



LANE TRANSIT DISTRICT EUGENE, OREGON

SINGLE AUDIT

FISCAL YEAR ENDED JUNE 30, 2015



2014-2015

Single Audit

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Lane Transit District
Eugene, Oregon

For Fiscal Year Ended June 30, 2015



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 the financial statements of Lane Transit District (the District) as of and for the year ended June 30, 2015, 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 14, 2015.

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'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 District'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 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*.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2015



GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and

questioned costs as items 2015-001. 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 OMB Circular A-133, 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

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 OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended June 30, 2015 and have issued our report thereon dated December 14, 2015 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 the purposes of additional analysis as required by OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2015

Lane Transit District
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2015

| <u>U.S. Department of Transportation</u> | Pass Through Identifying Number | CFDA# | Federal Award | 2014-2015 Expenditures |
|--|--|--------------|----------------------|-----------------------------------|
| <i>Federal Transit Cluster</i> | | | | |
| Capital Improvement Grants | | | | |
| OR-03-0122 - 5309 | N/A | 20.500 | \$ 29,597,040 | \$ 89 |
| OR-03-0127 - 5309 | N/A | 20.500 | 24,423,479 | 7,267,417 |
| OR-04-0030 - 5309 | N/A | 20.500 | 1,000,000 | 196,050 |
| OR-04-0038 - 5309 | N/A | 20.500 | 5,500,000 | 2,290,386 |
| OR-04-0041 - 5309 | N/A | 20.500 | 1,088,000 | 562,970 |
| OR-04-0048 - 5309 | N/A | 20.500 | 5,221,660 | 34,586 |
| | | | | <hr/> 10,351,498 |
| Capital and Operating Assistance Formula Grants | | | | |
| OR-90-X152 - 5307 | N/A | 20.507 | 14,857,507 | 87,710 |
| OR-90-X161 - 5307 | N/A | 20.507 | 11,091,351 | 25,441 |
| OR-90-X179 - 5307 | N/A | 20.507 | 9,735,040 | 5,118,866 |
| OR-95-X030 - 5307 | N/A | 20.507 | 2,190,000 | 2,057 |
| OR-95-X035 - 5307 | N/A | 20.507 | 971,101 | 5,604 |
| OR-95-X055 - 5307 | N/A | 20.507 | 4,747,019 | 886,796 |
| | | | | <hr/> 6,126,474 |
| | | | | <hr/> 16,477,972 |
| <i>Subtotal Federal Transit Cluster</i> | | | | |
| <i>Transit Services Programs Cluster</i> | | | | |
| Capital and Operating Assistance Formula Grants | | | | |
| OR-37-X016 - 5316 | N/A | 20.516 | 944,004 | 33,944 |
| OR-37-X024 - 5316 | N/A | 21.516 | 171,819 | 109,801 |
| | | | | <hr/> 143,745 |
| OR-57-X012 - 5317 | N/A | 20.521 | 154,843 | 48,263 |
| OR-16-X045 - 5310 | N/A | 20.513 | 474,358 | 106,901 |
| Passed through Oregon Department of Transportation | | | | |
| 29317 ODOT - 5310 | 29317 | 20.513 | 2,078,656 | 1,096,648 |
| | | | | <hr/> 1,203,549 |
| | | | | <hr/> 1,395,557 |
| <i>Subtotal Transit Services Programs Cluster</i> | | | | |

See Notes to Expenditures of Federal Awards.

Lane Transit District
Schedule of Expenditures of Federal Awards (Continued)
For the fiscal year ended June 30, 2015

| <u>U.S. Department of Transportation</u> | Pass Through Identifying Number | CFDA# | Federal Award | 2014-2015 Expenditures |
|---|---------------------------------------|--------|---------------|---------------------------|
| <i>Highway Planning and Construction Cluster</i> | | | | |
| Passed through Lane Council of Governments | | | | |
| LCOG UPWP 2015 - STP | unknown | 20.205 | \$ 25,000 | \$ 25,000 |
| Passed through Oregon Department of Transportation | | | | |
| 30269 ODOT - STP | 30269 | 20.205 | 57,725 | 57,725 |
| 30666 ODOT - STP | 30666 | 20.205 | 110,000 | 13,783 |
| ODOT Be Safe Be Seen January 2015 - STP | unknown | 20.205 | 2,500 | 2,500 |
| ODOT Carshare - STP | unknown | 20.205 | 4,478 | 4,487 |
| ODOT Carshare - Unknown - STP | unknown | 20.205 | 8,973 | 907 |
| ODOT HU-14-10-25 Springfield SRTS - STP | HU-14-10-25 | 20.205 | 58,088 | 14,396 |
| ODOT HU-15-10-25 Springfield SRTS- Federal - STP | HU-15-10-25 | 20.205 | 47,182 | 34,262 |
| ODOT TAP (20.205) - STP | | 20.205 | | 915 |
| <i>Subtotal Highway Planning and Construction Cluster</i> | | | | 153,975 |
| Passed through Oregon Department of Transportation | | | | |
| 30112 ODOT - 5304 | 30112 | 20.515 | 24,000 | 5,350 |
| Capital Improvement Grants | | | | |
| OR-39-0007 - 5339 | N/A | 20.522 | 750,000 | 424,129 |
| OR-39-0008 - 5339 | N/A | 20.522 | 16,384,000 | 4,722,953 |
| | | | | 5,147,082 |
| Passed through Oregon Department of Transportation | | | | |
| 29408 ODOT - 5311 | 29408 | 20.509 | 146,434 | 65,720 |
| 29940 ODOT - 5311 | 29940 | 20.509 | 80,028 | 80,026 |
| ODOT TAP (20.509) - STP | unknown | 20.509 | 1,574 | 1,917 |
| | | | | 147,663 |
| Total U.S. Department of Transportation | | | | 23,327,599 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Passed through Lane Council of Governments | | | | |
| LCOG Livability Consortium - STP | unknown | 14.703 | 20,500 | 5,372 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed through Lane Council of Governments | | | | |
| LCOG Volunteer Escort 14-15 - OAA | unknown | 93.044 | 10,222 | 10,222 |
| Total Federal Awards | | | | \$ 23,343,193 |

See Notes to Expenditures of Federal Awards.

Lane Transit District
Notes to Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2015

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to Lane Transit District's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Lane Transit District, it is not intended to and does not present either the financial position or the results of operations of the District.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for Lane Transit District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in notes to the financial statements. Additionally, the Schedule includes all federal programs administered by Lane Transit District for the year ended June 30, 2015.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the accrual basis of accounting.

**Lane Transit District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2015**

SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|---|---------------|
| Type of auditor’s report issues: | Unmodified |
| Internal control reporting: | |
| • Material weakness(es) identified? | No |
| • 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 Section 510(a) of Circular A-133? | Yes |

Identification of major programs:

| CFDA | Program Title |
|-----------------|-------------------------|
| 20.500 & 20.507 | Federal Transit Cluster |
| 20.522 | Alternative Analysis |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$700,296 |
| Auditee qualified as low-risk auditee? | Yes |

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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.

**Lane Transit District
Schedule of Findings and Questioned Costs (Continued)
For the fiscal year ended June 30, 2015**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

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

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.

**Lane Transit District
Summary Schedule of Prior Audit Findings
June 30, 2014**

There were no findings or questioned costs reported in the prior year.

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Lane Transit District

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