

**RICHLAND COUNTY TRANSIT BOARD**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

We have reviewed the Independent Auditor's Report of the Richland County Transit Board, Richland County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Richland County Transit Board is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 12, 2004

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**RICHLAND COUNTY TRANSIT BOARD  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

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**RICHLAND COUNTY TRANSIT BOARD  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

**APPOINTED OFFICIALS**

<u>OFFICIAL</u>	<u>APPOINTED DATES</u>
Ezra Jordan	01/01/2000 – 12/31/2002
Florentine Dearman	06/16/1998 – 12/31/2003
Lee Preston	01/11/1996 – 12/31/2004
Kenneth Kreiger	01/01/2000 – 12/31/2002
Joseph Mudra	01/01/2000 – 12/31/2004
Jeff Delianides	06/16/1998 – 12/31/2003
David Haring	01/29/2002 – 12/31/2002

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

We have audited the accompanying financial statements of the Richland County Transit Board (the Transit Board), Mansfield, Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Transit Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richland County Transit Board, as of December 31, 2002 and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 on our consideration of the Transit Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**INDEPENDENT AUDITOR'S REPORT** (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and is not a required part of the financial statements of the Transit Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 12, 2003



**Richland County Transit Board**  
**Balance Sheet**  
**December 31, 2002**

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Assets

Cash in Richland County Treasury	\$69,065
Accounts Receivable:	
TMR	96,884
Other	37,976
Property and Equipment	<u>3,528,831</u>
Total Assets	<u>\$3,732,756</u>

Liabilities

Accounts Payable	<u>\$50,832</u>
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Equity

Retained Earnings	<u>3,681,924</u>
Total Liabilities and Equity	<u>\$3,732,756</u>

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

**Richland County Transit Board**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**For the Fiscal Year Ended December 31, 2002**

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Revenues

Federal	\$682,420
State	207,377
Local Government	242,216
Coordinating Revenue	94,054
Lease Revenue	21,767
Transit System Revenue:	
Farebox Receipts	140,001
Local Special Fare Assistance	100,065
Advertising	12,710
Miscellaneous	19,943
	<hr/>
Total Revenues	<u>1,520,553</u>

Expenses

Purchased Services:	
System Operators - TMR	1,083,893
Richland County Regional Planning Commission	67,725
Coordinating	74,671
Board Members Compensation	7,069
Professional Services	6,963
Equipment and Supplies	5,133
Depreciation	192,860
Fuel	78,366
Insurance	59,473
Extra	55,666
Miscellaneous	40,236
	<hr/>
Total Expenses	<u>1,672,055</u>
Net Income	(151,502)
Retained Earnings Beginning of Year (Restated, See Note 3)	<u>3,833,426</u>
Retained Earnings End of Year	<u><u>\$3,681,924</u></u>

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

**Richland County Transit Board**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended December 31, 2002**

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Cash Flows from Operating Activities:

Net Income	(\$151,502)
Adjustments to Reconcile Net Income to Cash	
Provided by Operating Activities:	
Depreciation	192,860
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(32,170)
Decrease in Due from TMR	89,162
Decrease in Accounts Payable	<u>(39,782)</u>
Total Adjustments	<u>210,070</u>
Increase in Cash	58,568
Cash Beginning of Year	<u>10,497</u>
Cash End of Year	<u><u>\$69,065</u></u>

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

**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Richland County Transit Board (the Transit Board) was organized in 1977 under Section 306 of the Ohio Revised Code to operate a transit system. The Transit Board provides public transportation services in the Richland County Metropolitan area. The Transit Board operates under an appointed Board (seven members) that is responsible for the provisions of public transportation.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity", the Transit Board is not considered part of the Richland County financial reporting entity. There are no agencies or organizations for which the Transit Board is considered the primary government. Accordingly, the Transit Board is the sole organization of the reporting entity.

The Transit Board maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Transit Board and, accordingly, these financial statements do not present the financial position or results of operations of Richland County.

The Transit Board has no employees. A management team through a contract with First Transit operates the transit system. The general manager, assistant general manager and the maintenance director are all employees of First Transit. First Transit is paid a flat monthly fee for these services, per a five-year contract. The bus drivers, mechanics, office and cleaning people are all employees of the sub-corporation of First Transit, Transit Management of Richland. The Transit Board pays Transit Management of Richland monthly for all costs incurred. The Richland County Regional Planning Commission provides fiscal and secretarial support to the Transit Board. The Planning Commission bills the Transit Board monthly for services provided.

The Board members of the Transit Board are compensated for each monthly meeting that they attend. They are paid through the Richland County payroll system.

The accompanying financial statements have been designed to facilitate an understanding of the financial position and results of operations of the Transit Board. The financial information contained in these statements is the responsibility of the Transit Board.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

In accordance with generally accepted accounting principles for governmental entities such as the Transit Board, an enterprise fund is used to account for operations since they are financed and operated in a manner similar to a private business enterprise. The Transit Board applies all applicable pronouncements from the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The Transit Board prepares its financial statements on the accrual basis of accounting, using a flow of economic resources measurement focus. Revenue is recognized in the period earned and expenses are recognized in the period incurred. Assets are recorded at the time there is a right, now or in the future, for their receipt and liabilities are recorded when they are incurred.

**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Cash Deposits**

The Transit Board deposits all receipts in the Richland County Treasury. The County Treasurer maintains a cash and investment pool used for all County and Transit Board funds. The Transit Board has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury.

Pursuant to Section 135.181, Ohio Revised Code, the County's deposits are covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with specific depository institutions. In accordance with GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", all deposits are classified as to risk.

The following risk categories most typically used are:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

The Transit Board's deposits with Richland County are classified in Category 3. Richland County's deposits of the Transit Board's funds are held by third party trustees pursuant to Section 135.181, Ohio Revised Code in collateral pools securing all public monies on deposit with specific depository institutions.

**C. Investments**

The Ohio Revised Code does not provide the Transit Board the power to make or hold investments other than the deposits in the Richland County Treasury explained above.

**D. Property and Equipment**

Property and equipment items are stated at cost and are depreciated on the straight line method over their estimated useful lives that range from five to forty years. Donated property and equipment is recorded at fair market value on the date donated. Upon sale or disposition of furniture and equipment, the cost and related depreciation are removed from the accounts and any gain or loss is recognized.

**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Cash Equivalents

For the purposes of the statement of cash flows, the Transit Board considers all cash held by the Richland County Treasury to be cash equivalents since they are available to the Transit Board upon demand.

**NOTE 3 – RESTATEMENT OF PRIOR YEAR RETAINED EARNINGS**

Beginning retained earnings has been restated to reflect the correction of errors in the prior year. Accounts Receivable, Property and Equipment, Accumulated Depreciation, Accounts Payable and other liabilities have been restated as follows:

Retained Earnings as Stated at December 31, 2002	\$3,843,651
Restatements to:	
Accounts Receivable	(7,175)
Property and Equipment	(1,501)
Accumulated Depreciation	(120,459)
Accounts Payable and Other Liabilities	118,910
Retained Earnings as Restated at January 1, 2003	<u>\$3,833,426</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

The following schedule reflects changes in property and equipment:

	Assets			
	Balance 12/31/2001	Additions	Deletions	Balance 12/31/2002
Land	\$1,052,683	\$0	\$0	\$1,052,683
Building	2,480,625	0	0	2,480,625
Office Equipment	76,779	0	0	76,779
Operating Equipment	1,893,916	0	0	1,893,916
Total	<u>\$5,504,003</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,504,003</u>

  

	Accumulated Depreciation			Report Value 12/31/2001
	Balance 12/31/2001	Current Provisions	Balance 12/31/2002	
Land	\$0	\$0	\$0	\$1,052,683
Building	800,087	82,688	882,775	1,597,850
Office Equipment	66,873	1,494	68,367	8,412
Operating Equipment	915,352	108,678	1,024,030	869,886
Total	<u>\$1,782,312</u>	<u>\$192,860</u>	<u>\$1,975,172</u>	<u>\$3,528,831</u>

**RICHLAND COUNTY TRANSIT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 5 – RISK MANAGEMENT**

The Transit Board is a member of the Ohio Transit Risk Pool, a self insurance pool created under Chapter 2744 of the Ohio Revised Code. There have been no significant reductions in insurance coverage from the prior period and settlement. Costs have not exceeded insurance coverage in any of the past three years.

**NOTE 6 – CONTINGENCIES**

- A. Federal and State grants are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowance's, if any, would be immaterial.
  
- B. In the normal course of its business activities, the Transit Board may become subject to claims and litigation relating to contracts, employment or other matters. In the opinion of management, the resolution of any such claims pending would not likely have a material impact on the Transit Board's financial position.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

We have audited the financial statements of the Richland County Transit Board (the Transit Board), as of and for the year ended December 31, 2002, and have issued our report thereon dated December 12, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Transit Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Transit Board, in a separate letter dated December 12, 2003.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)**

This report is intended solely for the information and use of management, others within the organization, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'G. B. Fink', with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 12, 2003

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Trustees  
Richland County Transit Board  
35 North Park Street  
Mansfield, Ohio 44902

Compliance

We have audited the compliance of the Richland County Transit Board (the Transit Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Transit Board's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Transit Board's management. Our responsibility is to express an opinion on the Transit Board's compliance based on our audit.

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 Transit Board'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. Our audit does not provide a legal determination on the Transit Board's compliance with those requirements.

As described in items 2002-02 through 2002-05 in the accompanying Schedule of Findings and Questioned Costs, the Transit Board did not comply with requirements regarding activities allowed/unallowed, matching and reporting that are applicable to its Federal Transit Formula Grant. Compliance with such requirements is necessary, in our opinion, for the Transit Board, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Richland County Transit Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133* (continued)**

Internal Control Over Compliance

The management of the Transit Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Transit Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Transit Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 12, 2003

**Richland County Transit Board**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2002**

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Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements
<b><u>U.S. Department of Transportation</u></b>			
Federal Transit-Formula Grants	20.507	----	<u>\$673,886</u>
Total Federal Assistance			<u><u>\$673,886</u></u>

The accompanying notes to this Schedule are an integral part of this Schedule.

**RICHLAND COUNTY TRANSIT BOARD**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Transit Board's federal award program. The Schedule has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	Yes
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Qualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	Yes

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002  
(CONTINUED)**

(d)(1)(vii)	Major Program:	Federal Transit Formula Grants, CFDA #20.507
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

Federal Program: Urbanized Area Formula

Federal Award Number: OH-90-X393-00

Fiscal Year: 2002

Federal Agency: U.S. Department of Transportation, Federal Transit Administration  
CFDA #20.507 Federal Transit – Formula Grants

2002-01 - Material Weaknesses – Allowable/Unallowable Costs

Criteria: Controls should be in place to provide reasonable assurance that Federal awards are expended only for allowable activities.

Condition Found: Controls have not been established to identify specific costs that are being charged to the program category as identified in the Project Budget are allowable.

Effect: Ineligible costs may be charged to the Federal program.

Cause: Costs incurred by the private contractor are not being categorized and reported as to whether the cost was for planning, paratransit service (ADA), preventive maintenance or operating assistance. Costs incurred by the private contractor also have not been monitored by Richland County Transit Board (Transit Board) to verify if costs are allowable.

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002  
(CONTINUED)**

Recommendation: We recommend that the Transit Board require the private contractor to identify costs by budget category so that the Transit Board can request appropriate reimbursement and the costs will be supported by appropriate documentation. We also recommend that the Transit Board establish controls to monitor that the costs being incurred by the private contractor are allowable.

2002-02 - Finding - Activities Allowed/Unallowed

Criteria: In accordance with the project details identified in the grant agreement, planning provided by private contractors would include data collection, route and schedule analysis, planning marketing efforts, equipment management planning and providing for the involvement of the Transit Board members. Per Federal Transit Administration (FTA) Circular 9030.1C, CH 3, #3(a), eligible planning activities include, but are not limited to studies relating to management, operations, capital requirements and economic feasibility, preparation of engineering and architectural surveys, plans and specifications; evaluation of previously funded projects; and other similar or related activities prior to and in preparation for the construction, acquisition or improved operation of transit systems, facilities and equipment.

Condition Found: Subsequent identification of planning costs by the private operator (Transit Management of Richland) include costs for postage, office maintenance, printing and Xerox, office supplies, utility costs and telephone service. These costs are not actual but are an estimate of monthly activity.

These costs do not appear to meet the above-defined criteria for planning costs.

Questioned Costs:	Total Questioned Planning Costs Incurred	\$14,284
	Portion Charged to Federal Program (80%)	\$11,427

Recommendation: The Transit Board needs to identify, for the private contractor, costs by budget category that are allowable/unallowed and stress significance of actual versus estimated amounts with the amounts being supported by appropriate documentation.



**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002  
(CONTINUED)**

2002-03 - Finding - Matching

Criteria: Matching includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards.

Condition Found: In accordance with the approved Project Budget, Planning Activity was split between Program Support Administration and Other Activities Private Operator. The Program Support Administration allowed Total Eligible Costs of \$70,000 for planning by the MPO (the Richland County Regional Planning Commission) and Total Eligible Costs of \$95,000 for planning provided by the private contractors (First Transit and Transit Management of Richland). For the period January 1, 2002 through December 31, 2002, the Transit Board incurred \$64,087 in planning costs with the MPO and \$106,382 in planning costs with the private operators. In preparing the reimbursement requests, the Transit Board combined the two planning areas and was reimbursed the total budgeted amount of \$132,000. However, because the Transit Board only incurred \$64,087 in actual costs with the MPO, the total reimbursement request should have been for \$127,270 not \$132,000.

Questioned Costs: Excess Reimbursement for Planning \$4,730

Recommendation: The Transit Board should only request the applicable percentage allowable by area as identified in the approved Project Budget.

It should be noted that the grant period runs through April 30, 2003 and sufficient planning costs with the MPO were subsequently incurred to cover the reimbursement received.

2002-04 - Finding - Reporting

Criteria: The Department of Transportation Federal Transit Administration Master Agreement states, in Section 9, Payments Subsection C, Costs Reimbursed, that the recipient understands and agrees that project costs eligible for Federal participation must conform to the Project Description, the Approved Project Budget and all other terms of the Grant Agreement and are satisfactorily documented.

Condition Found: Cost reimbursement requests made by the Transit Board could not be traced to specific supporting documentation for costs incurred. Requests were completed as follows:

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002  
(CONTINUED)**

Planning – An arbitrary, fixed amount of the monthly costs incurred by the private contractor hired to operate the system was used to request reimbursement.

Preventive Maintenance – The capital cost of contracting method was utilized even though the Transit Board owns the building, tools and rolling stock.

Capitalized ADA – Monthly paratransit service costs were requested at 1/12 of the budget allocation. Costs should have been those actual costs incurred on a monthly basis.

Net Operating – Net-operating funds requested for reimbursement represented the amount remaining after planning, capital and capitalized ADA in accordance with FTA Circular 9030, Chapter 3, Appendix D(5) "...a grantee may call any eligible cost that is not a capital or planning cost an operating cost".

Recommendation: We recommend that the Transit Board maintain separate accounts that can be identified with the Project Budget. Both the Transit Board and the private contractors need to identify all costs charged to the Project by budget area and support costs with properly executed payrolls, time records, invoices, contracts or vouchers describing in detail the nature and propriety of the charges.

Upon identifying the problems with management of the Transit Board and discussing the situation with the regional office of the Federal Transit Administration (FTA) in Chicago, it was determined that Management needed to provide specific costs by Project Budget category to support the funds received from the FTA. Except as identified in findings presented herein, the Transit Board has been able to provide costs to support funds received.

2002-05 - Finding – Advance to Private Contractor

Criteria: In accordance with FTA Circular 4220-1D (12a) the FTA does not authorize and will not participate in funding payments to a contractor prior to the incurrence of costs by the contractor unless prior written concurrence is obtained from the FTA.

**RICHLAND COUNTY TRANSIT BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002  
(CONTINUED)**

- Condition Found: The Transit Board has been advancing monthly payments to the private contractor, TMR, to pay for expenses incurred by TMR for operation of the transit system.
- Effect: By advancing funds, a large receivable due from TMR in the amount of \$96,884 has developed indicating that TMR has been overpaid.
- Cause: The practice of paying the private contractor in advance to cover costs incurred in operating the transit system rather than reimbursing the private contractor on a monthly basis.
- Recommendation: We recommend that the Transit Board establish a policy that costs incurred by the private contractor will be reimbursed to the private contractor on a monthly basis after sufficient documentation of those costs are provided to the Transit Board for approval. We also suggest that this practice is included in the contract with the private contractor and repayment of amounts due to this Transit Board be made as soon as possible.

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Betty Montgomery**

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**RICHLAND COUNTY TRANSIT BOARD**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2004**