



LANE TRANSIT DISTRICT EUGENE, OREGON

AUDIT OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2017

**LANE TRANSIT DISTRICT, OREGON
TABLE OF CONTENTS**

	<u>Page</u>
Report of Independent Auditors 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	1-2
Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-10
Corrective Action Plan	11
Summary Schedule of Prior Audit Findings	12-14

Report of Independent Auditors 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*

The Board of Directors
Lane Transit District, 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, Oregon (the District), and the Lane Transit District Salaried Employee's Retirement Plan, as of and for the year ended June 30, 2017, and the Lane Transit District and Amalgamated Transit Union, Local No. 757 Pension Trust as of and for the year ended December 31, 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 February 2, 2018.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to the Finding

The District's response to the finding 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 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.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
February 2, 2018

Report of Independent Auditors on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Lane Transit District, Oregon

Report on Compliance for Major Federal Program

We have audited Lane Transit District, Oregon'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, 2017. The District's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 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 the major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2017, and have issued our report thereon dated February 2, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Moss Adams LLP

Portland, Oregon
March 22, 2018

**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2017**

	Pass Through Identifying Number	CFDA #	Federal Award Amount	2016-2017 Expenditures
<u>U.S. Department of Transportation</u>				
<i>Federal Transit Cluster</i>				
Capital Improvement Grants				
OR-03-0122 - 5309		20.500	\$ 29,597,040	\$ -
OR-03-0127 - 5309		20.500	51,397,774	22,824,654
OR-03-0128 - 5309		20.500	1,546,565	48,761
OR-04-0038 - 5309		20.500	5,500,000	3,519,607
OR-04-0041 - 5309		20.500	1,088,000	271,768
OR-04-0048 - 5309		20.500	5,221,660	-
OR-04-0049 - 5309		20.500	1,064,145	4,765
Capital and Operating Assistance Formula Grants				
OR-90-X179 - 5307		20.507	13,457,460	107,745
OR-95-X030 - 5307		20.507	2,190,000	25,700
OR-95-X035 - 5307		20.507	971,101	3,840
OR-95-X055 - 5307		20.507	5,649,011	21,044
Passed through Oregon Department of Transportation				
Capital Improvement Grants				
31455 ODOT - 5309, 5339	31455	20.500	169,069	-
<i>Subtotal Federal Transit Cluster</i>				26,827,885
<i>Transit Services Program Cluster</i>				
Capital and Operating Assistance Formula Grants				
OR-37-X024 - 5316		20.516	171,819	29,858
OR-57-X012 - 5317		20.521	154,843	-
OR-57-X014 - 5317		20.521	78,524	62,863
OR-16-X045 - 5310		20.513	474,358	-
Passed through Oregon Department of Transportation				
30744 ODOT 5310	30744	20.513	2,124,548	1,346,066
<i>Subtotal Transit Services Program Cluster</i>				1,438,786
<i>Highway Planning and Construction Cluster</i>				
Passed through Oregon Department of Transportation				
30112 ODOT - 5305	30112	20.515	24,000	3,450
30666 ODOT - STP	30666	20.205	110,000	39,418
30840 ODOT - STP	30840	20.205	115,410	40,527
ODOT Be Safe Be Seen		20.205	-	696
ODOT Carshare - Federal		20.205	8,785	-
ODOT HU-17-10-09 Springfield SRTS - Federal		20.205	134,652	54,206
<i>Subtotal Highway Planning and Construction Cluster</i>				138,297
<i>Capital Improvement Grants</i>				
OR-39-0007 - 5339		20.522	750,000	3,313
OR-39-0008 - 5339		20.522	16,834,000	3,791,315
OR-2016-020 - 5339		20.522	582,947	-
Passed through Oregon Department of Transportation				
30476 ODOT - 5311	30476	20.509	-	170,525
30805 ODOT - 5311	30805	20.509	-	229,989
31675 ODOT - 5311	31675	20.509	-	-
				4,195,142
Total U.S. Department of Transportation				32,600,109
Total Federal Awards				\$ 32,600,109

**LANE TRANSIT DISTRICT, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lane Transit District, Oregon (the District) under programs of the federal government for the year ended June 30, 2017. 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, wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable.

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

**LANE TRANSIT DISTRICT, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
20.500, 20.507	Federal Transit Cluster	<i>Unmodified</i>
20.513, 20.516, 20.521	Transit Services Programs Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs:

\$ 978,003

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

FINDING 2017-001 – Financial Close and Reporting (Material Weakness in Internal Controls)

Criteria: The District's financial statements are presented on two bases of accounting - budgetary basis to address budgetary compliance and monitoring for the current year, and full accrual basis for external financial reporting designed to better measure the true cost of providing services.

**LANE TRANSIT DISTRICT, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

The financial close and reporting process requires preparing financial statements on both bases of accounting as noted above. It is common for the general ledger to be maintained during the year solely on the budgetary basis. As a result, records must be developed and reviewed at the end of the fiscal year to report full accrual basis financial statements. The financial close and reporting process requires policies, procedures, internal controls, and a formal plan designed to address the accounting adjustments and entries necessary to adjust from the budgetary basis to the full accrual of accounting in a timely manner to allow the preparation and audit of the financial statements within six months after year-end.

The financial close and reporting process also requires the preparation of a schedule of expenditures of federal awards to meet the requirements of the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Condition: The District maintains the day-to-day transaction accounting in the general ledger on the budgetary basis of accounting. We found that while the District has an understanding of financial close and reporting elements necessary to adjust its budgetary basis general ledger balances to full accrual basis of accounting, they lacked an adequate plan or system designed specifically to allow the statements to be completed in a timely and accurate manner.

Cash fiscal year-end reconciling items – our testing of bank transfers identified a \$3 million transfer between the general operating bank account and the Oregon local government investment pool. Rather than reporting this as a transfer within the cash and investment balance at fiscal year-end, a \$3 million accounts receivable balance was erroneously recorded. An audit adjustment was recorded to reclassify the accounts receivable back to cash and investments.

Journal entries – evidence of journal entry review was inconsistent, and in some instances there was no evidence of review, including instances where the preparer and reviewer were the same individual.

OPEB obligation adjustment – in our financial statement review, we noted the reported OPEB obligation was unadjusted since the prior year, and no current year OPEB expense was recorded. This resulted in an audit adjustment of \$353,155.

Reconciliations – account balances require reconciliations during the financial close and reporting process throughout the year. We observed evidence of who prepared and reviewed various account balance reconciliations was inconsistent. We also noted a number of accounts were not reconciled timely throughout the year, however, noted improvement toward the end of the year. Finally, we identified the budgetary basis fund balances had an ongoing reconciling difference with the full accrual basis net position balances for a number of years.

The challenges to completing the financial close and reporting process timely stem from several factors. One is the volume of work necessary to analyze the accounts and make necessary entries to adjust to the full accrual bases of accounting after year-end. Another is the time and effort to make adjustments to properly report financial statement reporting requirements.

Context: The District's basic financial statements require full accrual adjustments for balances in capital assets, deferred outflows of resources relating to pensions, accrued vacation, net OPEB obligation, net pension liabilities, deferred inflows relating to pensions, and net position.

**LANE TRANSIT DISTRICT, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Effect: The District's current approach to the financial close and reporting process contains a higher level of risk that errors could occur in the financial statements and that original timelines for preparation of the financial statements and completion of the audit may not be met.

Cause: Our observation is the following factors contributed to the matters noted above:

- Written policies and procedures are not designed and implemented throughout the year to ensure the books are closed in a timely and accurate manner.
- The District does not have a system in place to ensure that all account balances are reconciled timely. As an example, the District relies on an outside consultant to prepare grants related support, including the schedule of expenditures of federal awards.
- Maintaining the general ledger solely on a budgetary basis of accounting results in the need for extensive and time consuming account analysis and adjustment after fiscal year-end necessary to adjust to the full accrual basis of accounting.

Recommendation: We recommend the District revise its policies and procedures to continue to improve its ability to prepare financial statements and complete the audit by the State of Oregon's six-month filing deadline. Elements to the policies and procedures could include:

- Identification of information necessary to complete each step of the financial reporting process,
- the individual responsible for each step,
- an estimate of time required to prepare the information,
- scheduling the work assigned to each person for the step, and
- due to using external assistance for grants reporting, monitoring to ensure grants reporting is completed timely.

In addition, we encourage the District to reconcile account balances on a regular basis during the year, which should reduce the amount of time and effort in the financial close and reporting process.

Management's Response: The District accepts the recommendations in finding 2017-001 and the follow-up action is documented in the corrective action plan.

Section III - Federal Award Findings and Questioned Costs

None reported.



**LANE TRANSIT DISTRICT, OREGON
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2017-001 – Financial Close and Reporting (Material Weakness in Internal Controls)

Name of contact person responsible for correction action: Christina Shew, Director of Finance

Management’s Response:

Lane Transit District accepts the recommendations in finding 2017-001 and has put in the corrective action plan listed below.

Corrective Action Planned:

- 1) By May 31: Implementation of a close checklist that is reviewed and signed off by a minimum of two people. Checklist will include the person responsible for completing the item and the person responsible for reviewing. The person responsible for completing the step will document the date completed and the time required to complete the step for future close planning purposes.
- 2) By February 28: Document process and accounting flowchart for WEE Lottery bank transfers and ensure compliance.
- 3) By June 30, 2017: All journal entries will be parked and posted by different persons.
- 4) By March 31, 2018: In addition, all journal entries will have an after posting review by a third person (not the journal entry preparer or poster). This after posting reviewer will follow a journal entry review checklist that checks for the following:
 - o Amount propriety
 - o Account propriety
 - o Supporting documentation ties to what is in Eden
 - o Proper reversal flags
 - o Calculations recheck
- 5) By March 31, 2018: Bank, accounts receivable, inventory, accounts payable, unearned revenue, grant master, and other current liability reconciliations will be performed at a minimum of quarterly, and evidence of both the preparer, reviewer, and dates these activities were completed will be documented and maintained. All other balance sheet accounts requiring reconciliation will be reconciled at the end of the fiscal year (any balance sheet account with a balance >\$50K).
- 6) By June 30, 2019: Develop written process and accounting flows.
- 7) By August 31, 2019: An outside grants consultant will train an internal LTD onsite employee on the grants processes and procedures, including preparation of the schedule of expenditures of federal awards.

**LANE TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Follow up on findings reported June 30, 2016

Financial Statement Findings

FINDING 2016-001 – Modified Accrual Basis of Accounting (Material Weakness in Internal Controls over Financial Reporting)

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.

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.

Status of Finding: Isler CPA provided the Finance team modified accrual basis accounting training in August 2017. The Director of Finance assumed the former Controller's membership in the GFOA and attended the Oregon GFOA Regional Training on August 9, 2017. The district utilized an outside accountant familiar with governmental financial reporting to assist the district in drafting the 2016-17 CAFR.

FINDING 2016-002 – Financial Report Preparation and Maintenance (Material Weakness in Internal Controls over Financial Reporting)

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.

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.

Status of Finding: This year the District's capital asset records were prepared by the Business Process Manager, Cheryl Munkus. She performed the following controls to ensure the propriety of the capital asset records:

- Physical inventory of all rolling stock
- Review of all disbursements in the Capital Fund and all disbursements >\$5K in the General Fund to determine proper classification as a capital asset, construction in progress or materials and services expenditures based on the District's Fixed Asset Procedures
- Reviewed FY15-16 construction in progress expenditures to determine if they should be capitalized because the project was completed and the assets placed into service
- Utilized records of disposals from both procurement and the EAM system – ensuring they were removed from the fixed asset list.
- Director of Finance updated the Fixed Asset Procedures guidance document.

**LANE TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Award Findings and Questioned Costs

FINDING 2016-003 – Grant OR-90-XI79-CFDA #20.507 - Procurement (Significant Deficiency in Internal Controls over Compliance and Instance of Noncompliance)

Condition: 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.

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.

Status of Finding: The Lane Transit District procurement policy was revised in collaboration with the FTA. An updated draft policy was issued on June 8, 2017 and adopted by the Board on July 12, 2017. This policy addresses the concerns in finding 2016-003. Lane Transit District staff received formal training on this adopted procurement policy on July 25, 2017

FINDING 2016-004 – Grant OR-03-0127-CFDA #20.500 – Prevailing Wage Rates (Significant Deficiency in Internal Controls over Compliance and Instance of Noncompliance)

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.

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

Status of Finding: The district's new procedures in the process of being implemented prevent payment if certified payrolls have not been received. The specific procedures are as follows:

1. Prior to vendor set-up (when contract has been completed), procurement will identify key payment requirements (e.g. certified payroll reports and other required terms and conditions). These requirements will be indicated on the form, Contract Management Roles & Responsibilities. Once completed, the Contract Manager will provide a copy to both AP and procurement.
2. Prior to payment, if certified payroll is a checklist item requirement, AP would require that contract manager approve that the certified payroll is in compliance with the contract evidenced by their sign-off prior to payment.
3. Accounts payable would only make payments once all checklist items, including certified payroll has been signed off.

**LANE TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING 2016-005 – Federal Transit Cluster - CFDA #20.500, 20.507 – Quarterly Financial Reporting (Significant Deficiency in Internal Controls over Compliance and Instance of Noncompliance)

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.

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.

Status of Finding: A copy of the grant master is maintained at the time the quarterly report is prepared which allows audit verification of the report accuracy.