

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, 2018 to December 31, 2018



FILED
09/11/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Financial Transactions and Reporting	4-5
Finding 2018-002	
Preparation of the Schedule of Expenditures of Federal Awards	5-7
Finding 2018-003	
Federal Transit Cluster - Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance.....	8-9
Corrective Action Plan.....	10-11
Audit Result and Comment:	
Overdrawn Cash Balances.....	12
Official Response	13
Exit Conference.....	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Lori F. Kaplan	01-01-17 to 07-13-18
	Andrew McGee (interim)	07-14-18 to 07-12-19
	(Vacant)	07-13-19 to 08-13-19
Controller/Finance Manager	Jeffrey Seidenstein	01-01-17 to 05-31-18
	Melissa Henderson	06-01-18 to 12-31-19
President of the Authority Board	Cassie Stockamp	01-01-18 to 12-31-18
	Bill Ehret	01-01-19 to 12-31-19



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

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, 2018 to December 31, 2018. 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

August 13, 2019

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
FEDERAL FINDINGS

FINDING 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

Condition and Context

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 \$1,224.
- Total disbursements were understated by \$517,422.
- Total ending cash and investments were overstated by \$516,178.

Three ECHO federal distributions totaling \$53,847 were incorrectly posted.

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

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. . . .

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
FEDERAL FINDINGS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

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 Special Districts, Chapter 1)

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 proper system of internal control, which would have included segregation of duties.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Authority's management establish controls 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 2018-002

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

Repeat Finding

This was a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

Condition and Context

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).

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
FEDERAL FINDINGS
(Continued)

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 is the source of the Authority's SEFA. The Authority recorded financial activity for the separate grant projects in different funds; however, these funds were not reconciled with the Electronic Clearing House Operation (ECHO) reports filed with the Federal Transit Authority to obtain reimbursement. This resulted in errors reported on the SEFA for the amounts reimbursed to each project. The contracted Finance Manager for the Authority compiled information from the financial activity for the grants and entered it into Gateway with no review or oversight of the process.

Some grant funds reported on the SEFA were reported under the incorrect grant awards. The amounts reported for each grant award were incorrect. The total misstatements combined for all the grant projects equaled \$67,707.

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

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. . . ."

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:

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a 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.
- (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 could have remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

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.

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

Subject: Federal Transit Cluster - Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance

Federal Agency: Department of Transportation

Federal Program: Federal Transit Formula Grant

CFDA Number: 20.507

Federal Award Numbers and Years (or Other Identifying Numbers): IN-2016-008-00; IN-2017-007-00;
IN-2018-006-00; IN-95-X038-01

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance

Audit Finding: Material Weakness

Condition and Context

An effective internal control system, which would include segregation of duties, was not properly implemented at the Authority in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, and Period of Performance.

A procedure was established for the Electronic Clearing House Operation (ECHO) drawdown requests to be reviewed for compliance before submission. However, the Authority was not always reviewing the ECHO drawdown requests that were submitted to receive federal funds.

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
FEDERAL FINDINGS
(Continued)

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 allowed noncompliance with the 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 a system of internal controls, including segregation of duties, related to the grant agreement and the 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.



CORRECTIVE ACTION PLAN

FINDING 2018-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Melissa Henderson
Contact Phone Number: 317-370-9462

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

Cause: The Authority had not established a proper system of internal control.

The organization now understands the control issue. The organization is in the process of having the accounting assistant prepare the report with the general ledger documentation and then to have the Director review and approve it before submission.

Anticipated Completion Date: August 31, 2019

FINDING 2018-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Melissa Henderson
Contact Phone Number: 317-370-9492

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

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

The organization now understands the control issue. The organization is in the process of having the accounting assistant prepare the report with the general ledger documentation and then to have the Director review and approve it before submission.

Anticipated Completion Date: August 31, 2019

FINDING 2018-003 (Auditor Assigned Reference Number)



Contact Person Responsible for Corrective Action: Melissa Henderson
Contact Phone Number: 317-370-9462

Views of Responsible Official:
We concur with the finding.

Description of Corrective Action Plan:

Cause: Management did not develop a system of internal controls to ensure compliance with the compliance requirements.

The organization now understands the control issue. The organization is in the process of having the accounting assistant prepare each ECHO drawdown with the general ledger documentation and then to have the Director review and approve it before submission.

Anticipated Completion Date: August 31, 2019

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment appeared in prior Reports B50934 and B50936.

Condition and Context

The Authority reported at December 31, 2018, the following funds with overdrawn cash balances:

Fund	Amount Overdrawn
One-Call One-Click	\$ 2,170
So. Plainfield Connector	40,465
No. Plainfield Connector	17,338
FTA Section 5307	167,489

The overdrawn balance reported for the One-Call One-Click fund and the So. Plainfield Connector fund did not have any activity reported in the financial statement during the audit period. 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.

Criteria

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)



August 13, 2019

OFFICIAL RESPONSE regarding the Authority reported at December 31, 2018 with the following funds with overdrawn cash balances.

The main operating cash account for the organization was not overdrawn. CIRTA's programs are supported by grant funds and/or contributions by cities, towns or townships. With the Federal grant programs, CIRTA must spend the funds before requesting reimbursement. With contributions by cities, towns or townships, again CIRTA must be spend the funds before requesting reimbursement.

The program (One-Call One-Click) listed is no longer in existence. The other programs fall into the latter category, the funds were spent in 2018 and the reimbursements were requested in 2019.

One-Call One-Click	\$ 2,170
S. Plainfield Connector	\$ 40,465
N. Plainfield Connector	\$ 17,338
FTA Section 5307	\$ 167,489

Sincerely,

Chairman, CIRTA Board

CENTRAL INDIANA REGIONAL TRANSPORTATION AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2019, with Melissa Henderson, Controller/Finance Manager; Jeff Seidenstein, former Controller/Finance Manager; Bill Ehret, President of the Authority Board; Larry Hesson, Treasurer of the Authority Board; Annie Dixon, Mobility Manager; and Jennifer Gebhard, Community Connect Manager.