

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

CENTRAL INDIANA REGIONAL  
TRANSPORTATION AUTHORITY  
MARION COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
07/05/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jeffrey J. Jackson	01-01-14 to 04-09-14
	Billie B. Kirchoff (interim)	04-10-14 to 08-31-14
	Andrew L. Gast-Bray	09-01-14 to 04-27-15
	Lori F. Kaplan	04-28-15 to 12-31-17
Controller/Finance Manager	Dora J. Fields	01-01-14 to 03-13-15
	Andy Jackson (interim)	03-14-15 to 08-16-15
	Jeffrey Seidenstein	08-17-15 to 12-31-17
President of the Board	Christine C. Altman	01-01-14 to 01-13-15
	Cassie Stockamp	01-14-15 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CENTRAL INDIANA REGIONAL TRANSPORTATION  
AUTHORITY, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Central Indiana Regional Transportation Authority (Authority), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Authority. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Authority, which provides our opinions on the Authority's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

April 27, 2017

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were deficiencies in the internal control system of the Authority related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Authority had not separated incompatible activities related to receipts. The Finance Manager collected money, made deposits, posted receipts to the accounting records, and reconciled the bank account. There was no segregation of duties or an oversight, review, or approval process over these activities.
2. Report Preparation: The Authority is required to report financial information via Indiana Gateway for Government Units (Gateway), which is a financial reporting system and the source of the Annual Financial Report (AFR). The AFR was used to compile the Authority's financial statement. There was no control in place, such as an oversight, review, or approval process, to ensure the accuracy of the financial information prior to the submission to Gateway. The financial statement presented for audit included the following errors:
  - Federal grant receipts and disbursements were commingled in the Operating fund rather than separate funds.
  - Reported cash balances in the AFR reflected the bank balances not the reconciled book balances. As a result, the reported January 1, 2014 cash balance was overstated by \$29,971 and the reported December 31, 2014 cash balance was overstated by \$82,512.
  - Reported 2014 receipts were overstated by \$79,025.
  - Reported 2014 disbursements were overstated by \$25,484.

Audit adjustments were proposed, accepted by the Authority, and made to the financial statement.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS  
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

*Cause*

Management of the Authority had not established a system of internal controls that would have ensured accuracy in financial transactions and reporting.

*Effect*

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The financial statement contained errors as identified in the *Condition*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2014-002 - INTERNAL CONTROLS OVER FEDERAL TRANSIT\_FORMULA GRANTS***

Federal Agency: Department of Transportation

Federal Program: Federal Transit\_Formula Grants

CFDA Number: 20.507

Federal Award Number and Year (or Other Identifying Number): IN950038, IN95004400

Direct Grant

*Condition*

An effective internal control system was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Matching and Period of Availability.

The Authority had not established a proper segregation of duties to ensure compliance for the compliance requirements outlined above. Although no instances of noncompliance were found, there were no control procedures in place to ensure that the matching share was met or that expenditures were incurred within the period of availability.

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls was a systemic problem during the period audited.

*Criteria*

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. . . ."

*Cause*

Management of the Authority had not designed or implemented internal control procedures to ensure compliance with the Matching and Period of Availability compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the Authority at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Authority's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



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## CORRECTIVE ACTION PLAN

### **FINDING 2014-001**

Contact Person Responsible for Corrective Action: Jeff Seidenstein, Finance Manager  
Contact Phone Number: (317) 327-7433 ext. 206

#### **Finding:**

1. **Lack of Segregation of Duties:** The Authority has not separated incompatible activities related to receipts. The Finance Manager collects money, makes deposits, posts receipts to the accounting records, and reconciles the bank account. There is no segregation of duties or an oversight, review, or approval process over these activities.

2. **Report Preparation:** The authority is required to report all financial information in the Annual Financial Report. This information is used to compile the financial statement. The financial statement presented for audit included the following errors:

1. The federal grant receipts and disbursements were commingled in the Operating fund rather than separate funds.
2. The reported cash balances in the financial statement were the bank's balances not the reconciled book balances. This resulted in the reported January 1, 2014 cash balance being overstated by \$29,971. The reported December 31, 2014 cash balance was overstated by \$82,512.
3. The reported receipts were overstated by \$79,025.
4. The reported disbursements were overstated by \$25,484.

**Views of Responsible Official:** We agree that there were material weaknesses in 2014. These weaknesses were also pointed out in the prior audit report dated January 26, 2015. (That audit covered FY 2012 and 2013). Actions were taken during 2015 to fix the problems.

#### **Description of Corrective Action Plan:**

Duties previously performed exclusively by the Finance Manager were separated in late 2015. Specifically, the Administrative Assistant receives all cash and checks and writes the receipts. The Assistant Director makes the deposits, and the Finance Manager records the deposit in the accounting system. The Finance Manager reconciles the bank account, which is then reviewed and approved by the Treasurer of the CIRTA Board.

Starting in 2015, separate funds were created in the accounting system for the Operating Fund and for each of the federal grants.

The errors with the financial statement that were pointed out by the auditors were duly noted, and the financial statements were adjusted by the auditors accordingly.

**Anticipated Completion Date:** The changes in internal control procedures described above were completed in 2015. As noted above, separate funds were created in the accounting system starting January 2015 for the CIRTA operating fund and for each of the federal grants.

**FINDING 2014-002**

**Contact Person Responsible for Corrective Action:** Jeff Seidenstein, Finance Manager  
**Contact Phone Number:** (317) 327-7433 ext. 206

**FINDING 2014-002 - INTERNAL CONTROL OVER FEDERAL TRANSIT\_FORMULA GRANTS**

**Federal Agency:** Department of Transportation  
**Federal Program:** Federal Transit\_Formula Grants  
**CFDA Number:** 20.507  
**Federal Award Number and Year (or Other Identifying Number):** IN950038, IN95004400  
**Direct Grant**

**Condition**

An effective internal control system was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Matching and Period of Availability.

**Views of Responsible Official:** We concur with the finding.

**Description of Corrective Action Plan:**

The Finance Manager maintains a record of matching funds and ensures that funds are drawn down within the period of availability, as established by the grant agreement.

**Anticipated Completion Date:**

The procedures for tracking matching funds and ensuring the period of availability were put in place starting in 2015.

\_\_\_\_\_  
Jeff Seidenstein  
(Signature) 

\_\_\_\_\_  
Finance Manager  
(Title)

\_\_\_\_\_  
April 24, 2017  
(Date)

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
AUDIT RESULTS AND COMMENTS

***OVERDRAWN CASH BALANCES***

The Operating fund had an overdrawn cash balance of \$37,164 at December 31, 2014.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balance to the bank account balance were conducted; however, the reconciliations were inaccurate and contained reconciling items that were incorrect.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***RECEIPT ISSUANCE***

We conducted a test designed to verify that receipts issued were properly recorded to the Authority's records at the time the transactions occurred. Our test of this procedure found that 16 percent of the receipts tested were not recorded at the time of the transactions.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on April 27, 2017, with Jeffrey Seidenstein, Controller/Finance Manager; Lori F. Kaplan, Executive Director; and Cassie Stockamp, President of the Board.