

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTHWEST INDIANA REGIONAL BUS AUTHORITY  
LAKE AND PORTER COUNTIES, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
03/06/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Timothy Brown	01-01-11 to 12-31-12
Treasurer	Robert Lendi, CPA	01-01-11 to 12-31-12
Vice President of the Board	Lynn Duttlinger, CPA	01-01-11 to 12-31-12
President of the Board	Richard Hardaway	01-01-11 to 12-31-12



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Northwest Indiana Regional Bus Authority (Authority), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Authority for the period of January 1, 2011 to December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Authority for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Emphasis of Matter***

As discussed in Note 6 to the financial statement, the Board of the Authority approved a plan of dissolution on December 12, 2012. In accordance with the approved plan, the Authority ceased operations effective December 31, 2012. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2014, 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* in considering the Authority's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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 is the responsibility of management and was derived from and relates directly to the underlying

INDEPENDENT AUDITOR'S REPORT  
(Continued)

accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 Awards 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, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It 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 it.

  
Paul D. Joyce, CPA  
State Examiner

December 9, 2014



**STATE OF INDIANA**  
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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 THE FINANCIAL  
STATEMENT 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, 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 statement of the Northwest Indiana Regional Bus Authority (Authority), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated December 9, 2014, wherein we noted the Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

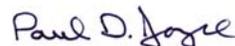
As part of obtaining reasonable assurance about whether the Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001.

***Northwest Indiana Regional Bus Authority's Response to Findings***

The Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority'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 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.

  
Paul D. Joyce, CPA  
State Examiner

December 9, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Authority. The financial statement and notes are presented as intended by the Authority.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH  
 AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2011 and 2012

	<u>Cash and Investments 01-01-11</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-11</u>										
General	<u>\$ 515,754</u>	<u>\$ 6,577,899</u>	<u>\$ 5,752,375</u>	<u>\$ 1,341,278</u>										
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>Cash and Investments 01-01-12</u></th> <th style="width: 15%; text-align: center;"><u>Receipts</u></th> <th style="width: 15%; text-align: center;"><u>Disbursements</u></th> <th style="width: 15%; text-align: center;"><u>Cash and Investments 12-31-12</u></th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">General</td> <td style="text-align: right;"><u>\$ 1,341,278</u></td> <td style="text-align: right;"><u>\$ 2,546,838</u></td> <td style="text-align: right;"><u>\$ 3,888,116</u></td> <td style="text-align: right;"><u>\$ -</u></td> </tr> </tbody> </table>						<u>Cash and Investments 01-01-12</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-12</u>	General	<u>\$ 1,341,278</u>	<u>\$ 2,546,838</u>	<u>\$ 3,888,116</u>	<u>\$ -</u>
	<u>Cash and Investments 01-01-12</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-12</u>										
General	<u>\$ 1,341,278</u>	<u>\$ 2,546,838</u>	<u>\$ 3,888,116</u>	<u>\$ -</u>										

The accompanying notes are an integral part of the 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, primarily Indiana Code 36-9-3. The Authority operated under an appointed governing board.

In 2000, the Lake County Council created the Regional Transportation Committee. This committee was responsible for developing recommendations for the creation of a Regional Transportation Authority. By the end of 2001, the Lake County Council voted to establish the Regional Transportation Authority. The Regional Bus Authority (RBA) evolved out of its predecessor, the Regional Transportation Authority (RTA).

In 2005, the Indiana General Assembly, through House Bill 1120, created the Northwest Indiana Regional Development Authority (RDA). The RDA is charged with overseeing development initiatives and providing funding necessary to accomplish those goals. The bill also changed the name of the RTA to the Regional Bus Authority and named the RBA as an eligible petitioner for RDA grant funds.

As further described in Note 6, as of December 31, 2012, the governing Board of the Authority voted to dissolve the Authority by transferring remaining assets to various entities to be used to further the objectives of providing public transportation services in northwest Indiana.

The accompanying financial statement presents the financial information for the Authority.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants. Examples of this type of receipts include, but are not limited to: federal, state, and local grants.

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

Charges for services which can include, but are not limited to the following: bus fare collections.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: bus and bus shelter advertising revenues.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include 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 machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Fund Accounting*

Fund accounting 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 had only established one fund.

**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."

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

**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.

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 have been 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 Authority purchased insurance in effect through its course of operations. It also required contracted transit operators to maintain insurance coverages.

**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 a cost sharing 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Authority the 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
1 North Capitol Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

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

*Funding Policy and Annual Pension Cost*

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

**Note 6. Final Operations and Fund Allocations**

The Northwest Indiana Regional Bus Authority ceased operations effective December 31, 2012, following ending its transit services on June 30, 2012, due to ongoing funding uncertainties. The transit services had been provided by three contractors. One operated 21 buses used in fixed route service in Hammond, Indiana. Another operated a commuter bus service between Dyer, Indiana and Chicago, Illinois. The third was a transit provider of on-demand (scheduled) taxi and van service serving the elderly and disabled. All vehicles were the property of the contracted operators, except that five buses remained owned by the Northwest Indiana Regional Planning Commission (NIRPC), and were provided via lease to the RBA. These were required to be maintained in good repair and were fully inspected and accepted by the NIRPC in November 2012.

At its final meeting on December 12, 2012, the governing board of the Northwest Indiana Regional Bus Authority passed resolution 2012-4 which allocated its remaining funds to the NIRPC and the Gary Public Transportation Corporation (GPTC) which were designated recipients of federal transit administration transportation grant funds, in northwest Indiana. The resolution stated that the RBA funds transferred pursuant to this resolution to NIRPC and GPTC should be utilized as the "local share" match for capital equipment purchases made by each NIRPC subgrantee and GPTC through the various FTA capital equipment purchase programs. The RBA also allocated a portion of its remaining fund to meet certain obligations of a federal consent decree relating to partial funding of a Hammond Council on Accessible Transportation (CAT). The funds were distributed in December 2012 as follows:

Payee Entity	Purpose	Amount
NIRPC	Subgrantees	
Opportunity Enterprises	Vehicles	\$ 28,500.00
Porter County Aging and Community Services	Vehicles and Dispatching	32,300.00
North Township Trustee (Dial-a-Ride)	Vehicles and Dispatching	41,800.00
Valparaiso (Dash and V-Line)	Vehicles	142,400.00
East Chicago Transit	Radios and Equipment	60,000.00
South Lake County Community Services	Vehicles and Dispatching	82,729.76
<b>Total to NIRPC</b>		<b>\$ 387,729.76</b>
Gary Public Transit Corporation	Vehicles and Equipment	155,691.80
Blachly, Tabor, Bozik and Hartman (Attorney Trust)	Hammond CAT Operational Expenses	11,290.00
Blachly, Tabor, Bozik and Hartman (Attorney Trust)	RBA Final Expenses	<u>21,912.20</u>
<b>Total RBA Distributions Issued in December 2012</b>		<b>\$ 576,623.76</b>

## SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Authority's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Authority which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Authority. It is presented as intended by the Authority.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2011 and 2012

	<u>General Fund 2011</u>	<u>General Fund 2012</u>
Cash and investments - beginning	\$ 515,754	\$ 1,341,278
Receipts:		
Intergovernmental	6,168,138	2,308,743
Charges for services	390,484	217,233
Other receipts	<u>19,277</u>	<u>20,862</u>
Total receipts	<u>6,577,899</u>	<u>2,546,838</u>
Disbursements:		
Personal services	467,476	322,481
Supplies	20,532	11,226
Other services and charges	4,949,618	2,942,890
Capital outlays	185,741	34,091
Other disbursements	<u>129,008</u>	<u>577,429</u>
Total disbursements	<u>5,752,375</u>	<u>3,888,116</u>
Excess (deficiency) of receipts over disbursements	<u>825,524</u>	<u>(1,341,278)</u>
Cash and investments - ending	<u>\$ 1,341,278</u>	<u>\$ -</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for the Major Federal Program***

We have audited the Northwest Indiana Regional Bus Authority's (Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-002. Our opinion on the major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2012-002 to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

December 9, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Authority. The schedule and note are presented as intended by the Authority.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended December 31, 2011 and 2012

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 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Northwestern Indiana Regional Planning Commission				
Federal Transit Cluster	20.507			
ARRA - Federal Transit Formula Grant		IN-96-X017	\$ 273,173	\$ 593,812
Federal Transit Formula Grant		IN-90-X609 IN-95-X035	1,580,308 -	809,366 <u>193,000</u>
Total for cluster			<u>1,853,481</u>	<u>1,596,178</u>
Total for federal grantor agency			<u>1,853,481</u>	<u>1,596,178</u>
Total federal awards expended			<u>\$ 1,853,481</u>	<u>\$ 1,596,178</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

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

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of bus authorities shall be conducted biennially. Such audits shall include both years within the biennial period.

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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

\_\_\_\_\_ 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
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**Section II - Financial Statement Findings**

**Finding 2012-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

An adjustment was required in order to fairly present the 2012 grant expenses as shown in the Schedule of Expenditures of Federal Awards. The adjustment was to reclassify \$388,388 of federal expense, increasing the expense shown for the ARRA grant, and decreasing the IN 90-X609 grant. The adjustment was considered material for the Authority.

A material weakness in internal control was present as the error of a material amount was not prevented, or detected and corrected, on a timely basis. The error occurred when the grantor issued a new ARRA award and adjusted an Authority reimbursement claim. The Authority did not have evidence of the information and communication controls or monitoring in place to detect such a classification change. The error also occurred during the final six-month period of operations when temporary financial staff were used intermittently in place of the experienced financial staff whose employment had ceased.

NORTHWEST INDIANA REGIONAL BUS AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

NORTHWEST INDIANA REGIONAL BUS AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2012-002 - GRANT ACCOUNTING**

Federal Agency: Department of Transportation

Federal Program: Federal Transit Cluster

CFDA Number: 20.507

Federal Award Number and Year (or Other Identifying Number): IN-96-X017, IN-90-X609, IN-95-X035

Pass-Through Entity: Northwest Indiana Regional Planning Commission

The Authority did not maintain separate funds within its accounting records to identify the expenses charged to each federal grant award. Calculations supporting federal grant claims, prepared quarterly, were also not retained in the archived records as provided for audit. There also was no evidence of records maintained to ensure the grant contract maximum awards were not exceeded. Due to these conditions, the design and operation of internal control for compliance with the federal grant requirements of Allowable Costs/ Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Reporting; and Special Tests and Provisions, was not evidenced.

Upon request, the grantor, Northwest Indiana Regional Planning Commission (NIRPC), provided their copies of the Authority grant claims filed. In comparing the Authority grant revenue records to the records of the grantor, we identified a difference of \$388,388 in grant contract classifications. The grantor had awarded an additional ARRA grant in 2012 which was not recorded in the Authority records nor was it in the archived files. The NIRPC classified final grant submissions as expense of the ARRA grant, and the Authority had it recorded as part of the IN 90-X609. As a result, the Authority records had less 2012 ARRA grant revenue and more 2012 X609 grant revenue than that of the grantor NIRPC by \$388,388.

49 CFR 18.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the Authority approve an adjustment to increase the 2012 ARRA grant expense and reduce the grant X609 expense. This adjustment was approved by the officials and is properly reflected in the Schedule of Expenditures of Federal Awards. As the Authority has ceased operations and dissolved, no further action is considered necessary.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Authority. The document is presented as intended by the Authority.

Northwest Indiana Regional Bus Authority  
(RBA)

CORRECTIVE ACTION PLAN

**FINDING 2012-001**

Contact Person Responsible for Corrective Action: Timothy A. Brown  
Contact Phone Number: (219) 765-5760

Description of Corrective Action Plan: The RBA was in the process of closing operations for most of the 2012 year. All local fixed route, paratransit, and commuter bus operations ceased in the summer of 2012 due to lack of local funding. As operations closed staff were either terminated or they sought other employment. Our trained professional accountant was one of our first employees to seek other employment. The RBA struggled to find an adequate replacement and went through three persons and two temp agencies before finding a replacement through the end of 2012. As a result of the multiple persons in that position and the difficulty of providing adequate training, there was confusion between the grantor and grantee in the classification change of an adjusted reimbursement claim.

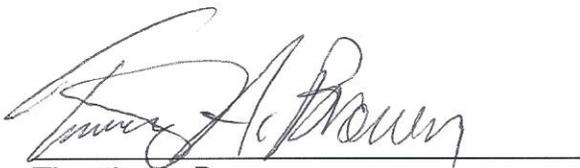
Since the RBA ceased all operation and permanently closed at the end of December 2012, no other corrective action is contemplated.

**FINDING 2012-002**

Contact Person Responsible for Corrective Action: Timothy A. Brown  
Contact Phone Number: (219) 765-5760

Description of Corrective Action Plan: The RBA was in the process of closing operations for most of the 2012 year. As operations closed staff were either terminated or they sought other employment. Our trained professional accountant was one of our first employees to seek other employment. The RBA struggled to find an adequate replacement and went through three persons and two temp agencies before finding a replacement through the end of 2012. As a result of the multiple persons in that position and the difficulty of providing adequate training, the accounting staff did not properly adjust RBA records to properly reflect grantor changes to the grant contract classification of a reimbursement claim.

The RBA permanently closed all operation and disbanded at the end of December 2012, no other corrective action is contemplated.



Timothy A. Brown  
Former CEO/Executive Director