



LANE TRANSIT DISTRICT EUGENE, OREGON

SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2016



Single Audit

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Lane Transit District
Eugene, Oregon

For Fiscal Year Ended June 30, 2016



GROVE, MUELLER & SWANK, P.C.

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

Board of Directors
Lane Transit District
Springfield, Oregon

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 Lane Transit District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District internal control. Accordingly, we do not express an opinion on the effectiveness of the District internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 and 2016-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District 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 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 items 2016-001 and 2016-002.

District Response to Findings

District response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. District 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 District'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.


CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2017



GROVE, MUELLER & SWANK, P.C.

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(503) 581-7788

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Directors
Lane Transit District
Springfield, Oregon

Report on Compliance for Each Major Federal Program

We have audited Lane Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 District'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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lane Transit District 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 major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004, and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District'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 the Uniform Guidance, 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004, and 2016-005 that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated April 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2017

Lane Transit District
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2016

<u>U.S. Department of Transportation</u>	Pass Through Identifying Number	CFDA#	Federal Award	2015-2016 Expenditures
<i>Federal Transit Cluster</i>				
Direct				
Capital Improvement Grants				
OR-03-0122 - 5309	N/A	20.500	\$ 29,597,040	\$ 197
OR-03-0127 - 5309	N/A	20.500	51,397,774	21,161,586
OR-03-0128 - 5309	N/A	20.500	1,546,565	1,005,332
OR-04-0030 - 5309	N/A	20.500	1,000,000	(8)
OR-04-0038 - 5309	N/A	20.500	5,500,000	38,996
OR-04-0041 - 5309	N/A	20.500	1,088,000	145,427
OR-04-0048 - 5309	N/A	20.500	5,221,660	5,187,074
OR-04-0049 - 5309	N/A	20.500	1,064,145	844,500
Passed through Oregon Department of Transportation				
27484 ODOT - 5309	27484	20.500	151,060	24
				28,383,128
Direct				
Capital and Operating Assistance Formula Grants				
OR-90-X179 - 5307	N/A	20.507	13,857,460	6,449,347
OR-95-X030 - 5307	N/A	20.507	2,190,000	55,437
OR-95-X035 - 5307	N/A	20.507	971,101	4,735
OR-95-X055 - 5307	N/A	20.507	5,649,011	638,404
				7,147,923
<i>Subtotal Federal Transit Cluster</i>				35,531,051
<i>Transit Services Programs Cluster</i>				
Direct				
Capital and Operating Assistance Formula Grants				
OR-37-X024 - 5316	N/A	21.516	171,819	16,077
OR-57-X012 - 5317	N/A	20.521	154,843	47,187
OR-57-X014 - 5317	N/A	20.521	78,524	28,233
				75,420
OR-16-X045 - 5310	N/A	20.513	474,358	62,586
Passed through Oregon Department of Transportation				
29317 ODOT - 5310	29317	20.513	2,078,656	1,118,054
				1,180,640
<i>Subtotal Transit Services Programs Cluster</i>				1,272,137

See Notes to the Schedule of Expenditures of Federal Awards.

Lane Transit District
Schedule of Expenditures of Federal Awards (Continued)
For the fiscal year ended June 30, 2016

<u>U.S. Department of Transportation</u>	Pass Through Identifying Number	CFDA#	Federal Award	2015-2016 Expenditures
Passed through Oregon Department of Transportation				
30112 ODOT -5304	30122	20.215	\$ 24,000	\$ 3,789
<i>Highway Planning and Construction Cluster</i>				
Passed through Oregon Department of Transportation				
30666 ODOT - STP	30666	20.205	110,000	84,095
30840 ODOT - STP	30840	20.205	74,000	33,113
ODOT Be Safe Be Seen July-Oct 2015 - STP	unknown	20.205	-	4,667
ODOT Carshare - Unknown - STP	unknown	20.205	8,973	81
ODOT HU-15-10-25 Springfield SRTS- Federal - STP	HU-15-10-25	20.205	47,182	4,277
ODOT HU-16-10-25 Springfield SRTS- Federal - STP	HU-16-10-25	20.205	45,766	22,444
ODOT TAP Scholarship Award	unknown	20.205	4,022	3,385
LCOG Unified Planning Work Program IGA	unknown	20.205	39,006	28,315
<i>Subtotal Highway Planning and Construction Cluster</i>				180,377
 Direct				
Capital Improvement Grants				
OR-39-0007 - 5339	N/A	20.522	750,000	135,958
OR-39-0008 - 5339	N/A	20.522	16,384,000	4,605,285
				4,741,243
 Passed through Oregon Department of Transportation				
30746 ODOT - 5311	30746	20.509	-	99,536
30805 ODOT - 5311	30805	20.509	-	88,025
				187,561
Total U.S. Department of Transportation				41,916,158
 <u>U.S. Department of Health and Human Services</u>				
Passed through Lane Council of Governments				
LCOG Volunteer Escort 15-16 - OAA	unknown	93.044	10,222	10,200
Total Federal Awards				\$ 41,926,358

See Notes to the Schedule of Expenditures of Federal Awards.

Lane Transit District
Notes to Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2016

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lane Transit District (the District) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District it is not intended to and does not present the net position, changes in net position, and cash flows of the District.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

**Lane Transit District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2016**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issues:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of major programs:

CFDA	Program Title
20.500 & 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,257,791
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

Finding 2016-001 Modified Accrual Basis of Accounting (Material Weakness)

Condition: The District personnel did not initially understand the modified accrual basis of accounting. This caused the budgetary schedules sent to the auditors in the draft of the Comprehensive Annual Financial Report (CAFR) to be incorrect and they could not be reconciled to the District's generally accepted accounting principles statements in the basic financial statements portion of the CAFR.

Criteria: The District is required to have expertise in place that understands the modified accrual basis of accounting since the District's budgetary financial statements are prepared in accordance with it. This expertise can be achieved by either having personnel with the adequate knowledge and experience or by hiring an outside accountant to assist the District with the year-end close and subsequent drafting of the financial statements.

Cause: The District had turnover in key areas of the finance department during the current fiscal year. The new personnel hired did not have any training or experience with the modified accrual basis of accounting.

Lane Transit District
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2016

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2016-001 Modified Accrual Basis of Accounting (Material Weakness) (Continued)

Effect: As described above, the preliminary version of the District’s budgetary schedules provided to the auditors were not accurate. This caused significant delays with issuing the financial statements since the District’s personnel needed to learn the modified accrual basis of accounting and apply that knowledge to the financial statements.

Context: The District has four budgetary funds that are reported as Other Supplementary Information and include a reconciliation to the basic financial statements (accrual basis).

Recommendation: We recommend that the District provide the opportunity for the new finance personnel to learn the modified accrual basis of accounting through third-party training. The Government Finance Officers Association and the Oregon Government Finance Officers Association have seminars that could assist the District in obtaining the necessary training.

Views of Responsible Official and Corrective Action Plan: The District experienced turnover with its Finance Manager/CFO and its Controller in March and May of 2016, respectively. These departing employees had prepared financials for annual audits in previous years. These personnel changes in the last quarter of the fiscal year created a gap during the transition from the past management team to the current team. To address this gap, the District hired Lopez and Company, LLP; Isler, CPA; and Cindi Hamm, CPA to oversee the District’s finances and to assist in the transition of management teams. All firms hired had knowledge and expertise in transit and government accounting, specifically related to modified accrual basis. In October 2016, LTD hired a permanent Director of Finance and a Controller that both have financial credentials and complete applicable annual Continuing Professional Education (CPE). In FY18, the Finance Director and Controller will meet CPE requirements, including modified accrual basis accounting. Table 1 lists, by job title, the credentials of the current financial team.

Table 1 - Financial Management Personnel

<i>Title</i>	<i>Financial Qualifications</i>	<i>Total Years of Experience</i>	<i>Years of Experience at the Grantee</i>
Finance Director	C.P.A, BA in Business Economics with an emphasis in accounting	31	0
Controller	B.S. in Business Administration, major in Accounting. C.I.A, C.G.A.P, C.G.F.M.	15	0
Procurement Manager	CPSM, CPSD, C.P.M.	12	5 months
Purchasing Specialist	B.S. in Business Administration	7	14
Payroll Technician	FPC. 26 years work experience in this field	26	24
Accounts Payable Technician	B.S. in Marketing. Experience in accounts payable, payroll, accounts receivable and accounting administration	29	17
Accounts Receivable Technician	25 years work experience in general ledger, accounts payable and accounts receivable. B.S. in Business Administration, major in Financial Management.	25	2
Finance Administrative Coordinator	Assist in contract management, administrative support for Finance, Procurement, and IT.	43	22
Accounting Assistant	2 years accounting experience and 9 years of cash handling experience	11	1
Accounting Assistant	8 years of cash handling experience	8	6 months

Lane Transit District
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2016

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2016-002 Financial Record Preparation and Maintenance (Material Weakness)

Condition: The District did not maintain adequate and accurate capital asset records. Audit procedures resulted in the District adding \$6,480,000 in capital assets and an additional \$2,277,300 in depreciation expense due to various errors and omissions in the original schedules.

The District did not have a complete listing of accounts receivable and revenues for the year. Audit procedures resulted in the District adding \$1,157,620 in accounts receivable and related revenues.

The District did not appropriately adjust deferred outflows related to the ATU plan. Audit procedures resulted in adding \$1,696,161 in deferred outflows and reducing payroll expenses by the same amount. The first version of the financial statements received included financial data in the subsequent events section instead of including it in the basic financial statements.

Criteria: In order to process accurate and reliable financial statements the District must have good processes and internal controls in place to ensure the accuracy of the data reported. The District did not have adequate processes or internal controls in place to ensure the accuracy of the data.

Cause: For capital assets, we believe that not enough time was spent going through expenditure accounts to determine what items should and should not have been capitalized and that not enough time was spent going through the depreciation calculation to catch the large errors that had occurred. The District is also using a database created by a former employee that did not have documentation for new employees to follow.

For revenues and receivables we believe that the District did not use the underlying source data as it's reconciliation mechanism. The District had written off receivables and revenues that were eventually added back based on audit procedures.

For the deferred outflows the District did not include the contributions made subsequent to the measurement date in its deferred outflow calculation.

Effect: As described above there were material journal entries that had to be recorded in order for the financial statements to be materially accurate.

Views of Responsible Official and Corrective Action Plan: The new financial management team and a consultant from Isler CPA worked diligently to recreate reports in the same format as had been used in prior years. However, the new team was not able to understand the standard query language used to create the working papers to support the reports and the budgetary basis fund schedules. When the new team created the replacement tables, they did not align with prior years. In preparation of capital assets reports, errors were identified in the first version of financial statements submitted to GMS; the District corrected the errors; and the final version of financial statements did not contain any errors. No errors were identified or submitted in the CAFR, and GMS accepted the CAFR with an unmodified audit opinion.

In accordance with the recommendations in this finding, the District has begun developing written policies and procedures to implement internal controls and to incorporate secondary review.

In FY18, the District will work to replace or update the database created by a former employee. The District will validate that the underlying source data is accurate, will confirm that the reconciliation mechanisms function correctly, and will implement a secondary review.

Lane Transit District
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2016

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2016-002 Financial Record Preparation and Maintenance (Material Weakness) (Continued)

The District has secured funding and will evaluate options to replace or upgrade its financial ERP. Implementation is scheduled to commence in 2018.

The written policies and procedures referred to above will be stored in a common location with retention and review schedules to ensure the accuracy and timeliness of work and provide for an orderly succession plan for future staff.

The District accepts the recommendation in Finding 2016-002.

Context: Capital assets totaled \$160,464,159, net of accumulated depreciation at year-end. The errors identified would have understated the value by \$6,480,000 and overstated the expenses by the same amount. Additionally, the depreciation expense and related accumulated depreciation would have been understated by \$2,277,300.

Accounts receivable totaled \$17,859,082. The errors would have understated receivables and revenues by \$1,157,620.

Total deferred outflows totaled \$6,267,714. The errors would have understated deferred outflows and overstated pension expense by \$1,696,161.

Recommendation: We recommend that the District implement processes and internal controls to ensure that the District's financial records are accurate prior to submission to the audit team. This also includes documented processes for future employees in the event that employees leave the District.

Views of Responsible Official and Corrective Action Plan:

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2016-003 – Grant OR-90-X179 – CFDA# 20.507 - Procurement (Significant Deficiency)

Condition: The District performed a remodel of their lobby in the amount of \$196,507 that was partially funded by the grant listed above that was deficient in the areas listed below.

1. The District did not consider this project to be a large procurement and as such did not perform a separate bidding process. The contractor used was selected from an RFP performed in 2011 for general contracting services.
2. The District did not include the appropriate Buy America clauses in the contract nor did they receive the required certifications for items used in construction.

Criteria: There are many federal regulations that apply to federally funded procurements. 2 CFR section 215.43 states "all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition." The Federal Transit Administration (FTA)'s simplified acquisition threshold is \$100,000 which distinguishes the rules for procuring items above and below this threshold. FTA's "Buy America" law and regulations to projects that involve the purchase of more than \$100,000 of iron, steel, manufactured goods, or rolling stock to be delivered to the recipient to be used in the FTA assisted project.

Lane Transit District
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2016-003 – Grant OR-90-X179 – CFDA# 20.507 - Procurement (Significant Deficiency) (Continued)

Cause: The District did not have procedures in place to adequately distinguish between micro, small, and large procurements and the different requirements for each type. They also did not have procedures in place to determine when contracts required Buy America clauses and certifications.

Effect: FTA could disallow these costs as the District did not go through the proper procurement procedures.

Questioned Costs: The total charged to this grant for the project was \$191,862 and the grant required a 20% match therefore the questioned costs are \$153,490.

Context: We identified \$32,619,257 in contracts that would be subject to procurement requirements for contracts over the simplified acquisition threshold and we tested \$1,550,680 of which \$191,862 was found to be deficient.

Recommendation: We recommend that the District put policies in place to ensure that all contracts subject to Buy America requirements have the appropriate language in the contract and obtain required certifications. We also recommend that the District provide additional training to staff and implement controls over the determination among the varying levels of procurements and what each level requires.

Views of Responsible Official and Corrective Action Plan: The District self-reported to GMS the facts surrounding the grant in question that constitute Finding 2016-003. These details were identified in the District's 2016 Procurement System Review. Prior to this audit, the District had developed a plan to address the oversight of procurement functions by deploying adequate personnel resources, and providing informal and formal training to staff. The corrective action plan has been submitted to FTA Region 10. Additionally, the District, in collaboration with FTA, will be revising the procurement policy and procedures in 2017.

The District accepts the recommendations to update procurement policies and procedures in Finding 2016-003.

Finding 2016-004 – Grant OR-03-0127– CFDA# 20.500 – Prevailing Wage Rates (Significant Deficiency)

Condition: The District paid contractors during the year that are subject to the prevailing wage requirements. The District did not have an adequate tracking mechanism to ensure that all reports that should have been received were received. In July 2016 the audit team requested the payrolls for the months of November 2015 and May 2016 for the specified contractor. During our visit in September 2016 the District was able to provide all requested documents except for 2 weeks in May as they had not yet received them and/or could not be located. The District subsequently received these payrolls after the September visit and prior to issuance of this report.

Criteria: As a condition of receiving federal funds the District is required to have good internal controls over compliance. The District has not had good internal controls in place over the receipt and tracking of certified payroll reports.

Cause: The District did not have good procedures in place to ensure that all certified payrolls were received in a timely manner.

Effect: It is possible that the contractor could be out of compliance with prevailing wage rates as the District did not have procedures in place to track the requirements in a timely manner and the amounts paid to the contractor be disallowed.

Lane Transit District
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2016

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2016-004 – Grant OR-03-0127– CFDA# 20.500 – Prevailing Wage Rates (Significant Deficiency)
(Continued)

Context: As described above we examined 2 out of the 12 months for one contractor. There were two contractors that had contracts charged to the Federal Transit Cluster during the year.

Recommendation: We recommend that the District implement procedures to ensure the timely receipt of certified payroll reports.

Views of Responsible Official and Corrective Action Plan: The errors noted in this report occurred over a two-week period in May 2016 which coincided with the gap in management of the financial team, despite procedures and controls which were in place. In 2017, the District has resumed its process to ensure that the required certified payroll reports are received and tracked in a timely manner prior to payment of invoices.

The District accepts the recommendation in Finding 2016-004.

Finding 2016-005 – Federal Transit Cluster – CFDA#20.500, 20.507– Quarterly Financial Reporting (Significant Deficiency)

Condition: The District does not have documented controls in place to verify the accuracy of data reported to the Federal Transit Administration (FTA). They also did not have controls in place to retain documentation supporting 2 out of the 3 quarters submitted.

Criteria: Per the Federal Transit Administration Circular 5010.1D, FTA grantees are required to submit periodic reports (including the Federal Financial Report) to the agency through the Transportation Electronic Management System (TEAM). Additionally, general requirements set forth in Uniform Guidance require that grantees develop and maintain procedures to ensure the accuracy and completeness of submitted reports.

Cause: The District has not developed and maintained documented controls. There was also a significant turnover in staff in the finance department and documentation supporting the reports was not retained.

Effect: As there was no secondary review of the data submitted to FTA there could have been errors in the data submitted (we did not find material errors in the actual submitted data). FTA could reduce future funding if reports were inaccurate.

Recommendation: We recommend that the District implement controls that involve a secondary review of the data before it is submitted to ensure accuracy and completeness of the data. We also recommend that the District maintain copies of supporting documentation used in creating the reports so that accuracy can be verified.

Views of Responsible Official and Corrective Action Plan: The District hired Gloria J. Gallardo, dba DBS Consulting, in April 2016, to manage the District's grant administration and reimbursement processes. In 2016, written procedures, Grant Procedure Manual and Grant Request for Reimbursement Procedures (ECHO/PARS/STATE CLAIMS) were updated, provided to GMS, and implemented in accordance with the requirements of the respective grant award agencies. In 2016, the District implemented a process to provide for secondary review of the District's data submissions to FTA to ensure accuracy of its reports. In 2016 the District's Board of Directors approved the budget for hiring one full-time employee to fill the role of Grants Manager. In FY 2017 Gloria J. Gallardo will assume the role of Grants Manger. The District accepts the recommendation in Finding 2016-005.

Lane Transit District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

Finding 2015-001 – Federal Transit Cluster – CFDA#20.500, 20.507 & Alternative Analysis – CFDA#20.522 – Quarterly Financial Reporting (Significant Deficiency)

Criteria: Per the Federal Transit Administration Circular 5010.1D, FTA grantees are required to submit periodic reports (including the Federal Financial Report) to the agency through the Transportation Electronic Management System (TEAM). If the grantee is located in an area with a population greater than 200,000 the grantee must submit these reports quarterly within 30 days after the end of the fiscal quarter. As the District is located in an area with a population greater than 200,000 their reports are required quarterly. Additionally, general requirements set forth in OMB Circular A-133 require that grantees develop and maintain procedures to ensure the accuracy and completeness of submitted reports.

Condition: The Federal Financial reports for the quarters ending December 31, 2014 and March 31, 2015 were not submitted as required by the Department of Transportation’s Federal Transit Administration (FTA) nor did the District have controls in place during the other two quarters to verify accuracy of the data that was submitted.

The following grants had Federal Financial reports due December 31, 2014 and March 31, 2015 that were not submitted:

- OR-03-0122 – CFDA #20.500
- OR-04-0030 – CFDA#20.500
- OR-04-0038 – CFDA#20.500
- OR-04-0041 – CFDA#20.500
- OR-90-X152 – CFDA#20.507
- OR-90-X161 – CFDA#20.507
- OR-70-X179 – CFDA#20.507
- OR-95-X030 – CFDA#20.507
- OR-95-X055 – CFDA#20.507
- OR-39-0008 – CFDA#20.522

Cause: The District did not have an effective tracking mechanism in place to ensure that all reports were submitted as required.

Effect: Failure to submit required reports may result in a delay of payment from FTA and/or reduction of funding in the future. As there was no secondary review of the data submitted to FTA there could have been errors in the data submitted (we did not find errors in the actual submitted data).

Recommendation: We recommend that the District develop a tracking mechanism that provides assurance that all required reports are submitted as required. We also recommend that the District implement controls that involve a secondary review the data before it is submitted to ensure accuracy and completeness of the data.

Views of Responsible Official and Corrective Action Plan: Lane Transit District has created a new quarterly reporting procedure that includes controls to ensure that reporting is completed on time and provide a secondary review of the data to ensure accuracy and completeness of the data. This procedure was in place and utilized for the September 30, 2015 reporting cycle.

Current Year Update: During our testing we did not become aware of any reports that were not submitted, however the District does not have strong internal controls over reporting and as such a new finding 2016-004 has been reported.

