchard Beach Transit Committee's major department agreements for the year ended June 30, 2022. Biddeford-Saco-Old Orchard Beach Transit Committee's major department agreements are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Biddeford-Saco-Old Orchard Beach Transit Committee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major department agreements for the year ended June 30, 2022.

Basis for Opinion on Each Major Department Agreement

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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Biddeford-Saco-Old Orchard Beach Transit Committee and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major department agreement. Our audit does not provide a legal determination of Biddeford-Saco-Old Orchard Beach Transit Committee's compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Biddeford-Saco-Old Orchard Beach Transit Committee's department agreements.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Maine Uniform Accounting and Auditing Practices for Community Agencies*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Biddeford-Saco-Old Orchard Beach Transit Committee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Biddeford-Saco-Old Orchard Beach Transit Committee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with MAAP, but not for the purpose of expressing an opinion on the effectiveness of Biddeford-Saco-Old Orchard Beach Transit Committee's internal control over compliance. Accordingly, no such opinion is expressed.

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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a department agreement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a department agreement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a department agreement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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 *Maine Uniform Accounting and Auditing Practices for Community Agencies*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Department Agreements Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*

We have audited the financial statements of Biddeford-Saco-Old Orchard Beach Transit Committee as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Biddeford-Saco-Old Orchard Beach Transit Committee basic financial statements. We have issued our report thereon dated April 20, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY MAINE UNIFORM ACCOUNTING AND
AUDITING PRACTICES FOR COMMUNITY AGENCIES, CONTINUED**

The accompanying schedule of expenditures of department agreements is presented for the purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of department agreements is fairly stated in all material respects in relation to the basic financial statements as a whole.



April 20, 2023
South Portland, Maine

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Schedule of Expenditures of Department Agreements
Year ended June 30, 2022

Department Office:	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses
Maine Department of Transportation, direct:								
Transportation Systems Planning	CSN: 43129 (State Funds only) State Funds - 022762.21 / 025049.00	\$ 120,557	7/1/2021 - 6/30/2022	Multimodal	Final	-	120,557	120,557
Transportation Systems Planning	CSN: 43013 (Operating - CARES) ME-2021-005-00 - 024843.07	425,000	7/1/2021 - 12/31/2022	Operating	Final	425,000	-	425,000
Transportation Systems Planning	CSN: 41335 (Operating) ME-2018-024-00 - 022780.18	647	10/1/2019 - 1/31/2020	Operating	Final	647	-	647
Transportation Systems Planning	CSN: 41617 (Operating - CARES) ME-2020-005-00 - 024843.02	1,021,452	2/1/2020 - 12/31/2022	Operating	Final	354,098	-	354,098
Transportation Systems Planning	CSN: 42213 (State Funds only) State Funds - 023901.00	385,000	10/20/2020 - 10/2/2030	Capital	Final	-	110,000	110,000
Transportation Systems Planning	CSN: 40774 (Operating) ME-2019-019-00 - 020773.19	191,000	7/1/2019 - 12/31/2022	Operating	Interim	14,730	-	14,730
Transportation Systems Planning	CSN: 42761 (Operating - CARES) ME-2020-019-00 - 024843.04	96,000	3/1/2021 - 12/31/2021	Operating	Final	29,579	-	29,579
Transportation Systems Planning	CSN: 43503 (Operating - CARES) ME-2021-005-00 - 024843.07	700,000	1/1/22 - 6/30/2023	Operating	Interim	299,433	-	299,433
Transportation Systems Planning	CSN: 42857 (State Funds only) State Funds - 023901.00	1,500,000	6/1/21 - 10/2/2030	Capital	Final	-	1,500,000	1,500,000
Totals						\$ 1,123,487	1,730,557	2,854,044

See accompanying notes to schedule of expenditures of department agreements.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Notes to Schedule of Expenditures of Department Agreements
June 30, 2022

PURPOSE OF THE SCHEDULE

Maine Uniform Accounting and Auditing Practices for Community Agencies requires a Schedule of Expenditures of Department Agreements showing total expenditures for each award as identified in the respective department agreements.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all department agreements of Biddeford-Saco-Old Orchard Beach Transit Committee for the fiscal year ended June 30, 2022. The reporting entity is defined in Notes to Financial Statements of Biddeford-Saco-Old Orchard Beach Transit Committee.

- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Department Agreements is presented in accordance with *Maine Uniform Accounting and Auditing Practices for Community Agencies*.
 - 1. Pursuant to *Maine Uniform Accounting and Auditing Practices for Community Agencies*, department agreements are defined as a legally binding written document between two or more parties, including, but not limited to, a document commonly referred to as accepted application, proposal, prospectus, contract, grant, joint or cooperative agreement, purchase of service or state aid.

 - 2. Major Agreement - *Maine Uniform Accounting and Auditing Practices for Community Agencies* establishes the levels of expenditures or expenses to be used in defining major department agreements. Major agreements for Biddeford-Saco-Old Orchard Beach Transit Committee have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.

- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Department Agreements is presented on the accrual basis of accounting, which is consistent with the reporting in the Organization's financial statements, with the exception that acquisitions of major equipment subject to capitalization for financial statement purposes are nonetheless treated as current period expenditures of department financial assistance for purposes of this schedule.

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Schedule of Findings and Questioned Costs
June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Department Agreements

Internal control over programs tested:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for programs tested:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Maine Uniform Accounting and Auditing Practices for Community Agencies</i> ?	No

Identification of program(s) tested:

<u>Agreement Number(s)</u>	<u>Name of Department-Agreement</u>
CSN: 41617 – ME-2020-005-00 024843.02	DOT – Operating - CARES
CSN: 43013 – ME-2021-005-00 024843.07	DOT – Operating - CARES
CSN: 43503 – ME-2021-005-00 024843.07	DOT – Operating - CARES
CSN: 43129 State only funds - 022762.21 / 025049.00	DOT – Multimodal
CSN: 42213 State only funds - 023901.00	DOT – Capital
CSN: 42857 State only funds - 023901.00	DOT – Capital

Total agreement expenses tested	\$ 2,809,088
Total Department expenses	\$ 2,854,044
Percentage tested	98%

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Schedule of Findings and Questioned Costs, Continued

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

MATERIAL WEAKNESS

2022-001 - Material Audit Adjustments

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Condition: As part of the audit process, there were several significant audit adjustments posted to correct the balances of accounts receivable, accounts payable, accrued payroll, inventory and unearned revenues to ensure they were properly reported in accordance with Generally Accepted Accounting Principles (GAAP).

Cause: During our audit, we identified material amounts that were not posted correctly and therefore, adjusting entries were required.

Effect: The balances of these accounts may not have been properly reported in accordance with GAAP during the year and, as such, reports provided to those charged with governance and to outside entities may have been based on inaccurate information.

Recommendation: In order to maintain an accurate accounting of all accounts on the general ledger and provide accurate financial reports during the year, we recommend that Transit Committee employees reconcile the ending balances of each general ledger account on a monthly basis. We suggest that management establish a checklist of required monthly and year-end adjustments to ensure that general ledger accounts are being reconciled in a timely manner.

Management Response / Corrective Action Plan:

Response

BSOOB Transit management recognizes the identified weakness and will prioritize the corrective action plan immediately. Reducing the quantity of audit adjustments will become and remain a priority for BSOOB Transit Finance staff.

Noting the financial arrangement between the City of Biddeford and BSOOB Transit, specifically that the agencies share a single financial management system, general ledger accounts, and single cash account, BSOOB Transit Finance staff will develop a monthly reconciliation review log and coordinate with City of Biddeford Finance staff (as needed) to complete the required adjustments in a timely manner.

Corrective Action Plan

- *BSOOB Transit's Finance Manager will complete a monthly reconciliation of all general ledger accounts that are exclusive BSOOB Transit accounts, except for inventory which will be reconciled semi-annually.*
- *All G/L accounts which are not properly reconciled will be reviewed by BSOOB Transit staff to identify potential transactions or financial postings requiring corrective action.*
- *All reconciliation issues and actions for exclusive BSOOB Transit accounts will be logged. For all corrective actions related to joint agency G/L accounts will be reported to City of Biddeford Finance staff for follow up.*

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Schedule of Findings and Questioned Costs, Continued

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

- *BSOOB Transit will convene an internal management committee tasked with identifying alternatives to the existing financial arrangement between the parties. This committee will make recommendations to transition the agency to an independent cash account, which should eliminate the agency's ability to reconcile cash accounts. This management committee will also develop a strategic roadmap to implement industry best-practices.*

Anticipated Completion Date: *The corrective actions related to G/L reconciliation tasks have commenced as of March, 2023. It should be expected that the internal management committee will begin in April, 2023, with an objective of providing recommendations no later than June, 2023.*

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Department Agreements

None

BIDDEFORD-SACO-OLD ORCHARD BEACH TRANSIT COMMITTEE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs

2021-001 - Material Audit Adjustments

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Condition: As part of the audit process, there were several significant audit adjustments posted to correct the balances of accounts receivable, accounts payable, accrued payroll, inventory and unearned revenues to ensure they were properly reported in accordance with Generally Accepted Accounting Principles (GAAP).

Cause: During our audit, we identified material amounts that were not posted correctly and therefore, adjusting entries were required.

Effect: The balances of these accounts may not have been properly reported in accordance with GAAP during the year and, as such, reports provided to those charged with governance and to outside entities may have been based on inaccurate information.

Recommendation: In order to maintain an accurate accounting of all accounts on the general ledger and provide accurate financial reports during the year, we recommend that Transit Committee employees reconcile the ending balances of each general ledger account on a monthly basis. We suggest that management establish a checklist of required monthly and year-end adjustments to ensure that general ledger accounts are being reconciled in a timely manner.

Status: See current year item 2022-001