



# **Lawton Area Transit System**

## **Report on Audits of Financial Statements**

**June 30, 2013 and 2012**

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**June 30, 2013 and 2012**

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*Financial Section*



# Ronald C. Cottrell, CPA

## Independent Auditor's Report

Board of Trustees  
City Transit Trust  
Lawton, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying statements of net position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended of the Lawton Area Transit System, and the related notes to the financial statements, which collectively comprise the Lawton Area Transit System's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Ronald C. Cottrell, CPA

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawton Area Transit System as of June 30, 2013 and 2012, and the changes in financial position and the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. The Lawton Area Transit System has not presented management's discussion and analysis.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, on our consideration of Lawton Area Transit System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawton Area Transit System's internal control over financial reporting and compliance.

*Ronald C. Cottrell, CPA*

Ronald C. Cottrell, CPA  
Kansas, Oklahoma  
March 12, 2014

**Lawton Area Transit System**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 196,131	\$ 192,111
Receivables:		
Due from City of Lawton	192,976	117,885
Other	23,068	18,261
Inventory	<u>108,788</u>	<u>100,099</u>
Total assets	<u>520,963</u>	<u>428,356</u>
 <b>Deferred outflow of resources</b>	 -	 -
Combined assets and deferred outflow of resources	<u>520,963</u>	<u>428,356</u>
 <b>Liabilities</b>		
Accounts payable	100,666	114,096
Accrued payroll liabilities	90,023	87,384
Compensated absences	<u>8,867</u>	<u>7,471</u>
Total liabilities	<u>199,556</u>	<u>208,951</u>
 <b>Deferred inflow of resources</b>	 -	 -
Combined liabilities and deferred inflow of resources	<u>199,556</u>	<u>208,951</u>
 <b>Net position</b>		
Restricted - expendable	<u>\$ 321,407</u>	<u>\$ 219,405</u>

The accompanying notes are an integral part of these financial statements.

**Lawton Area Transit System**  
**Statements of Activities**  
**Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating revenues -</b>		
City of Lawton reimbursements	\$ 2,874,335	\$ 3,256,705
Fare revenue	350,180	344,219
Advertising	61,960	49,950
Total operating revenues	<u>3,286,475</u>	<u>3,650,874</u>
<b>Operating expenses -</b>		
Salaries and wages	1,115,632	1,115,726
Fringe benefits	360,551	378,226
Services	198,480	177,249
Fuel and lube	464,987	433,437
Tires and tubes	26,778	22,203
Other material and supplies	150,904	273,163
Utilities	35,512	34,972
Insurance	131,103	149,481
Taxes	141	60
Rental	53,520	49,060
Fares and advertising transferred to City	407,333	394,276
Vehicle purchases	58,972	343,866
Miscellaneous operating	201,093	253,509
Total operating expenses	<u>3,205,006</u>	<u>3,625,228</u>
<b>Net operating income (loss)</b>	81,469	25,646
<b>Nonoperating revenues (expenses)</b>		
Miscellaneous revenues	20,533	4,353
Total nonoperating revenues (expenses)	<u>20,533</u>	<u>4,353</u>
<b>Net income (loss)</b>	102,002	29,999
Net position, beginning	<u>219,405</u>	<u>189,406</u>
Net position, ending	<u><u>\$ 321,407</u></u>	<u><u>\$ 219,405</u></u>

The accompanying notes are an integral part of these financial statements.



**Lawton Area Transit System**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Operating income (loss)	\$ 81,469	\$ 25,646
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(79,898)	853
(Increase) decrease in inventories	(8,689)	15,272
Increase (decrease) in accounts payable	(13,430)	(20,509)
Increase (decrease) in accrued payroll liabilities	2,639	9,927
Increase (decrease) in compensated absences	1,396	1,055
Total adjustments	<u>(97,982)</u>	<u>6,598</u>
Net cash provided (used) by operating activities	<u>(16,513)</u>	<u>32,244</u>
<b>Cash flows from noncapital financing activities</b>		
Miscellaneous income	<u>20,533</u>	<u>4,353</u>
Net cash provided (used) by noncapital financing activities	<u>20,533</u>	<u>4,353</u>
<b>Cash flows from capital and related financing activities</b>		
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,020	36,597
Cash and cash equivalents, beginning	<u>192,111</u>	<u>155,514</u>
Cash and cash equivalents, ending	<u><u>\$ 196,131</u></u>	<u><u>\$ 192,111</u></u>

The accompanying notes are an integral part of these financial statements.

**Lawton Area Transit System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**I. Organization**

The City of Lawton created the City Transit Trust (CTT) on April 28, 1975, for the purpose of owning, operating, managing, and financing a transportation system within the City of Lawton. The City of Lawton is the sole beneficiary of CTT and is the official policy-making body for the Lawton Area Transit System (LATS). Trust meetings are separate from the city council meetings with separate budgets, policies, and minutes.

In the fall of 2000, the City of Lawton approved the implementation of the public transportation system (known as Lawton Area Transit System). On February 13, 2001, CTT hired McDonald Transit Association to be contract manager for operation of LATS. McDonald Transit Association formed Lawton Transit Management, Inc., doing business as (dba) Lawton Area Transit System in January 2002. LATS employs the operators, maintenance, and operations personnel and manages the daily operations of LATS within the boundaries established by CTT. The general manager of LATS is an employee of McDonald Transit Association.

CTT receives revenue from the Federal Transit Administration grants, State of Oklahoma Public Transit Revolving Fund, and transportation fares collected by LATS. The City of Lawton has an annual agreement with CTT and the Public Transit Revolving Fund of the State of Oklahoma to provide local financial matching funds for Federal Transit Administration grants. CTT receives all state and federal monies, and the revenue from transportation fares is deposited into the City of Lawton's general account. The Planning Division of the City of Lawton provides CTT with administrative support (i.e., filing and receiving grant funds, allocation of grant funds, and oversight of expenditures), while CTT uses the funds it receives to support LATS operations in a reimbursement arrangement.

**II. Summary of significant accounting policies**

**A. Reporting entity**

The accompanying financial statements present the operations of the Lawton Area Transit System and do not include the operations, accounts, or activities of the City of Lawton, City Transit Trust, or McDonald Transit Association. LATS is reported as a single purpose government, in accordance with GASB Statement No. 34; using a business-type activities presentation. As such, fund financial statements are not required.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

principal operating revenues of LATs are reimbursements from the City of Lawton for allowable operating expenses incurred, fare revenues collected, and advertising revenues on the vehicles. Operating expenses include the costs incurred to provide the transit services such as salaries, vehicle expenses, and administration. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **C. Assets, liabilities, deferred outflows and inflows, and net position**

### **1. Deposits and investments**

LATS cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State Statutes authorize LATs to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma county, school district, or municipality.

Investments are reported at fair value.

### **2. Receivables and payables**

All trade receivables are shown as net of an allowance for uncollectibles. The receivable from the City of Lawton consists of reimbursement of claims filed with the CTT for operation expenses incurred.

### **3. Inventories**

Inventories consist of parts and supplies used for the maintenance and repair of transit vehicles. Inventories are recorded at cost and charged to expense when used.

### **4. Capital assets**

Acquisitions of property and equipment are considered property of the City Transit Trust and are included in the capital asset balances of the City of Lawton. The City of Lawton's fixed asset policy states that capital additions will be capitalized if they have a useful life of more than one year and have a unit cost of \$ 500 or more. Depreciation of property and equipment is calculated on estimated useful lives using the straight-line method. Capital asset acquisitions are shown as expenses by LATs.

### **5. Compensated absences**

Permanent employees earn vacation and sick leave based on years of service at varying rates. Employees are allowed to carryover unused vacation and sick leave up to certain maximum amounts. Unused vacation is paid to the employees upon separation from employment. Unused sick leave is paid only in certain circumstances.

## **6. Net position**

Net position is displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – All other net position that do not meet the definition of “net investment in capital assets” or “restricted”.

## **7. Use of estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## **III. Detailed notes on all funds**

### **A. Deposits and investments**

#### *Deposits*

LATS' carrying amounts of deposits were \$ 195,934 and \$ 191,128 as of June 30, 2013 and 2012, respectively while the bank balances totaled \$ 227,815 and \$ 234,280. Deposits are carried at cost.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, LATS's deposits may not be returned to it. LATS does not have a deposit policy for custodial credit risk. As of June 30, 2013 and 2012 all of LATS' bank balances were federally insured.

#### *Investments*

As of June 30, 2013 and 2012 LATS had no investments.

### **B. Receivables**

LATS submits requests for reimbursements of expenditures to the City Transit Trust on a weekly basis.

As of June 30, 2013 and 2012, LATS had the following outstanding receivables:

	2013	2012
Due from the City of Lawton	\$ 192,976	\$ 117,885
Other receivables	23,068	18,261
Total receivables	216,044	136,146
Less: Allowance for doubtful accounts	-	-
Accounts receivable, net	<u>\$ 216,044</u>	<u>\$ 136,146</u>

### C. Capital assets

The capital assets used by LATS to operate the system are funded and owned by the City of Lawton Transit Trust.

### D. Compensated absences

Employees are eligible to take vacation on a compensated basis after one year of service with the amount of vacation pay ranging from ten to fourteen days per year determined by length of service. Employees are allowed to carryover a maximum of 40 hours of vacation each year. LATS limits payment of unused vacation time to a maximum of 80 hours upon termination of employment. Sick leave is accrued at a rate of ½ day per month or 6 days per year with a maximum of 160 hours of sick leave that may be accrued. When an employee leaves employment with LATS, the balance of sick leave is forfeited, unless the employee has over 15 years of service, with a maximum payment of 90 days.

The accompanying financial statements, as of June 30, 2013 and 2012, include an outstanding liability of \$ 8,867 and \$ 7,471, respectively, for compensated absences.

### E. Leases

#### *Operating Lease*

LATS signed a lease agreement on December 11, 2007 whereby it will lease an office building and the maintenance facility for ten (10) years beginning with the occupancy date of the new office building (2009), with two additional five (5) year options. The lease payment will be \$ 4,460 per month for the term of the lease.

Lease payments for the remainder of the lease will be as follows:

Year Ended June 30,	Amount
2014	\$ 53,520
2015	53,520
2016	53,520
2017	53,520
2018	53,520
2019	13,380
Total	<u>\$ 280,980</u>

#### **IV. Other information**

##### **A. Risk management**

LATS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. LATS has insurance for the major risks such as property, general liability, workers' compensation and unemployment.

##### **B. Commitments and contingent liabilities**

The City Transit Trust receives matching capital grants from the federal and state sources. The grant expenditures are subject to audit, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits would be a liability of the City Transit Trusts. Lack of federal grant funds would have a material effect on LATS's ability to function.

LATS has ordered a bus, with estimated delivery of October 2013, costing approximately \$ 339,000 which will be paid mostly by Federal grants and other funds from the City of Lawton. Local matching funds required total \$ 67,800.

##### **C. Employee retirement system and pension plans**

On February 1, 2004, the System adopted a Simplified Pension Plan (a defined contribution plan) for all its full-time employees who are at least eighteen (18) years of age, are not covered under a collective bargaining agreement, are not leased employees, or are not highly compensated employees. Qualified employees are eligible to participate in the plan when hired. During the years ended June 30, 2013 and 2012, the system contributed 3% of eligible employees' annual salary into a qualified retirement plan commonly referred to as a 401 (k) plan in the amount of \$ 16,910 and \$ 23,150 on a covered payroll of \$ 1,115,009 and \$ 909,139, out of \$ 1,138,569 and \$ 1,131,143 in total applicable payroll for the twelve month periods ended June 30, 2013 and 2012, respectively.

The plan has a vesting schedule with forfeitures designated to reduce future contributions to the plan. Vesting is as follows:

<u>Years of service</u>	<u>Vested percentage</u>
<1	0
1	5
2	20
3	40
4	60
5	80
6	100

##### **D. Subsequent Events**

Management of Lawton Area Transit System has evaluated subsequent events through March 12, 2014, the date which the financial statements were available to be issued.

##### **E. National Transit Database requirements**

The Lawton Area Transit System records accounting information in compliance with the requirements of the National Transit Database (NTD) requirements. The NTD requires that records be maintained on the accrual basis of accounting. In addition, revenues are recognized by sources of funds and expenditures are recorded by object class and function.

The following reflects the system's expenses by NTD object class and function for the years ended June 30, 2013 and 2012:

<u>2013</u>	Function					Total
	General & Administrative	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	ADA	
Object						
Payroll	\$ 58,399	\$ 672,234	\$ 211,316	\$ -	\$ 173,683	\$ 1,115,632
Fringe benefits	17,930	283,082	49,951	-	9,588	360,551
Services	165,727	4,977	14,830	12,946	-	198,480
Fuel and lube	-	426,297	38,595	95	-	464,987
Tires and tubes	-	25,559	1,219	-	-	26,778
Other materials and supplies	18,078	101,238	3,974	27,614	-	150,904
Utilities	35,512	-	-	-	-	35,512
Insurance	-	131,103	-	-	-	131,103
Taxes	-	141	-	-	-	141
Rental	53,520	-	-	-	-	53,520
Vehicle purchases	-	58,972	-	-	-	58,972
Miscellaneous <sup>(2)</sup>	106,091	1,180	17,829	29,284	46,709	201,093
City of Lawton <sup>(1)</sup>	407,333	-	-	-	-	407,333
Total	<u>\$ 862,590</u>	<u>\$ 1,704,783</u>	<u>\$ 337,714</u>	<u>\$ 69,939</u>	<u>\$ 229,980</u>	<u>\$ 3,205,006</u>

  

<u>2012</u>	Function					Total
	General & Administrative	Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	ADA	
Object						
Payroll	\$ 63,910	\$ 651,354	\$ 214,866	\$ -	\$ 185,596	\$ 1,115,726
Fringe benefits	15,462	252,637	58,750	-	51,377	378,226
Services	155,985	4,246	12,178	4,840	-	177,249
Fuel and lube	-	398,882	34,285	270	-	433,437
Tires and tubes	-	20,809	1,394	-	-	22,203
Other materials and supplies	15,404	217,038	3,993	36,728	-	273,163
Utilities	34,972	-	-	-	-	34,972
Insurance	-	149,481	-	-	-	149,481
Taxes	-	60	-	-	-	60
Rental	49,060	-	-	-	-	49,060
Vehicle purchases	-	343,866	-	-	-	343,866
Miscellaneous <sup>(2)</sup>	110,601	-	126,236	16,672	-	253,509
City of Lawton <sup>(1)</sup>	394,276	-	-	-	-	394,276
Total	<u>\$ 839,670</u>	<u>\$ 2,038,373</u>	<u>\$ 451,702</u>	<u>\$ 58,510</u>	<u>\$ 236,973</u>	<u>\$ 3,625,228</u>

(1) Amount of fare and advertising revenue collected and remitted to the City of Lawton.

(2) Includes expenditures for travel, advertising and promotion, shop and support equipment, and passenger amenities, as well as bad debt expense. For 2012, bad debt expense was \$ 101,656, resulting from the write-off of accounts receivable from the City of Lawton of \$ 99,542 accrued in fiscal year ended June 30, 2010 for claims which had been reduced to offset insurance settlement payments received in that year, as well as prior years. The City of Lawton elected to not pay the claims so the receivable was written off as bad debt expense in the fiscal year ended June 30, 2012.

## **F. Related party transactions**

The City of Lawton provides some data processing services for LATS and processes transaction information supplied to them by LATS. These services are provided by the City of Lawton at no cost to LATS.

## *Supplementary Information*





## Ronald C. Cottrell, CPA

### **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 Trustees  
City Transit Trust  
Lawton, Oklahoma

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 statement of net position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements of Lawton Area Transit System, which collectively comprise Lawton Area Transit System's basic financial statements, and have issued our report thereon dated March 12, 2014. Management's discussion and analysis, which is required supplementary information, was not presented.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-2 to be a significant deficiency.

## Ronald C. Cottrell, CPA

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton Area Transit System'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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Lawton Area Transit System's Response to Findings

Lawton Area Transit System's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Lawton Area Transit System'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 result 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 Lawton Area Transit System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Ronald C. Cottrell, CPA

Ronald C. Cottrell, CPA  
Kansas, Oklahoma  
March 12, 2014

## **Lawton Area Transit System**

### **Schedule of Findings and Responses**

#### **Financial Statement Findings**

##### **2013-1      Review and Reconciliation of Financial Reports**

Criteria – An entity’s accounting records should contain complete and accurate accounting data to ensure that financial reports prepared from the accounting records reflect the correct account balances and include all transactions that occurred during the period to help allow management to make informed operating decisions.

Condition – Fare and advertising revenues received totaling approximately \$ 117,000 were not recorded in the general ledger accounting records. These funds were properly deposited into the City of Lawton’s account on receipt, but were not properly recorded by Lawton Area Transit System.

Cause and Effect – Daily fare receipts were reconciled with the route records and deposited into the City of Lawton’s bank account. However, the receipts were either not recorded in LATs general ledger or were recorded incorrectly on several occasions. The general ledger trial balance underreported fare and advertising revenue and the offsetting transfer out to the City of Lawton expense as a result of these receipts not being recorded. The revenues reported in the general ledger were not reconciled with the deposits made.

Recommendation – The revenues recorded in the general ledger shall be reconciled at least monthly with the actual receipts and deposits to ensure that all revenues received are properly and accurately recorded in the general ledger accounting records.

Management’s Response – The revenues recorded in the general ledger will be reconciled on a monthly basis with the actual deposit receipts. The Accountant at the City of Lawton will compile a spreadsheet of deposits made by LATs and the general ledger will be compared for material differences on a quarterly basis.

##### **2013-2      Data Input of Para-Transit Revenue Miles**

Criteria – Miles driven for para-transit services should be recorded by vehicle each day to allow for preparation of summary reports of total miles driven. Data should be verified to help ensure the accuracy of information in the system and reports prepared.

Condition – Procedures were not in place to properly verify the data entered into the Route Match system or the daily and month-end reports prepared. Vehicle numbers and beginning and ending vehicle odometer readings for some vehicles were not always entered correctly into the Route Match system. Miles were not always entered correctly into the Route Match system. Beginning and ending vehicle odometer readings for some vehicles overlapped.

Cause and Effect – LATs supervisors were not consistently verifying the data entered for errors or reviewing the reports for reasonableness and accuracy. Three administrators are adding and deleting vehicles, changing vehicle numbers and changing level of access for users without communicating with each other.

Recommendation – LATS should establish procedures and controls to ensure all data entered into the Route Match system is verified for accuracy and all reports generated are reviewed by supervisory personnel.

Management's Response – Management established and implemented new reporting procedures for the RouteMatch (RM) scheduling system, effective July 18, 2013. The Operations department will be responsible for the daily scheduling of trips using the RM scheduling system. The Director of Operations will report to the General Manager by exercising the following procedure:

1. All RM reports will be created and printed by operations staff in the same format required for the annual audit. Both the weekly, monthly, and yearly RM reports will be created without the NTD formula activated. (Note: Operations staff shall be advised of the NTD requirement for reporting and instructed to reactivate the NTD formula for normal day-to-day use of RM). The Operations Director is responsible to ensure the NTD formula is used in the correct manner for both reporting and day-to-day use of RM.
2. RM data will be checked daily by operations staff and verified by the Operations Director. The daily verification checks will be incorporated into a weekly RM report. The Operations Director is responsible for emailing the weekly RM report to the General Manager each Monday by 7:00 p.m. and copy to Accounting.
3. In addition to the submittal of the weekly RM report, the Operations Director is responsible for emailing the General Manager the monthly RM report at the same time (6<sup>th</sup> to 8<sup>th</sup> of each month) the monthly para and fixed routes are submitted.

**Lawton Area Transit System**  
**Summary Schedule of Prior Audit Findings**

**Financial Statement Findings**

**2012-01 Calculation of Para-Transit Revenue Miles**

Condition – Procedures were not in place to properly verify the data entered into the Route Match system or the daily and month-end reports prepared. Miles were not always entered correctly into the Route Match system. No entries were made for October 2012 after October 4. Beginning and ending vehicle odometer readings for some vehicles overlapped.

Status – This condition still exists.