
Capital Area Transportation Authority

**Federal Awards Supplemental Information
September 30, 2024**

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Capital Area Transportation Authority

We have audited the financial statements of the enterprise fund and fiduciary funds of the Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated March 5, 2025, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 5, 2025.

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

Plante & Moran, PLLC

March 5, 2025

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*

Independent Auditor's Report

To Management and the Board of Directors
Capital Area Transportation Authority

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 enterprise fund and fiduciary funds of the Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

To Management and the Board of Directors
Capital Area Transportation Authority

The Authority's Responses to the Findings

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

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



March 5, 2025

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Capital Area Transportation Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Capital Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority 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 federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

To the Board of Directors
Capital Area Transportation Authority

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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.

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 federal program 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 federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 were not 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.

To the Board of Directors
Capital Area Transportation Authority

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.

Plante & Moran, PLLC

March 5, 2025

Capital Area Transportation Authority

Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2024

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Federal Project Number	State Project Number	Pass-through Entity Identifying Number	Federal Expenditures	State Expenditures	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation:								
Direct programs - Federal Transit Cluster:								
COVID-19 - Federal Transit - Formula Grants (CRRSAA)	20.507	MI-0090-4022	N/A		\$ 1,006,572	\$ -	\$ 1,006,572	\$ -
COVID-19 - Federal Transit - Formula Grants (ARPA)	20.507	MI-0090-4023	N/A		12,412,025	-	12,412,025	-
Federal Transit - Formula Grants	20.507	MI-0090-X789	2017-0027-P03D		441,381	110,359	551,740	-
Federal Transit - Formula Grants	20.507	MI-0090-X782	2012-0055-P28C		47,022	11,749	58,771	-
Federal Transit - Formula Grants	20.507	MI-0095-X127	2012-0055-P28A		57,712	2,000	59,712	-
Federal Transit - Formula Grants	20.507	MI-0095-X130	2017-0027-P03D		9,453	2,363	11,816	-
Federal Transit - Formula Grants	20.507	MI-0095-X105	2012-0055-P012		124,988	31,247	156,235	-
Federal Transit - Formula Grants	20.507	MI-0090-X805	2017-0027-P06D		117,236	29,299	146,535	-
Federal Transit - Formula Grants	20.507	MI-0090-X819	2017-0027-P11D		128,602	32,165	160,767	-
Federal Transit - Formula Grants	20.507	MI-0090-X855	2017-0027-P013D		453,271	113,307	566,578	-
Federal Transit - Formula Grants	20.507	MI-0090-X870	2017-0027-P017D		3,499,032	874,758	4,373,790	-
Federal Transit - Formula Grants	20.507	MI-0090-X888	2022-0027-P04		2,320,276	580,069	2,900,345	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0074	2017-0027-P11B		(6)	6	-	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0100	2017-0027-P13B		42,793	10,691	53,484	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0112	2017-0027-P18		9,172	2,293	11,465	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0115	2017-0027-P017D		126,750	31,687	158,437	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0119	2022-0027-P4		75,996	18,999	94,995	-
Total Federal Transit Cluster					20,872,275	1,850,992	22,723,267	-
Transit Services Program Cluster - Formula Grants for Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	MI-16-X010	2012-0055-P013		12,798	-	12,798	-
Pass-through programs from - Michigan Department of Transportation (MDOT) - Formula Grants for Rural Areas - Section 5311 Operating Formula Grant	20.509	MI-2022-0027-P9	N/A	N/A	438,911	-	438,911	-
Total U.S. Department of Transportation					21,323,984	1,850,992	23,174,976	-
U.S. Department of the Treasury - Pass-through programs from - Michigan Department of Transportation (MDOT) - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds								
	21.027	N/A	N/A	N/A	4,940,943	-	4,940,943	-
Michigan Department of Transportation Operating Assistance - Act 51:								
Urban - Current Year	N/A	N/A	N/A		-	15,699,541	15,699,541	-
Urban - Prior Year	N/A	N/A	N/A		-	204,175	204,175	-
Nonurban - Current Year	N/A	N/A	N/A		-	1,537,247	1,537,247	-
Nonurban - Prior Year	N/A	N/A	N/A		-	14,817	14,817	-
Service Initiatives	N/A	N/A	2022-0027-P3		-	152,358	152,358	-
Service Initiatives	N/A	N/A	2022-0027-P10		-	115,000	115,000	-
Specialized Services FY 24	N/A	N/A	2022-0027-P8		-	21,392	21,392	-
Specialized Services Prior Year	N/A	N/A	N/A		-	1	1	-
Total Michigan Department of Transportation Operating Assistance					-	17,744,531	17,744,531	-
Total federal and state awards					\$ 26,264,927	\$ 19,595,523	\$ 45,860,450	\$ -

Capital Area Transportation Authority

Notes to Schedule of Expenditures of Federal and State Awards

September 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of the Capital Area Transportation Authority (the "Authority") under programs of the federal government and the State of Michigan for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and the State of Michigan Department of Transportation *Local Public Transit Revenue and Expense Manual*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The state expenditures are recognized following the State of Michigan Department of Transportation *Local Public Transit Revenue and Expense Manual*. 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. The pass-through entity identifying numbers are presented where available.

The Authority has not elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Capital Area Transportation Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

Yes No

Identification of major programs:

Assistance
Listing Number

Name of Federal Program or Cluster

20.507, 20.526 21.027	Federal Transit Cluster COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
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Dollar threshold used to distinguish between type A and type B programs:

\$787,948

Auditee qualified as low-risk auditee?

Yes No

Capital Area Transportation Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2024

Section II - Financial Statement Audit Findings

Reference Number	Finding
2024-001	<p data-bbox="362 533 769 558">Finding Type - Material weakness</p> <p data-bbox="362 583 1479 667">Criteria - The assignment of responsibilities should be properly segregated and access to financial applications and data should be restricted to authorized individuals based on job function.</p> <p data-bbox="362 693 1479 869">Condition - Key duties, functions, and controls are not adequately segregated among authority personnel. The Authority has set up many different internal controls related to various functions of the Authority's financial processes. However, in the system, several key individuals have an incompatible combination of duties, including the ability to post manual journal entries in the system, vendor change management, purchasing, and payroll change management functions and are charged with being a part of the review process of various functions.</p> <p data-bbox="362 894 1479 1037">Context - It was identified that certain individuals have the ability to perform incompatible functions in the system, resulting in inadequate segregation of duties. Plante & Moran, PLLC did note that there were various detective controls in place. However, given the ability for users in the system to perform incompatible functions, there were not effective preventive controls in place.</p> <p data-bbox="362 1062 1479 1121">Cause - There was a lack of review of assignments and responsibilities for personnel to ensure proper segregation of duties.</p> <p data-bbox="362 1146 1479 1230">Effect - Transactions could be mishandled, which could lead to potential material misappropriation of assets or financial statement misstatements not being prevented from occurring.</p> <p data-bbox="362 1255 1479 1465">Recommendation - The Authority should review its processes and procedures related to segregation of duties. This should include reviewing the duties performed for all individuals to ensure adequate division of responsibilities and proper segregation of incompatible functions. The Authority should consider the level of access needed and what department should have access for change management. This should also include reviewing the system access rights for all individuals on a periodic basis to ensure access to financial applications and data is restricted to authorized individuals based on job function.</p> <p data-bbox="362 1491 1479 1667">Views of Responsible Officials and Planned Corrective Actions - As noted in the finding, the Authority has worked to establish a strong system of internal control. The Authority recognizes that there are certain aspects of our current control environment that could be strengthened beyond our existing framework to further segregate duties, and we will work to implement changes to strengthen our system to reduce the ability of an individual to override the numerous effective controls that we have in place.</p>

Capital Area Transportation Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2024

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2024-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - Management should have a process in place to ensure year-end accrual adjustments are properly accrued in the correct period.</p> <p>Condition - Auditor-proposed journal entries were identified during the audit to record accounts receivable and accrued wages in order to prepare the Authority's financial statements in accordance with U.S. generally accepted accounting principles.</p> <p>Context - The adjustments proposed by the auditors relates to the year-end closing process. The audit adjustments identified increased revenue and receivables by a net amount of approximately \$75,000 in total and increased accrued wages and expenses by approximately \$500,000 in total.</p> <p>Cause - Lack of effective review involving year-end closing journal entries</p> <p>Effect - As a result, revenue/receivables and accrued wages/expenses were misstated. This resulted in auditor-proposed journal entries to correct these balances.</p> <p>Recommendation - The Authority should look to ensure that year-end closing procedures include a review that helps confirm that all appropriate journal entries are made for these types of entries, and a second review of the trial balance and supporting schedules should be performed prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The finance department will reevaluate our existing procedures related to our year-end closing process to eliminate the errors that occurred this year.</p>

Section III - Federal Program Audit Findings

Current Year None