

**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, 2016 to December 31, 2016



**FILED**  
10/01/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Lori F. Kaplan Andrew McGee (interim)	01-01-16 to 07-13-18 07-14-18 to 12-31-18
Controller/Finance Manager	Jeffrey Seidenstein Melissa Henderson	01-01-16 to 05-31-18 06-01-18 to 12-31-18
President of the Authority Board	Cassie Stockamp	01-01-16 to 12-31-18



**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, 2016 to December 31, 2016. 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

August 23, 2018

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Condition*

There were deficiencies in the internal control system of the Authority related to financial transactions and reporting. One individual prepared the financial reports without evidence of a proper system of oversight or review. The financial statement presented for audit contained the following errors:

- Total receipts were understated by \$73,101.
- Total disbursements were understated by \$66,060.
- Total ending cash and investments were understated by \$7,041.

Adjustments for the items listed above were proposed, accepted by the Authority, and made to the financial statement.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

*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. . . .

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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the Authority had not established a proper system of internal control, which would include segregation of duties.

*Effect*

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the Authority's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The Authority 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).

The Authority had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Authority's SEFA. The Authority recorded financial activity for their various projects in separate funds; however, these funds were not reconciled with the Electronic Clearing House Operation (ECHO) reports filed with the federal government to obtain reimbursement. This was a contributing factor to the adjustments needed and approved in Finding 2016-001. The Executive Director of the Authority reviewed the information entered into Gateway by the Finance Manager; however, the control was not effective.

*Context*

The SEFA presented for audit contained the following error:

- Total federal awards expended for the Federal Transit Cluster were understated by \$57,693.

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

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS  
(Continued)

*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:

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

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
FEDERAL FINDINGS  
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected.

*Recommendation*

We recommended that the Authority's management establish controls related to the preparation of the SEFA.

*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 2016-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Melissa Henderson and Andrew McGee  
Contact Phone Number: (317) 327-7433

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The financial statements of the organization are maintained on an accrual basis. For future audit periods, the organization's interim financial statements will be entered into the Gateway system (SBOA) using the cash basis. The conversion of accrual financial statements will be reviewed by the financial consultant.

Anticipated Completion Date: September 2018

**FINDING 2016-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action:  
Contact Phone Number:

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Schedule of Federal Expenditures will be maintained on the cash basis. All federal drawdowns now require an approval. The Interim Director will approve all federal drawdowns with support documentation

Anticipated Completion Date: September 2018

(Signature)

(Title)

(Date)

Date)

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY  
AUDIT RESULTS AND COMMENTS

**ADOPTION OF INTERNAL CONTROL STANDARDS**

The Authority did not adopt the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts until December of 2017. The Authority correctly certified in the Indiana Gateway for Government Units 2016 Annual Report that these standards had not been adopted.

The training of all required personnel concerning the internal controls standards was not completed until December 2017.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**OVERDRAWN CASH BALANCES**

The Authority reported the following funds at December 31, 2016, with overdrawn cash balances:

Fund	Amount Overdrawn
One-Call One-Click	\$ 2,170
So. Plainfield Connector	40,465
No. Plainfield Connector	16,585
FTA Section 5307	56,453

All the funds reported in the schedule above are set up for federal grants. It is recommended that the activity recorded for all federal grant funds be reviewed by the Authority. The ending balance of the federal funds at any time should represent reimbursements that are due to be submitted to the federal government.

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)

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (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 August 23, 2018, with Cassie Stockamp, President of the Authority Board; Andrew McGee, Interim Executive Director; and Melissa Henderson, Controller/Finance Manager.