

B39121

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2010

NORTHWEST INDIANA REGIONAL BUS AUTHORITY

LAKE AND PORTER COUNTIES, INDIANA



FILED
08/24/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Timothy Brown	11-01-08 to 12-31-11
President of the Board	Dennis Rittenmeyer Steven Adik Richard Hardaway	11-01-08 to 06-01-09 06-02-09 to 12-31-10 01-01-11 to 12-31-11
Treasurer	Lynn Duttlinger Robert Lendi	11-01-08 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE NORTHWEST INDIANA REGIONAL
BUS AUTHORITY, LAKE AND PORTER COUNTIES, INDIANA

We have audited the accompanying financial statement of the Northwest Indiana Regional Bus Authority (Authority), for the year ended December 31, 2010. The financial statement is the responsibility of the Authority's management. Our responsibility is to express opinions on the financial statement based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Authority prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the Authority for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The accompanying financial statement has been prepared assuming that the Authority will continue as a going concern. As discussed in Note 7 to the financial statement, the Authority has not been able to secure a permanent funding source. The Authority plans to continue to search for a permanent funding source. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated July 29, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis is presented for additional analysis and is not a required part of the financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis has not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The Authority's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Authority's management, the Authority's Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 29, 2011



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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 OFFICIALS OF THE NORTHWEST INDIANA REGIONAL
BUS AUTHORITY, LAKE AND PORTER COUNTIES, INDIANA

We have audited the financial statement of the Northwest Indiana Regional Bus Authority (Authority), for the year ended December 31, 2010, and have issued our report thereon dated July 29, 2011. 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 the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statement is 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.

This report is intended solely for the information and use of the Authority's management, Authority's Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 29, 2011

FINANCIAL STATEMENT

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	<u>\$ 2,782,419</u>	<u>\$ 3,180,114</u>	<u>\$ 5,446,779</u>	<u>\$ 515,754</u>

The notes to the financial information are an integral part of this statement.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Authority was established under the laws of the State of Indiana. The Authority operates under an appointed governing board.

The accompanying financial statement(s) present(s) the financial information for the Authority (primary government), and does not include financial information for any of the Authority's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Authority (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

F. Fund Accounting

Separate funds are established, maintained, and reported by the Authority. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Authority. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Authority in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself. The Authority has only established one fund at this time.

Note 2. Budgets

In accordance with Indiana Code 36-9-3-29, "The board shall prepare an annual budget for the Authority's operating and maintenance expenditures and necessary capital expenditures. Each annual budget is subject to review and modification by the: (1) fiscal body of the county or municipality that establishes the authority; and (2) county board of tax adjustment and the department of local government finance under IC 6-1.1-17."

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Risk Management

The Authority may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Authority by recording as a disbursement and replacement items purchased.

Note 5. Pension Plan - Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Subsequent Events

In January 2011, the Northwest Indiana Regional Development Authority awarded the Authority a \$3,000,000 grant.

The City of Hammond has agreed to contribute \$225,000 quarterly for a total of \$900,000 to the Authority in 2011.

Note 7. Financial Conditions

The Authority has not been able to secure a permanent funding source. The Authority has estimated that if a permanent funding source is not attained then the Authority will not have the funding to operate beyond June 2012.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Northwest Indiana Regional Bus Authority's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>General</u>
Cash and investments - beginning	\$ 2,782,419
Receipts:	
Intergovernmental	1,400,000
Charges for services	1,575,533
Other receipts	204,581
Total receipts	3,180,114
Disbursements:	
Personal services	494,436
Supplies	37,192
Other services and charges	4,502,079
Capital outlay	256,152
Other disbursements	156,920
Total disbursements	5,446,779
Excess (deficiency) of receipts over disbursements	(2,266,665)
Cash and investments - ending	\$ 515,754

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

A going concern explanatory paragraph was added to the financial report opinion due to concerns over the inability to secure a permanent funding source for operations.

CASH CHANGE MACHINE

In March 2010, the Authority transferred \$3,300 to fill the cash change machine at the Dan Rabin Plaza. On July 15, 2011, the accountant replenished the cash change machine and attempted to reconcile the total cash on hand to the starting balance. Per her calculation, the total cash machine count was only \$3,034. This results in a difference of \$266. Officials need to research the cause for the difference in the cash machine total and establish procedures to ensure that the cash change is reconciled each time it is refilled.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DISBURSEMENTS

1. Vendor disbursements were supported by vendor invoices or travel vouchers; however, the prescribed or an approved accounts payable voucher (claim) was not completed. Claim forms have required official certifications that the claims have been audited and that the goods or services have been received or provided prior to payment being made.

All claims or accounts payable vouchers must be itemized and allowed by a majority of the members of the board before payment by the fiscal officer. Payment of invoices not supported by a duly certified claim or accounts payable voucher is not permissible. Also, claims and accounts payable vouchers are not required to support the following: (a) Payments due state or federal agencies for withholdings, social security contributions, etc., which are statutory payments supported by reports to such agencies. (b) Bonds, notes and other indebtedness, including the interest thereon, upon payment under the term of the written obligation. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 21)

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. The bi-monthly gross payroll and related taxes should be included on the register of claims and approved by the Regional Bus Authority. Presently these items are not included with the register of claims.

Indiana Code 5-11-10-1.6 states in part:

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim.

3. The salaried employees did not maintain appropriate payroll records reflecting the actual number of hours worked each day. In addition, the prescribed service record or an alternate approved form was not maintained for any employees.

The Employee's Service Record (General Form No. 99A) must be kept by each office or department for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form No. 99." It records the hours or days worked, sick leave, vacation and days lost. It may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee." (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 21)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

4. The Authority pays United Health Care for the entire cost of health insurance premiums for employees.

Indiana Code 5-10-8-2.6(c) states:

"A public employer may pay a part of the cost of group insurance, but shall pay a part of the cost of group life insurance for local employees. A public employer may pay, as supplemental wages, an amount equal to the deductible portion of group health insurance as long as payment of the supplemental wages will not result in the payment of the total cost of the insurance by the public employer."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE NORTHWEST INDIANA REGIONAL
BUS AUTHORITY, LAKE AND PORTER COUNTIES, INDIANA

Compliance

We have audited the compliance of the Northwest Indiana Regional Bus Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The Authority's major federal program is identified in the Summary of Auditor's 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 program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority'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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about the Authority'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 the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance 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, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Authority's management, the Authority's Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 29, 2011

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Northwestern Indiana Regional Planning Commission			
Federal Transit Cluster			
ARRA - Federal Transit Formula Grant	20.507	IN-96-X017	\$ 792,712
Federal Transit Formula Grant		IN-90-X609	<u>182,509</u>
Total federal awards expended			<u>\$ 975,221</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Northwest Indiana Regional Bus Authority (Authority) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2011, with Timothy Brown, Executive Director; Richard Hardaway, President of the Board; Robert Lendi, Treasurer; and Christine McCabe, Staff Accountant. The Official Response has been made a part of this report and may be found on pages 25 and 26.



Richard Hardaway, President

Lynn Duttlinger,

Vice-President

Scott Sefton, Secretary

Robert Lendi, Treasurer

Stephen P. Adik

Roosevelt Allen, Jr.

Charles A. Barbour, Jr.

Jeff Chidester

Sheila DeBonis

Russell Franzman

Rev. Asher Harris

Renee Iovino

Steve Kramer

Daryl Lampkins

Thomas O'Donnell

Brian L. Poland

Francisco Rosado, Jr.

Margot Sabato

Corey Surrett

Kathy Willman

Ex-Officio

Charles Oberlie
Michigan City

Staff

Timothy A. Brown
Executive Director

Kenneth E. Dallmeyer
Planning & Transit Manager

Bruce Hartman, CPA

State Examiner

302 W. Washington St., Room E418

Indianapolis, IN 46204-2765

Dear Mr. Hartman:

Thank you again for providing the Northwest Indiana Regional Bus Authority (RBA) the opportunity to continue improving our operations and compliance activities with the Indiana State Board of Accounts. This letter is to respond to the Audit Results and Comments provided to the RBA during the Exit Conference held on August 3rd, 2011.

The responses contained herein follow the format of the Audit Results and Comments.

Financial Report Opinion Modification

The RBA Board of Directors concurs that there is concern over the inability to secure permanent funding. The RBA is continuing to work closely with local and state legislators to address that need.

Cash Change Machine

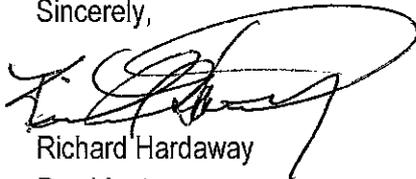
The RBA Accountant has already established with our local Hammond financial institution a reconciled count each quarter of the cash machine balances. Further, the accountant has established weekly testing on the cash and coin disbursements to check for cash machine malfunctions. Any malfunctions will be noted and a vendor repair order will be issued.

Disbursements

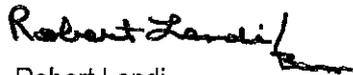
1. The staff has already rectified this issue and will be using state prescribed forms for all invoices.
2. All payroll and related taxes will be presented as part of the register of claims to the full Board each month.
3. The RBA has historically maintained accurate payroll records but not on prescribed service record forms. These forms have been provided and will be used for all salaried employees to record time worked, vacation days, sick days, and holidays.
4. The proper pre-tax program was established in August, 2011 to start employee payroll deductions for the Health Benefits Program.

Thank you for the opportunity to respond and clarify the Audit Results and Comments provided during the Exit Conference. The RBA agrees that the financial statements are fairly presented and portray the financial position of the organization accurately.

Sincerely,



Richard Hardaway
President



Robert Lendi
Treasurer