B43095

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

GREATER LAFAYETTE PUBLIC
TRANSPORTATION CORPORATION
TIPPECANOE COUNTY, INDIANA

January 1, 2012 to December 31, 2012

FILED
12/19/2013

TABLE OF CONTENTS

SCHEDULE OF OFFICIALS

Office	Official	Term
General Manager	Martin B. Sennett	01-01-12 to 12-31-13
Controller	Arnold E. Becker	01-01-12 to 05-31-12
	Christopher R. Whitehead	06-01-12 to 12-31-13
Chairman of the Board	Daniel J. Moore	01-01-12 to 12-31-12
	Dr. Jon Fricker	01-01-13 to 12-31-13

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION, TIPPECANOE COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Lafayette Public Transportation Corporation (Public Transportation Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Public Transportation Corporation's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Public Transportation Corporation's internal control. Accordingly, we express no such opinion. An audit 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Public Transportation Corporation as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that Government Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Transportation Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such 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 Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Public Transportation Corporation's Response to Audit Results and Comments

The Public Transportation Corporation'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 Public Transportation Corporation's response and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, on our consideration of the Public Transportation Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Public Transportation Corporation's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2013

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION, TIPPECANOE COUNTY, INDIANA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Lafayette Public Transportation Corporation (Public Transportation Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Public Transportation Corporation's basic financial statements and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Public Transportation Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Public Transportation Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Public Transportation Corporation'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 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 statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in items 2012-1 and 2012-2 of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Public Transportation Corporation'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

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

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 2012-1.

Greater Lafayette Public Transportation Corporation's Response to Findings

The Public Transportation Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. The Public Transportation Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2013

(This page intentionally left blank.)

FINANCIAL STATEMENTS

The financial statements and accompanying notes were prepared by management of the Public Transportation Corporation. The financial statements and notes are presented as intended by the Public Transportation Corporation.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF NET POSITION
December 31, 2012

	2012
Assets	
Current assets:	
Cash and cash equivalents	$ 1,925,238
Accounts receivable	351,155
Intergovernmental receivables	3,113,384
Inventories	446,958
Prepaid items	11,789
Total current assets	5,848,524
Noncurrent assets:	
Board designated cash and cash equivalents:	
Uninsured liability	280,130
Operations	74,870
Restricted cash and cash equivalents:	
Capital projects	2,703,484
Total board designated and restricted cash and cash equivalents	3,058,484
Capital assets:	
Land, improvements to land, and construction in progress	2,872,759
Other capital assets (net of accumulated depreciation/amortization)	19,707,966
Total capital assets	22,580,725
Total noncurrent assets	25,639,209
Total assets	31,487,733
Liabilities	
Current liabilities:	
Accounts payable	36,910
Accrued wages payable	138,447
Payroll taxes payable	53,104
Compensated absences	201,248
Other payables	16,024
Total current liabilities	445,733
Total liabilities	445,733
Net Position	
Net investment in capital assets	22,580,725
Restricted for capital projects	2,703,484
Unrestricted	5,757,791
Total net position	$ 31,042,000

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

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2012

	2012
Operating revenues:	
Passenger fares	$ 689,485
Special transit fares	1,964,989
Advertising	208,062
Other	297,053
Total operating revenues	3,159,589
Operating expenses:	
Operators salaries and wages	3,352,333
Other salaries and wages	1,516,992
Fringe benefits	2,978,109
Services	776,538
Maintenance materials and supplies	1,828,028
Other materials and supplies	201,283
Utilities	122,963
Casualty and liability insurance	111,477
Miscellaneous expenses	171,220
Depreciation and amortization	2,754,104
Total operating expenses	13,813,047
Operating loss	(10,653,458)
Nonoperating revenues:	
Interest revenue	9,846
Local taxes	2,797,160
State of Indiana operating assistance	3,952,341
Federal operating assistance	3,660,911
Total nonoperating revenues	10,420,258
Loss before contributions/loss on asset disposals	(233,200)
Loss on asset disposals	(25,273)
Capital contributions	2,319,998
Change in net position	2,061,525
Total net position - beginning	28,980,475
Total net position - ending	$ 31,042,000

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

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2012

	2012
Cash flows from operating activities:	
Receipts from customers and users	$ 2,815,240
Payments to suppliers and contractors	(3,304,662)
Payments to employees	(7,984,734)
Other receipts	297,053
Net cash used by operating activities	(8,177,103)
Cash flows from noncapital financing activities:	
Local taxes	2,876,851
State operating assistance	4,059,585
Federal operating assistance	4,237,500
Net cash provided by noncapital financing activities	11,173,936
Cash flows from capital and related financing activities:	
Capital contributions	682,442
Acquisition and construction of capital assets	(2,879,575)
Net cash used by capital and related financing activities	(2,197,133)
Cash flows from investing activities:	
Interest received	9,846
Net cash provided by investing activities	9,846
Net increase in cash and cash equivalents	809,546
Cash and cash equivalents, January 1	4,174,176
Cash and cash equivalents, December 31	$ 4,983,722
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (10,653,458)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	2,754,104
(Increase) decrease in assets:	
Accounts receivable	(47,296)
Inventories	74,664
Prepaid items	14,813
Increase (decrease) in liabilities:	
Accounts payable	(16,706)
Accrued wages payable	30,907
Payroll taxes payable	(168,207)
Other payables	(165,924)
Total adjustments	2,476,355
Net cash used by operating activities	$ (8,177,103)

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Greater Lafayette Public Transportation Corporation was established pursuant to a joint ordinance adopted by the cities of Lafayette and West Lafayette. The Public Transportation Corporation is governed by a board of directors whose members are appointed by the mayors and city councils of the cities and provides public transportation services to the residents of the cities of Lafayette and West Lafayette.

The accompanying financial statements present the activities of the Public Transportation Corporation. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Public Transportation Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Greater Lafayette Public Transportation Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Greater Lafayette Public Transportation Corporation 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the weighted-average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Board Designated and Restricted Funds

a. Cash and cash equivalents classified as restricted for capital projects are funded through a tax levy and placed in the Public Transportation Corporation's Cumulative Capital Fund.

b. Certain proceeds of the enterprise fund are classified as board designated assets on the Statement of Net Position because they are reserved for deductibles on insurance policies.

c. There are also funds reserved by the board of directors for directors' and officers' potential liabilities.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Revenue equipment	$ 500	Straight-line	2 to 12 years
Support vehicles	500	Straight-line	5 to 7 years
Building and structures	500	Straight-line	10 to 39 years
Equipment shop and garage	500	Straight-line	2 to 10 years
Revenue collection farebox	500	Straight-line	5 to 15 years
Communication equipment	500	Straight-line	5 years
Office equipment and furnishings	500	Straight-line	5 to 10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are substantially completed.

5. Compensated Absences

   a. Sick Leave – Greater Lafayette Public Transportation Corporation union employees earn sick leave at the rate of ½ day per month. Unused sick leave may be accumulated to a maximum of 50 days. Union employees eligible for retirement benefits through IPRS shall be paid 50 percent of the value of their accrued sick leave. Nonunion employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 88 days. Accumulated sick leave is not paid to nonunion employees upon separation.

   b. Vacation Leave – Greater Lafayette Public Transportation Corporation union employees earn vacation leave at rates from 5 to 30 days per year based upon the number of years of service. Nonunion employees earn vacation leave at rates from 10 to 30 days per year based on the number of years of service. A maximum of 5 days vacation may be rolled from one year to another. Accumulated vacation leave is paid to employees though cash payments upon separation.

   Vacation and sick leave is accrued when incurred and reported as a liability.

6. Restricted Net Position

   The Statement of Net Position reports $2,703,484 of restricted net position, all of which is restricted by enabling legislation.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

   Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Greater Lafayette Public Transportation Corporation's deposit policy for custodial credit risk is that all funds will be deposited with a State of Indiana approved depository. At December 31, 2012, the Greater Lafayette Public Transportation Corporation had deposit balances in the amount of $4,983,722. Of this amount, none was exposed to custodial credit risk.

   All bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

   As of December 31, 2012, the Greater Lafayette Public Transportation Corporation had no investments.

B. Intergovernmental Receivables

Intergovernmental receivables are funds that are obligated to one governmental unit by another governmental unit that have not been received at year end.

At December 31, 2012, Greater Lafayette Public Transportation Corporation had a receivable balance due from the Federal Transit Administration of $3,093,153.

C. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	435,346	-	-	435,346
Construction in progress	126,149	2,339,724	28,460	2,437,413
Total capital assets, not being depreciated	561,495	2,339,724	28,460	2,872,759

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Revenue equipment	22,668,660	200,840	119,484	22,750,016
Support vehicles	295,274	56,950	25,095	327,129
Building and structure	11,460,559	242,540	3,000	11,700,099
Equipment shop and garage	448,869	35,582	40,960	443,491
Revenue collection fareboxes	772,894	-	-	772,894
Communication equipment	2,147,911	48,518	34,103	2,162,326
Office equipment and furnishings	547,937	8,088	139,181	416,844
Totals	38,342,104	592,518	361,823	38,572,799
Less accumulated depreciation for:				
Revenue equipment	(9,674,553)	(1,736,039)	(80,662)	(11,329,930)
Support vehicles	(193,982)	(33,222)	(24,495)	(202,709)
Building and structure	(4,564,079)	(462,025)	(3,000)	(5,023,104)
Equipment shop and garage	(346,966)	(29,614)	(40,961)	(335,619)
Revenue collection fareboxes	(526,507)	(76,710)	-	(603,217)
Communication equipment	(733,352)	(353,717)	(34,116)	(1,052,953)
Office equipment and furnishings	(396,636)	(62,777)	(142,112)	(317,301)
Totals	(16,436,075)	(2,754,104)	(325,346)	(18,864,833)
Total capital assets, being depreciated, net	21,906,029	(2,161,586)	36,477	19,707,966
Total capital assets, net	22,467,524	178,138	64,937	22,580,725

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Expended to December 31	Committed
Improvements	2,437,413	-

III. Other Information

A. Risk Management

The Greater Lafayette Public Transportation Corporation is 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 and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Through June 30, 2012, the Greater Lafayette Public Transportation Corporation carried an employees' health insurance policy for which it was fully insured. After that date, the Public Transportation Corporation carried a policy that included a comprehensive stop loss provision, with aggregate stop loss and individual stop loss coverage. The individual stop loss level is $25,000, with a corridor factor of 110 percent, which insures the Public Transportation Corporation from excess losses incurred at both the employee and company level. Premiums on these policies are not separately identifiable under the health insurance policy.

B. Pension Plan

Agent Multiple-Employer Defined Benefit Plan

Indiana Public Retirement System

Plan Description

The Greater Lafayette Public Transportation Corporation contributes to the Indiana Public Retirement System (INPRS), a defined benefit pension plan. INPRS is an agent multiple-employer public retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the INPRS Board, most requirements of the system and give the Greater Lafayette Public Transportation Corporation authority to contribute to the plan. The INPRS 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 member's 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. The report may be obtained by contacting:

Indiana Public Retirement System
One North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687
www.inprs.in.gov

Funding Policy

INPRS members are required to contribute 3 percent of their annual covered salary. The Greater Lafayette Public Transportation Corporation is required to contribute an actuarially determined rate; the current rate is 8.75 percent of annual covered payroll. The contribution requirements of plan members and the Greater Lafayette Public Transportation Corporation are established and may be amended by the INPRS Board of Trustees. The Greater Lafayette Public Transportation Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Annual Pension Cost

For 2012, the Greater Lafayette Public Transportation Corporation's annual pension cost and related information for INPRS, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

		IPRS
Annual required contribution		$ 480,376
Interest on net pension obligation		9,182
Adjustment to annual required contribution		(10,571)
Annual pension cost		478,987
Contributions made		419,859
Increase in net pension obligation		59,128
Net pension obligation, beginning of year		131,176
Net pension obligation, end of year		$ 190,304

Contribution rates:	
Public Transportation Corporation	8.75%
Plan members	3%
Actuarial valuation date	06-30-12
Actuarial cost method	Entry age normal cost
Amortization method	Level percent of payroll
Amortization period	30 years
Amortization period (from date)	07-01-08
Assess valuation method	4-year smoothing of gains/losses on market value with a 20% corridor

Actuarial Assumptions

	6.75%
Projected future salary increases:	
Total	3.25% - 4.50%
Attributed to inflation	3%
Cost-of-living adjustments	1%

Three Year Trend Information

IPRS

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-12	$ 478,987	88%	$ 190,304
06-30-11	449,647	83%	131,176
06-30-10	365,743	93%	55,421

Funded Status and Funding Progress for the Above Plan

The funded status of INPRS as of June 30, 2012, is as follows:

Retirement Plan	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
IPRS	$ 2,582,199	$ 5,346,757	$ (2,764,558)	48%	$ 5,326,331	52%

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. 457(b) Employee Deferred Compensation Plan

AXA Equitable provides an option for employees of Greater Lafayette Public Transportation Corporation to participate in a salary reduction Section 457 Employee Deferred Compensation (EDC) plan, up to the IRS-defined maximum annual limit for each participating employee. For salaried administrative employees, in lieu of raises, Greater Lafayette Public Transportation Corporation will contribute up to 3 percent of their gross pay to the employee's 457 EDC plan account. Under this arrangement, the employee is required to match 50 percent of the company's contribution, up to 1.5 percent of the employee's gross pay.

D. Health Savings Accounts

The Greater Lafayette Public Transportation Corporation contributes to health savings accounts on a biweekly basis for its employees who participate in the Public Transportation Corporation's health insurance plan.

E. Subsequent Event

A contract for architectural/engineering services for construction of a compressed natural gas (CNG) fueling station was awarded on February 26, 2013, in the amount of $115,000. Eighty percent of the project is anticipated to be funded by a U.S. Department of Transportation Federal Transit Administration (FTA) grant. The Greater Lafayette Public Transportation Corporation has filed a grant application with the FTA for federal assistance in the amount of $1,200,000 ($1,500,000 total eligible cost) for architectural/engineering services for and construction of a CNG fueling station.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	$ 2,546,876	$ 2,884,267	$ (337,391)	88%	$ 3,255,882	(10%)
07-01-05	2,695,861	3,179,603	(483,742)	85%	3,511,377	(14%)
07-01-06	2,841,992	3,370,901	(528,909)	84%	3,680,573	(14%)
07-01-07	3,119,322	3,632,989	(513,667)	86%	4,009,688	(13%)
07-01-08	3,294,905	3,954,732	(659,827)	83%	4,246,476	(16%)
07-01-09	2,904,526	3,970,948	(1,066,422)	73%	4,601,597	(23%)
07-01-10	2,937,481	4,578,831	(1,641,350)	64%	4,820,813	(34%)
07-01-11	2,727,337	4,793,778	(2,066,441)	57%	5,090,808	(41%)
07-01-12	2,582,199	5,346,757	(2,764,558)	48%	5,326,331	(52%)

INTERNAL CONTROLS OVER BANK RECONCILIATION PROCESS

We noted a deficiency in the internal control system of the Greater Lafayette Public Transportation Corporation (Public Transportation Corporation), related to the bank reconciliation process. We believe the following deficiency constitutes a material weakness:

> Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Public Transportation Corporation to reduce risks to the achievement of financial reporting objectives. The Public Transportation Corporation has not separated incompatible activities related to the bank reconciliation process, specifically no review of the bank reconciliations is occurring. The failure to establish this control could enable material misstatements or irregularities to remain undetected.

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)

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)

INTERNAL CONTROLS OVER ACCOUNTS RECEIVABLE

We noted a deficiency in the internal control system of the Public Transportation Corporation related to the accounts receivable process. We believe the following deficiency constitutes a material weakness:

> Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Public Transportation Corporation to reduce risks to the achievement of financial reporting objectives. The Public Transportation Corporation has not separated incompatible activities related to the accounts receivable process in that one individual prepares and mails all statements on account, receives the payments on accounts receivable, and posts those payments to the accounts receivable. The failure to establish a segregation of duties could enable material misstatements or irregularities to remain undetected.

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)

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)

INTERNAL CONTROLS OVER THE RECEIPTING PROCESS

We noted deficiencies in the internal control system of the Public Transportation Corporation related to the receipting process. We believe the following deficiencies constitute a material weakness:

> Internal controls over the receipting of electronic funds transfers were insufficient. The larger dollar receipts of the Public Transportation Corporation are from federal, state, and local funding that is received by electronic funds transfers. The Controller receives all electronic funds transfer notifications from the bank and determines the general ledger accounts where the funds should be posted. The Controller then notifies the Bookkeeper, and the Bookkeeper posts all electronic funds transfers to the accounts in the general ledger as identified by the Controller. Per inquiry of the Controller, he performs a review of the balance sheet each month, and as a part of this review, the Controller verifies that the electronic funds transfers were posted correctly into the general ledger accounts. While a review process was identified by the Controller, no documentation to support the control is maintained.
>
> Internal controls over the receipting of nonelectronic funds transfers were insufficient. Some of the Public Transportation Corporation's revenues come from pass fares paid by bus riders through fare boxes on the buses. Passes are also purchased at the Downtown Depot, the Administrative Office, and various banks throughout the community each day.
>
> Fare boxes are locked electronic devices that register cash received, the number of passengers, and the number of day passes sold. Each night, as buses are returned for cleaning, maintenance employees remove the locked boxes of fare money. The boxes are scanned with a probe, and the amount of money in each is recorded electronically to the accounting system. The locked fare boxes are then entered into an electronic vault that empties the boxes and returns them to the maintenance employees empty. Each morning, the dispatch supervisor retrieves the money from the vault, counts the money, and creates a deposit slip.
>
> For money received at the Downtown Depot, it was noted that a receipt is only written for money received from bus riders if it is requested by the customer. At the end of each day, a deposit reconciliation form is filled out detailing the total amount collected. This form, along with the amount collected and pass log, is sent to the dispatch supervisor to be deposited.
>
> For money received at the Administrative Office, it was noted that a receipt is only written for money received from bus riders if it is requested by the customer. A log of passes sold is not maintained each day. When a deposit is made, a deposit reconciliation form is filled out, detailing the total amount collected. This form, along with the amount collected, is sent to dispatch to be deposited. It was noted that deposits are not always made by the next business day for money collected at the Administrative Office.
>
> Various banks throughout the community sell prenumbered City Bus Passes to the public. The banks collect the money for the prenumbered passes sold and write checks to the Public Transportation Corporation for the amounts collected. The Public Transportation Corporation's Street Supervisor collects all fees paid at the various banks four to five times per month. Receipts are written for the amounts collected, and the money is taken to the Administrative Office. A deposit reconciliation form is filled out detailing the amounts collected. This form, along with the amounts collected, is sent to dispatch to be deposited.

Each day the dispatch supervisor on duty collects all deposit reconciliation forms, monies for deposit, and any supporting documentation. The dispatch supervisor then writes one deposit slip for the entire amount of collections and maintains the supporting documentation. The Street Supervisor on duty then takes the deposit to the bank for deposit.

The following issues were noted during our review of the Public Transportation Corporation's internal controls over receipting:

1. Receipts are not consistently being written for money received at the Administrative Office or Downtown Depot.

2. Money collected at the Administrative Office is not always being deposited by the next business day.

3. One deposit slip is being written daily by the dispatch supervisor on duty. There is no review to verify the deposit slip agrees to the deposit reconciliation forms submitted by the Administrative Office, Downtown Depot, or money received from the banks.

4. No review of the fare box deposit is performed. The amount deposited is not compared to the fare box accounting system that electronically counts all money collected in the fare boxes.

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)

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)

INTERNAL CONTROLS OVER AND COMPLIANCE OF FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Public Transportation Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Public Transportation Corporation to reduce risks to the achievement of financial reporting objectives. The Public Transportation Corporation has not separated incompatible activities related to cash and investment balances, receivables and receipts, and cash flow reporting. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Public Transportation Corporation's audited financial statements and note disclosures and then

determining how those identified risks should be managed. The Public Transportation Corporation has not identified risks to the preparation of reliable financial statements and note disclosures and, as a result, has failed to design effective controls over the preparation of the financial statements and notes to prevent or detect material misstatements.

3. Monitoring of Controls: Effective internal control over financial reporting requires the Board of Directors to monitor and assess the quality of the Public Transportation Corporation's system of internal control. The Board of Directors has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Public Transportation Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Public Transportation Corporation has no process to identify or communicate corrective actions to improve controls.

During the audit of the financial statements, we noted material errors in the following items on the Statement of Cash Flows: local taxes, state operating assistance, federal operating assistance, and capital contributions. Audit adjustments were proposed, accepted by the Public Transportation Corporation, and made to the Statement of Cash Flows presented in this report. These adjustments resulted in a presentation of the Statement of Cash Flows that is materially correct.

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)

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 .310(a) states in part:

> "Financial statements. The auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited."

INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE

The Public Transportation Corporation did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA), including the notes to the schedule. The Public Transportation Corporation should have proper controls in place over the preparation of the SEFA and notes to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA and notes could remain undetected.

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)

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)

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION, TIPPECANOE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Greater Lafayette Public Transportation Corporation's (Public Transportation Corporation) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Public Transportation Corporation's major federal programs are 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 each of the Public Transportation Corporation's major federal programs 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 Public Transportation Corporation'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 each major federal program. However, our audit does not provide a legal determination of the Public Transportation Corporation's compliance.

Basis for Adverse Opinion on Transit Services Program Cluster

As described in items 2012-5, 2012-6, and 2012-7 in the accompanying Schedule of Findings and Questioned Costs, the Public Transportation Corporation did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles, cash management, matching, procurement, and reporting that are applicable to its Transit Services Program Cluster. Compliance with such requirements is necessary, in our opinion, for the Public Transportation Corporation to comply with requirements applicable to that program.

Adverse Opinion on Transit Services Program Cluster

In our opinion, because of the significance of the noncompliance described in the "Basis for Adverse Opinion" paragraph, the Public Transportation Corporation did not comply in all material respects with the requirements referred to above that could have a direct and material effect on Transit Services Program Cluster.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Public Transportation Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2012.

Other Matters

The Public Transportation Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Official's Response and Corrective Action Plan. The Public Transportation Corporation'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 Public Transportation Corporation is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Public Transportation Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Public Transportation Corporation'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 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 items 2012-3 and 2012-4 to be material weaknesses.

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

The Public Transportation Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The Public Transportation Corporation'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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the Indiana State Board of Accounts and of the office examined.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the Public Transportation Corporation. The schedule and notes are presented as intended by the Public Transportation Corporation.

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 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
U.S. DEPARTMENT OF TRANSPORTATION			
Direct grant			
Federal Transit Cluster			
Federal Transit-Capital Investment Grants	20.500	IN 04-0037-00	$ 49,157
Federal Transit-Formula Grants	20.507		
		IN 90-4651	1,115,865
		IN 90-0601-02	198,081
		IN 90-2601-02	39,243
		IN 90-4601	1,900,000
Total for program			3,253,189
ARRA - Federal Transit-Formula Grants	20.507	IN 96-X014-00	171,563
Total For Federal Transit Cluster			3,473,909
Direct grant			
Transit Services Program Cluster			
Job Access Reverse Commute Program	20.516	IN 37-0106-00	7,472
		IN 37-4106-00	421,478
		IN 37-4108-00	685,008
Total for program			1,113,958
New Freedom Program	20.521	IN 57-0060-01	123,804
Total For Transit Services Program Cluster			1,237,762
Direct grant			
ARRA - Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	IN 77-0001-00	255,090
Total for federal grantor agency			4,966,761
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Family and Social Services Administration			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		4,998
Total federal awards expended			$ 4,971,759

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

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
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 Greater Lafayette Public Transportation Corporation and is presented in accordance with the cash and investment basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Federal Transit Cluster

These programs were established to assist public transportation corporations with planning, capital, and operating assistance. The programs are reimbursable grants based on an approved application and expenses incurred.

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	
Federal Transit Cluster	Unmodified
Transit Services Program Cluster	Adverse
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 Programs:

Name of Federal Program or Cluster
Federal Transit Cluster
Transit Services Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER AND COMPLIANCE OF FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Public Transportation Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Public Transportation Corporation to reduce risks to the achievement of financial reporting objectives. The Public Transportation Corporation has not separated incompatible activities related to cash and investment balances, receivables and receipts, and cash flow reporting. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Public Transportation Corporation's audited financial statements and note disclosures and then determining how those identified risks should be managed. The Public Transportation Corporation has not identified risks to the preparation of reliable financial statements and note disclosures and, as a result, has failed to design effective controls over the preparation of the financial statements and notes to prevent or detect material misstatements.

3. Monitoring of Controls: Effective internal control over financial reporting requires the Board of Directors to monitor and assess the quality of the Public Transportation Corporation's system of internal control. The Board of Directors has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Public Transportation Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Public Transportation Corporation has no process to identify or communicate corrective actions to improve controls.

During the audit of the financial statements, we noted material errors in the following items on the Statement of Cash Flows: local taxes, state operating assistance, federal operating assistance, and capital contributions. Audit adjustments were proposed, accepted by the Public Transportation Corporation, and made to the Statement of Cash Flows presented in this report. These adjustments resulted in a presentation of the Statement of Cash Flows that is materially correct.

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)

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 .310(a) states in part:

"Financial statements. The auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited."

FINDING 2012-2 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) AND NOTES TO THE SCHEDULE

The Public Transportation Corporation did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA), including the notes to the schedule. The Public Transportation Corporation should have proper controls in place over the preparation of the SEFA and notes to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA and notes could remain undetected.

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)

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)

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO FEDERAL TRANSIT CLUSTER

Federal Agency: U.S. Department of Transportation
Federal Program: Federal Transit-Capital Investment Grants; ARRA - Federal Transit-Formula Grants
CFDA Number: 20.500; 20.507
Federal Award Number and Year (or Other Identifying Number): IN 04-0037-00; IN 96-X014-00
Pass-Through Entity: Direct Grant

The management of the Public Transportation Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: equipment and real property management, earmarking, reporting, and special tests and provisions. The failure to establish an effective internal control system places the Public Transportation Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Public Transportation Corporation.

We recommended that the Public Transportation Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TRANSIT SERVICES PROGRAM CLUSTER

Federal Agency: U.S. Department of Transportation
Federal Program: Job Access Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

The management of the Public Transportation Corporation has not adequately documented the establishment of an effective internal control system, which would include segregation of duties, related to the grant agreement and to the following compliance requirements that have a direct and material effect to the program: activities allowed or unallowed, allowable costs/cost principles, cash management, matching, procurement, and reporting. The failure to establish an effective internal control system places the Public Transportation Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program, will be prevented, detected and corrected, in a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Public Transportation Corporation.

We recommended that the Public Transportation Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2012-5 - COMPLIANCE WITH ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES AND CASH MANAGEMENT REQUIREMENTS

Federal Agency: U.S. Department of Transportation
Federal Program: Job Access Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

The management of the Public Transportation Corporation has not adequately documented all costs claimed for reimbursement; specifically, the costs affiliated with the extension of routes and travel training were not adequately documented. The management of the Public Transportation Corporation has not documented that expenditures on the programs were made prior to the requests for reimbursement in support of compliance with the cash management requirement.

The attachment to the ECHO reimbursement claim #5 (Project No. IN 37-0106-00 and IN 37-4106-00) dated May 3, 2012, included a calculation that appeared to prorate 2011 expenses over total 2011 operating hours and then applying that to the operating hours of the extended routes. The expense number used was approximately the income statement amount less depreciation and amortization expenses. This calculation would include both direct and indirect costs incurred by the Public Transportation Corporation for operations. The application of the expense calculation times the operating hours of the extended routes for the period August 1, 2010 through December 31, 2011, exceeded the maximum amount of grant funds available for reimbursement; therefore, the entire remaining amount was requested.

The attachment to the ECHO reimbursement claim #1 (Project No. IN 37-4108-00) dated November 16, 2012, included a typed sheet documenting the total eligible costs and the federal share (reimbursed) amounts for the extended route 6 and route 7, as well as travel training costs. The total eligible costs were supported by the attached Transit Services Program budget (as provided with the original federal grant application); there was no support for the amount claimed for reimbursement. When additional support for the reimbursement request was requested, a cost allocation calculation was provided similar to the one used for the ECHO reimbursement claim #5.

No documentation was provided documenting U.S. Department of Transportation approval for the allocation for expended costs to hours of service for reimbursement requests. The award IN 37-4108-00 had an approved budget. Expenditures by budget line item were not supported by source documents as required.

Travel training costs reimbursed on ECHO reimbursement claim #5 and #1 (Project No. IN 57-0060-01) for the years 2010, 2011, and 2012 were recomputed on audit based on wages, employer match of taxes and fringe benefits provided. The amount claimed for reimbursement was $85,906. The amount supported by documentation was $52,032.

U.S. Department of Transportation Circular FTA C9045.1 - NEW FREEDOM PROGRAM GUIDANCE AND APPLICATION INSTRUCTIONS and U.S. Department of Transportation Circular FTA C 9050.1 - THE JOB ACCESS AND REVERSE COMMUTE (JARC) PROGRAM GUIDANCE AND APPLICATION INSTRUCTIONS both dated May 1, 2007, state in part:

"10. Financial Management.

a. Financial Management Systems. . . .

(2) Designated recipients that are not States. The Financial management system for designated recipients that are not States must meet the standards set forth in 49 CFR 18.20(b) of the common grant rule. These standards include: . . .

(b) Accounting records. Designated recipients and subrecipients must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to designated recipient or subrecipient awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(c) Internal control. Effective control and accountability must be maintained for all designated recipient and subrecipient cash, real and personal property, and other assets. Designated recipient and subrecipients must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(d) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each designated recipient or subrecipient. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the designated recipient or subrecipient agreement. If unit cost data are required, estimated based on available documentation will be accepted whenever possible.

(e) Allowable cost. Applicable Office of Management and Budget (OMB) cost principles, agency program regulations, and the terms of designated recipient and subrecipient agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

(f) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subrecipient award documentation, etc. . . .

11. ALLOWABLE COSTS. Office of Management and Budget (OMB) Circular A-87 (codified at 2 CFR part 225) provides the Federal guidelines for allowable costs for the recipients that are governmental authorities. OMB Circular A-122 (codified at 2 CFR part 230) provides comparable guidance for non-profit organizations. Expenses such as indirect costs or payments to a self-insurance fund must be documented appropriately. The restrictions on advertising and public relations, permit advertising and public relations for "specific purposes necessary to meet the requirements of the Federal award." Similar provisions are also contained in A-122. Transit marketing and promotion are allowable project costs under these provisions, since transit ridership is the ultimate purpose of the Federal designated recipient."

2 CFR 225(C) Appendix A states:

"Basic Guidelines

1. Factors affecting the allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

   a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

   b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

c. Be authorized or not prohibited under State or local laws or regulations.

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.

h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.

i. Be the net of all applicable credits.

j. Be adequately documented."

2 CFR 225(F) Appendix A states*:*

"*Indirect Costs*

1. General. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

2. Cost allocation plans and indirect cost proposals. Requirements for development and submission of cost allocation plans and indirect cost rate proposals are contained in Appendices C, D, and E to this part.

3. Limitation on indirect or administrative costs.

   a. In addition to restrictions contained in 2 CFR part 225, there may be laws that further limit the amount of administrative or indirect cost allowed.

   b. Amounts not recoverable as indirect costs or administrative costs under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation."

The total amount reported as expended and claimed for reimbursement in 2012 was $1,237,762. Of that amount, $1,147,832 was not adequately supported as expended. Unsupported costs for route extension were $1,113,958 and unsupported costs related to travel training was $33,874. The failure to adequately support expenditures claimed for reimbursement could result in repayment of federal funds to the Department of Transportation and/or could result in the Public Transportation Corporation not being considered eligible to receive future federal awards.

We recommended that all costs attributed to each federal program be accounted for and adequately supported. We also recommend that each ECHO reimbursement request be adequately supported.

FINDING 2012-6 - COMPLIANCE WITH PROCUREMENT AND MATCHING REQUIREMENTS

Federal Agency: U.S. Department of Transportation
Federal Program: Job Access Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

The management of the Public Transportation Corporation has not adequately documented all costs claimed for reimbursement; specifically, the costs affiliated with the extension of routes and travel training were not adequately documented. The documentation provided for audit did not support compliance with procurement and matching compliance requirements.

49 CRF § 18.36 Procurement states in part:

"(b)(4) Grantee and subgrantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(b)(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(c)(3) Grantees will have written selection procedures for procurement transactions. These procedures will ensure that all solicitations:

(i) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a ``brand name or equal'' description may be used as a means to define the performance or other salient requirements of a procurement. The specific features of the named brand which must be met by offerors shall be clearly stated; and

(ii) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals."

49 CRF § 18.24 Matching or cost sharing states in part:

"(a) Basic rule: Costs and contributions acceptable. With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:

(1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by others cash donations from non-Federal third parties.

(2) The value of third party in-kind contributions applicable to the period to which the cost sharing or matching requirements applies. . . .

(6) Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs."

The total amount reported as expended and claimed for reimbursement in 2012 was $1,237,762. Of that amount, $1,147,832 was not adequately supported as expended. Unsupported costs for route extension were $1,113,958 and unsupported costs related to travel training was $33,874. The lack of adequate documentation supporting a material portion of the federal expenditures results in an inability to support the procurement and matching requirements. The failure to adequately support expenditures claimed for reimbursement could result in repayment of federal funds to the Department of Transportation and/or could result in the Public Transportation Corporation not being considered eligible to receive future federal awards.

We recommended that all costs attributed to each federal program be accounted for and adequately supported to reflect compliance with the procurement and matching requirements.

FINDING 2012-7 - COMPLIANCE WITH REPORTING REQUIREMENTS

Federal Agency: U.S. Department of Transportation
Federal Program: Job Access Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

The management of the Public Transportation Corporation has not adequately documented all costs claimed for reimbursement; specifically, the costs affiliated with the extension of routes and travel training were not adequately documented.

The attachment to the ECHO reimbursement claim #5 (Project No. IN 37-0106-00 and IN 37-4106-00) dated May 3, 2012, included a calculation that appeared to prorate 2011 expenses over total 2011 operating hours and then applying that to the operating hours of the extended routes. The expense number used was approximately the income statement amount less depreciation and amortization expenses. This calculation would include both direct and indirect costs incurred by the Public Transportation Corporation for operations. The application of the expense calculation times the operating hours of the extended routes for the period August 1, 2010 through December 31, 2011, exceeded the maximum amount of grant funds available for reimbursement; therefore, the entire remaining amount was requested.

The attachment to the ECHO reimbursement claim #1 (Project No. IN 37-4108-00) dated November 16, 2012, included a typed sheet documenting the total eligible costs and the federal share (reimbursed) amounts for the extended route 6 and route 7, as well as travel training costs. The total eligible costs were supported by the attached Transit Services Program budget (as provided with the original federal grant application); there was no support for the amount claimed for reimbursement. When additional support for the reimbursement request was requested, a cost allocation calculation was provided similar to the one used for the ECHO reimbursement claim #5.

No documentation was provided documenting Department of Transportation approval for the allocation for expended costs to hours of service for reimbursement requests. The award IN 37-4108-00 had a budget. Expenditures by budget line item were not supported by source documents as required.

Travel training costs reimbursed on ECHO reimbursement claim #5 and #1 (Project No. IN 57-0060-01) for the years 2010, 2011, and 2012 were recomputed on audit based on wages, employer match of taxes and fringe benefits provided. The amount claimed for reimbursement was $85,906. The amount supported by documentation was $52,032.

49 CRF § 18.20 Standards for financial management systems states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to--

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) 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.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(4) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

(5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

The total amount reported as expended and claimed for reimbursement in 2012 was $1,237,762. Of that amount, $1,147,832 was not adequately supported as expended. Unsupported costs for route extension were $1,113,958 and unsupported costs related to travel training was $33,874. The lack of adequate documentation supporting a material portion of the federal expenditures results in an inability to support the financial reporting requirements. The failure to adequately support expenditures claimed for reimbursement could result in repayment of federal funds to the Department of Transportation and/or could result in the Public Transportation Corporation not being considered eligible to receive future federal awards.

We recommended that all costs attributed to each federal program be accounted for and adequately supported to meet compliance with financial reporting requirements.

CORRECTIVE ACTION PLAN

Section II - Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER AND COMPLIANCE OF FINANCIAL TRANSACTIONS AND REPORTING

Corrective Action Plan

Greater Lafayette Public Transportation Corporation will immediately communicate to affected employees and implement internal control procedures in the following areas: lack of segregation of duties, preparing financial statements, and monitoring of controls.

The Public Transportation Corporation is developing a written internal control system document to be approved by its board of directors during a regularly scheduled board meeting and made available to all employees. Going forward, the procedures will be reviewed by GLPTC's board of directors on an annual basis for identification of vulnerabilities in the internal control system.

FINDING 2012-2 – INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) AND NOTES TO THE SCHEDULE

Corrective Action Plan

Annually, the Controller will prepare a spreadsheet for grant receipts/expenditures to include in the SEFA, and the Assistant Controller will review, initial, and date the SEFA, before submission by the Controller into the Gateway reporting system before the February 28 date that follows the year-end report date. This process will commence with the year-end SEFA of December 31, 2013.

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO FEDERAL TRANSIT CLUSTER

Federal Agency: Department of Transportation
Federal Program: Federal Transit-Capital Investment Grants; ARRA - Federal Transit- Formula Grants
CFDA Number: 20.500; 20.507
Federal Award Number and Year (or Other Identifying Number): IN04-0037-00; IN96-X014-00
Pass-Through Entity: Direct Grant

Corrective Action Plan

The management of GLPTC shall complete the Internal Control Self-Assessment Form as developed by the Federal Transit Administration (FTA), designed to provide management and staff with the information necessary to evaluate GLPTC's internal control and financial management system. Once

1250 CANAL RD. | P.O. BOX 588 | LAFAYETTE, INDIANA 47902-0588 | (765) 423-2666 | FAX (765) 742-4729
www.gocitybus.com
GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION

completed, GLPTC's management will recommend appropriate procedures to its board of directors to improve GLPTC's system of internal controls as related to its grants administration procedures. GLPTC's board of directors may approve the recommendations, or ask for the recommendations to be modified, before approval. Once approved, GLPTC's management and staff will implement the control procedures immediately.

Additionally, the management of GLPTC shall amend the latest version of its "FTA Grants Administration Procedures" document to include the updated internal control procedures, including but not limited to: proper segregation of duties, related to grant agreements; compliance requirements for equipment and real property management, earmarking, reporting, and special tests and provisions. Once completed, the document shall be submitted to FTA regional staff for review and approval. This process is expected to be completed by December 15, 2013.

FINDING 2012-4 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TRANSIT SERVICES PROGRAM CLUSTER

Federal Agency: Department of Transportation
Federal Program: Job Access and Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

Corrective Action Plan
The management of GLPTC shall complete the Internal Control Self-Assessment Form as developed by the Federal Transit Administration (FTA), designed to provide management and staff with the information necessary to evaluate GLPTC's internal control and financial management system. Once completed, GLPTC's management will recommend appropriate procedures to its board of directors to improve GLPTC's system of internal controls as related to its grants administration procedures. GLPTC's board of directors may approve the recommendations, or ask for the recommendations to be modified, before approval. Once approved, GLPTC's management and staff will implement the control procedures immediately.

Additionally, the management of GLPTC shall amend the latest version of its "FTA Grants Administration Procedures" document to include the updated internal control procedures, including but not limited to: proper segregation of duties, related to grant agreements; compliance requirements for activities allowed or unallowed, allowable costs/cost principles, cash management, matching, procurement and reporting. Once completed, the document shall be submitted to FTA regional staff for review and approval. This process is expected to be completed by December 15, 2013.

FINDING 2012-5 – COMPLIANCE WITH ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES AND CASH MANAGEMENT REQUIREMENTS
Federal Agency: Department of Transportation
Federal Program: Job Access and Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

Corrective Action Plan
Documentation of costs claimed for reimbursement will be attached to all requests for drawdowns from FTA's ECHO-Web system. This source documentation will include, but may not be limited to, the following items: copies of signed/dated time and attendance records, related to hours spent on the routes identified in the grant; copies of payroll records; copies of paid invoices, with the respective grant number and check number/date specified on the invoice copy; cancelled checks; and contracts. Once supporting documentation has been prepared by the Controller and attached to the ECHO reimbursement request, the Assistant Controller will review the ECHO reimbursement request to ensure costs are accurately accounted for and adequately supported, initial, and date. In the event GLPTC management and staff cannot determine whether a cost claimed for reimbursement is adequately supported, GLPTC management will contact FTA regional staff immediately to make a determination. Once reviewed, the General Manager will authorize the drawdown via signature.

Once the procedures identified above are approved by GLPTC's board of directors in a regularly scheduled board meeting, they will be implemented immediately by GLPTC's management and staff.

GLPTC's management and staff will prepare a listing of all unsupported costs for drawdowns associated with JARC and New Freedom grants. This process is expected to be completed by December 30, 2013.

FINDING 2012-6 – COMPLIANCE WITH PROCUREMENT AND MATCHING REQUIREMENTS

Federal Agency: Department of Transportation
Federal Program: Job Access and Reverse Commute Program; New Freedom Program
CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

Corrective Action Plan
Documentation of costs claimed for reimbursement will be attached to all requests for drawdowns from FTA's ECHO-Web system. This source documentation will include, but may not be limited to, the following items: copies of signed/dated time and attendance records, related to hours spent on the routes identified in the grant; copies of payroll records; copies of paid invoices, with the respective grant number and check number/date specified on the invoice copy; cancelled checks; and contracts. Once supporting documentation has been prepared by the Controller and attached to the ECHO reimbursement request, the Assistant Controller will review the ECHO reimbursement request to ensure costs are accurately accounted for and adequately supported, initial, and date. Once reviewed, the General Manager will authorize the drawdown via signature.

Once the procedures identified above are approved by GLPTC's board of directors in a regularly scheduled board meeting, they will be implemented immediately by GLPTC's management and staff.

GLPTC's management and staff will prepare a listing of all unsupported costs for drawdowns associated with JARC and New Freedom grants. This process is expected to be completed by December 30, 2013.

FINDING 2012-7 – COMPLIANCE WITH REPORTING REQUIREMENTS

Federal Agency: Department of Transportation
Federal Program: Job Access and Reverse Commute Program; New Freedom Program

CFDA Number: 20.516; 20.521
Federal Award Number: IN 37-0106-00, IN 37-4106-00, IN 37-4108-00, IN 57-0060-01
Pass-Through Entity: Direct Grant

Corrective Action Plan

Documentation of costs claimed for reimbursement will be attached to all requests for drawdowns from FTA's ECHO-Web system. This source documentation will include, but may not be limited to, the following items: copies of signed/dated time and attendance records, related to hours spent on the routes identified in the grant; copies of payroll records; copies of paid invoices, with the respective grant number and check number/date specified on the invoice copy; cancelled checks; and contracts. Once supporting documentation has been prepared by the Controller and attached to the ECHO reimbursement request, the Assistant Controller will review the ECHO reimbursement request to ensure costs are accurately accounted for and adequately supported, initial, and date. Once reviewed, the General Manager will authorize the drawdown via signature.

Once the procedures identified above are approved by GLPTC's board of directors in a regularly scheduled board meeting, they will be implemented immediately by GLPTC's management and staff.

GLPTC's management and staff will prepare a listing of all unsupported costs for drawdowns associated with JARC and New Freedom grants. This process is expected to be completed by December 30, 2013.

Signature: Christopher R Whitehead

Title: Controller, Greater Lafayette Public Transportation Corporation

Date: 10/23/2013

GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2013, with Dr. Jon Fricker, Chairman of the Board; Martin B. Sennett, General Manager; Christopher R. Whitehead, Controller; and Amy Pitstick, Assistant Controller. The Official Response has been made a part of this report and may be found on page 50.

CityBus
GREATER LAFAYETTE
Wherever life takes you!

October 23, 2013

Response to Audit Results and Comments

The Greater Lafayette Public Transportation (GLPTC) fiscal year 2012 audit results and comments address deficiencies in the area of internal controls; specifically segregation of duties and retention of adequate audit evidence. The internal controls testing of the 2012 audit was more extensive than in past years and material weaknesses were identified. These deficiencies identify weaknesses that could allow opportunities for deception or fraud, not that an actual case of deception or fraud was detected. Once made aware of the deficiencies, GLPTC drafted a corrective action plan. This plan addresses each deficiency and will be developed into internal control policies and procedures for the corporation, once approved and adopted by the Board of Directors.

Very truly yours,

Christopher R. Whitehead

Christopher R. Whitehead
Controller, Greater Lafayette Public Transportation Corporation

1250 CANAL RD. | P.O. BOX 588 | LAFAYETTE, INDIANA 47902-0588 | (765) 423-2666 | FAX (765) 742-4729
www.gocitybus.com
GREATER LAFAYETTE PUBLIC TRANSPORTATION CORPORATION