



LANE TRANSIT DISTRICT EUGENE, OREGON

AUDIT OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2020



**LANE TRANSIT DISTRICT, OREGON
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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 its fiduciary fund comprised of Lane Transit District Salaried Employee's Retirement Plan Trust Fund as of and for the year ended June 30, 2020 and the Amalgamated Transit Union, Local No. 757 Pension Trust Fund as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2020.

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) as a basis for designing 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'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statements. 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*.

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.

Moss Adams LLP

Portland, Oregon
December 22, 2020

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 Each 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, 2020. 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; 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 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, 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, 2020.

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 Lane Transit District, Oregon (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 22, 2020, 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
January 20, 2021

**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2020**

Federal Grantor/Pass-Through Agency/Program or Cluster Title	Pass Through Identifying Number	CFDA #	Federal Award	2019-2020 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	\$ 1,335,626
OR-04-0038 - 5309		20.500	5,500,000	191,862
OR-04-0049 - 5309		20.500	1,064,145	22,794
OR-2017-019-00 - MAP 21 (5309)		20.500	450,000	89,769
				1,640,051
Capital and Operating Assistance Formula Grants				
OR-95-X030 - 5307		20.507	2,190,000	64,306
OR-95-X055 - 5307		20.507	5,649,011	7,628
OR-2018-025-00 - 5307		20.507	2,300,000	133,224
OR-2018-026-00 - 5307		20.507	307,840	14,623
OR-2018-035-00 - 5307		20.507	315,000	87,287
COVID-19 OR-2020-025-00 - 5307		20.507	25,533,427	3,771,290
				4,078,358
Capital Improvement Grants				
OR-2017-016 - 5337		20.525	331,113	497
OR-2019-027 - 5337		20.525	309,445	309,445
				309,942
Capital Improvement Grants				
OR-2016-020 - 5339		20.526	582,947	582,947
OR-2017-015 - 5339		20.526	943,814	1,584
OR-2018-012 - 5339		20.526	3,479,675	23,652
OR-2018-021 - 5339		20.526	646,062	637,820
OR-2019-027 - 5339		20.526	1,470,265	1,080,022
				2,326,025
Subtotal Federal Transit Cluster				
				8,354,376
<i>Transit Services Program Cluster</i>				
Capital and Operating Assistance Formula Grants				
OR-16-X045 - 5310		20.513	474,358	52,216
Passed through Oregon Department of Transportation				
33581 ODOT - 5310	33581	20.513	2,016,742	898,952
Subtotal Transit Services Program Cluster				
				951,168
<i>Highway Planning and Construction Cluster</i>				
Passed through Oregon Department of Transportation				
32517 ODOT	32517	20.205	524,824	100,451
33392 ODOT	33392	20.205	36,840	805
ODOT HU-19-10-09 Springfield SRTS - Federal		20.205	132,652	3,100
Subtotal Highway Planning and Construction Cluster				
				104,356

**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2020**

Federal Grantor/Pass-Through Agency/Program or Cluster Title	Pass Through Identifying Number	CFDA #	Federal Award	2019-2020 Expenditures
Passed through Oregon Department of Transportation - Formula Grants for Rural Areas and Tribal Transit Program				
34202 ODOT - 5311	34202	20.509	88,031	44,933
33820 ODOT - 5311	33820	20.509	187,723	68,883
33425 ODOT - 5311	33425	20.509	176,061	88,031
31971 ODOT - 5311	31971	20.509	582,947	22,089
				223,936
Total U.S. Department of Transportation				9,633,836
<u>U.S. Department of Health and Human Services</u>				
<i>Aging Cluster</i>				
Passed through Lane Council of Governments				
LCOG Volunteer Escort		93.044		10,200
Subtotal Aging Cluster				10,200
Total U.S. Department of Health and Human Services				10,200
Total Federal Awards				\$ 9,644,036

**LANE TRANSIT DISTRICT, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020. 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, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor 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:

CFDA Numbers	Name of Federal Program or Cluster	Type of Auditor’s Report Issued on Compliance for Major Federal Programs
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster	<i>Unmodified</i>
20.513	Transit Services Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.



LANE TRANSIT DISTRICT, OREGON SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

2019-001 – Allowable Costs – Payroll, Significant Deficiency in Internal Controls over Compliance

Federal Agency – Department of Transportation

Federal Program – CFDA 20.500, 20.507, 20.525, 20.526 – Federal Transit Cluster

Award Year – 2019

Criteria or specific requirement:

In accordance with Uniform Guidance Part 200.405, a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to the Federal award or cost objective in accordance with relative benefits received.

Condition:

During Moss Adams' testing of a random sample of 25 transactions for the Federal Transit Cluster, management was unable to provide the correct rates, specifically the fringe rate, to utilize in the recalculation of the amount being charged to the Federal award.

Context:

Using the complete population of 4,927 payroll disbursements charged to the Federal Transit Cluster, Moss Adams tested a sample of 25 payroll disbursements to recalculate the amount of payroll charged to the Federal award. Each of the selected employee's time card, approved pay rate, and the last-approved burden rate was obtained in order to perform this calculation.

Effect:

Of the 25 transactions randomly selected, recalculations indicated that 21 transactions under-charged the Federal award and 4 transactions over-charged to the Federal award.

Questioned costs:

None.





LANE TRANSIT DISTRICT, OREGON SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

Cause:

The District did not have adequate controls in place to verify amounts charged to the Federal award. It was noted that pay rates can change frequently due to the District's workforce and a control is needed to verify the payroll charges being allocated to the Federal award which are not calculated in the District's system agree with the payroll being recorded in the District's system. Regarding the burden rate specifically, the District's system does not maintain a history documenting when changes are made.

Recommendation:

It was recommended that a control be implemented to independently verify that payroll amounts charged to the Federal award are in agreement with the amounts supported by the District's general ledger. Additionally, it was recommended a control be implemented to document the approval of the burden rate as evidence that it has been updated in the general ledger correctly.

Views of responsible officials:

Effective February 1, 2020 the following will be the new process:

- (1) The fringe rate calculation will be reviewed annually by Finance to see if any changes are needed.
- (2) Any changes to the fringe rate will be communicated to the Payroll Technician.
- (3) The Payroll Technician will print a new wage sheet each pay period showing the updated fully- burdened wage rate per employee and forward it to the Fleet Maintenance Business Process Specialist.
- (4) The Business Process Specialist will input any new fully-burdened wage rates into the EAM System for the pay period in which the new fully-burdened rate became effective.
- (5) The Fleet Director or designee, will approve the EAM PM Work Order report prior to any grant draw downs.
- (6) Grants personnel will periodically test EAM Work Orders to confirm the current fully-burdened wage rates have been entered.

Current status:

Resolved.

