

1. FINANCIAL MANAGEMENT AND CAPACITY

BASIC REQUIREMENT

The grantee must demonstrate the ability to match and manage Federal Transit Administration (FTA) grant funds, cover cost increases and operating deficits, cover maintenance and operational costs for FTA-funded facilities and equipment, and conduct and respond to applicable audits.

FTA Emergency Relief Program

A grant awarded under Section 5324 (Emergency Relief Program), 5307 or 5311 that is made to address an emergency defined under Section 5324(a)(2) is subject to the terms and conditions the Secretary determines are necessary and made only for expenses that are not reimbursed under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

Beyond programmatic waivers and any other waivers addressed in the frequently asked questions (FAQs) such as the Transportation Improvement Plan (TIP), and the State Transportation Improvement Plan (STIP) or on the docket, FTA expects FTA administrative and statutory requirements to apply. However, recipients have the ability to request waivers of administrative requirements when the requirement(s) will limit a recipient's or subrecipient's ability to respond to an emergency or major disaster.

AREAS TO BE EXAMINED

1. *Oversight Reviews/Audits*
2. *Financial Management*
3. *Financial Capacity*
4. *Emergency Relief Grants*
5. *Subrecipient Oversight*

REFERENCES

Fiscal year 2016 Triennial Reviews are being conducted during a period when there have been recent revisions to FTA circulars, as well as other requirements and guidance documents. References included in this document primarily include links to the most recent version of source documents. However, as the review period spans multiple years, compliance with any new or revised laws, regulations, circulars, etc., will

only be applied to activities conducted after the effective date of those related requirements.

1. 49 U.S.C. Chapter 53, Federal Transit Laws
2. Single Audit Act Amendment of 1996
3. 2 CFR Parts 200 and 1201, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"
4. 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87), "Cost Principles for State, Local, and Indian Tribal Governments"
5. 2 CFR Part 230 (OMB Circular A-122), "Cost Principles for Non-Profit Organizations"
6. 49 CFR Part 18, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments"
7. 49 CFR Part 602, Interim Final Rule
8. 51 CFR 552, "Federal Agencies Responsible for Cost Negotiations and Audit of State and Local Government"
9. OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations"
10. FTA Master Agreement
11. FTA Circular 5010.1D, "Grant Management Requirements"
12. FTA Circular 5100.1, "Bus and Bus Facilities Formula Program: Guidance and Application Instructions"
13. FTA Circular 7008.1A, "Financial Capacity Policy"
14. FTA Circular 9030.1E, "Urbanized Area Formula Program: Program Guidance and Application Instructions"

15. FTA Circular 9045.1, "New Freedom Program Guidance and Application Instructions"
16. FTA Circular 9050.1, "The Job Access and Reverse Commute Program Guidance and Application Instructions"
17. FTA Circular 9070.1G, "Enhanced Mobility of Senior and Individuals with Disabilities Program Guidance and Application Instructions"
18. FTA Circular 9300.1B, "Capital Investment Program Guidance and Application Instructions"
19. May 29, 2013 Federal Register Notice
20. Conditions of Award for FTA Public Transportation Emergency Relief Programs

Flexible Funds: FHWA and FTA Programs

Revenue Bonds

Debt Service Reserve Financing

Electronic Clearing House Operation (ECHO) Web User Manual for FTA and FAA Grantees

Federal Audit Clearinghouse

Emergency Relief Program Frequently Asked Questions (FAQs)

FTA Emergency Relief Fact Sheet

A Guide for States and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government"

USEFUL WEBLINKS

Guidance for Transit Financial Plans

ENHANCED REVIEW TRIGGERS

Consider an enhanced review if:

- there are one or more significant deficiencies or material weaknesses from oversight reviews, assessments, audits, or investigations in the areas of financial management or financial capacity since the last Triennial Review
- the grantee has repeat deficiencies from oversight reviews, audits, or investigations in the areas of financial management or financial capacity
- there are past due, open deficiencies from oversight reviews, audits, or investigations in the areas of financial management or financial capacity
- the grantee displays a pattern of poor quality corrective actions from past oversight reviews (e.g., the grantee does not provide corrective actions, corrective actions need to be repeatedly resubmitted until they are acceptable)
- financial issues have been identified in FTA's Oversight Assessment Tool (OAT)
- the grantee has not conducted annual single audits as required or kept FTA appropriately informed of single audit findings
- the grantee has had numerous ECHO rejections or made numerous credits/refunds in the ECHO system
- FTA implemented drawdown restrictions due to non-compliance with requirements
- the grantee does not have or has not updated its written financial policies and procedures for its financial management practices addressing items such as internal controls and audit resolution
- the grantee does not develop and maintain financial management reports comparing actual expenses against budgets with explanations of significant variances
- the grantee officials do not routinely review financial reports
- the grantee does not demonstrate that it has adequate accounting expertise
- Federal Financial Reports (FFR) have not been completed correctly or submitted in the FTA Electronic Award and Management System (EAMS) (see the Technical review area for input into this trigger)
- the cost allocation plan (CAP) is outdated (due to a change in accounting systems or the percentage change made in the rate being charged), CAP or indirect cost rate is

unapproved, or the CAP does not support the rate being charged on the FFRs

- there is no multi-year financial plan or it is insufficient
- the grantee has experienced or projects deficits, layoffs, service cuts, deferred or late maintenance, or reduction in service
- there are indications of unfunded liabilities, Federal match is not available, funds are being redirected from originally budgeted purposes, or the sources of local funds are changing
- the grantee does not have procedures or a program for providing financial oversight of subrecipients

COMPLETED BY THE REVIEWER

Part A. Oversight Reviews/Audits

1. *Have any oversight reviews, audits, or investigations of the grantee conducted since the last Triennial Review (including Financial Management Oversight Reviews (FMOs), Financial Capacity Assessments (FCAs), and the most recent Triennial Review) identified significant deficiencies, material weaknesses, and/or repeat deficiencies in the area of financial management or financial capacity? Are any such reviews scheduled during this Federal fiscal year (FFY)?*
2. *Did the grantee experience difficulty resolving or closing any oversight review, investigation, or audit deficiencies or findings? Are any deficiencies or findings currently open?*
3. *Are any issues related to financial management or financial capacity indicated in the Oversight Assessment Tool (OAT)?*

EXPLANATION

Areas of past non-compliance with FTA financial requirements deserve special attention during the scoping phase.

FTA's Office of Transit Safety and Oversight conducts Financial Management Oversight Reviews (FMOs). These reviews are discretionary, in-depth oversight reviews used by FTA when grantees are considered to have higher risk. The FMO can be a "full scope" review in which all aspects of a grantee's financial management practices are studied and tested, a "follow-up" review, or a "limited scope" review of one area of financial management, such as fixed assets. FTA's Office of Planning and Environment conducts Financial Capacity Assessments (FCAs), which are typically performed during the project development phase of New Starts and other major capital projects, prior to receiving a full-funding grant agreement.

It is also important to know if an FMO or FCA has been conducted, or requested but not yet conducted. If a review has been requested, the reasons for such a review should be identified (usually from the FTA regional office).

The GAO and OIG periodically conduct independent audits. Audits may be of a grantee, but often are programmatic audits addressing a national issue (e.g., spare ratios and extended warranties) where the grantee may have had a specific part of its operation audited. Audit findings should be resolved within one year. Similarly, the grantee may periodically conduct an internal audit or receive an audit from a state or local agency. These audits or reviews may address FTA program requirements.

FTA regional office staff completes an annual grantee OAT for each grantee that focuses on several areas of importance for FTA. Items identified in the financial management or capacity areas of the OAT could indicate issues in this area.

REFERENCES

None

SOURCES OF INFORMATION

Obtain a list of GAO, OIG, or internal audit reports from the FTA regional office and OTrak to determine if any of the reports address FTA program requirements. Review the information pertaining to previous deficiencies as a result of:

- An FMO or FCA conducted in the past three years
- The most recent Triennial Review
- Annual single audit reports
- Annual financial statement audits
- GAO or OIG audits/investigations
- Internal, state or local audits (obtain from grantee)
- Current OAT (available in OTrak)

During the site visit, discuss specific findings of reports with the internal auditor or staff.

DETERMINATION

The grantee is deficient if it has not taken appropriate action to resolve GAO or OIG audit findings promptly. (**DEFICIENCY CODE 215**: Unresolved GAO or OIG audit findings)

The grantee is deficient if it has not taken appropriate action to resolve internal, state, or local audit or review deficiencies related to FTA program requirements promptly. (**DEFICIENCY CODE 216**: Unresolved internal, state, or local audit findings)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to submit evidence to the FTA regional office of the resolution of all outstanding review findings by the GAO, the OIG, and/or any internal local or state audits. These findings may relate to other sections of the Triennial Review.

4. *If applicable, were annual single audits completed for the past three years? If there were no findings related to Federal Transit Administration (FTA) or U.S. Department of Transportation (US DOT) programs, were copies of the Office of Management and Budget (OMB) Data Collection Forms (SF-SACs) submitted to the FTA regional office? If there were findings in audits related to FTA or US DOT programs in any of the past three years, was a copy of the audit and the SF-SAC submitted to the FTA regional office? What is the status of addressing these findings?*

EXPLANATION

For fiscal years beginning prior to December 26, 2014, non-Federal entities that expend \$500,000 or more in Federal awards in a year are required to have conducted an independent single audit in accordance with 2 CFR Part 200 Subpart F and OMB Circular A-133. For fiscal years beginning December 26, 2014, and after, the threshold for a single audit is \$750,000. Very few of FTA's 5307 grantees expend less than \$500,000 in Federal awards annually. In the case of independent transit authorities, the audit will cover all aspects of that authority. Where the transit provider is a municipal department or part of a larger governmental organization, the audit may cover the entire organization, including the Federal funds used for transit.

Single audit reports must be completed and data collection form and reporting package (financial statements, summary schedule of prior audit findings, auditor's report and corrective action plan) must be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period. For fiscal years beginning prior to December 26, 2014, if the annual single audit report contains no FTA or other U.S. Department of Transportation (US DOT) program findings, grantees are only required to submit a copy of the OMB Data Collection Form (SF-SAC) to the FTA regional office. If the single audit contained FTA or other US DOT program findings, grantees are required to submit a copy of the entire audit report, management response, and the SF-SAC to the FTA regional office. For fiscal years beginning December 26, 2014, and after, the reporting package and data collection form must only be submitted to the FAC. The below table provides applicability of the OMB Circular A-133 and 2 CFR Part 200 to the fiscal year audit.

Fiscal Year Period	Applicable Guidance
July 1, 2014 – June 30, 2015	OMB C. A-133
October 1, 2014 – September 30, 2015	OMB C. A-133
January 1, 2015 – December 31, 2015	2 CFR Part 200
July 1, 2015 – June 30, 2016	2 CFR Part 200

The grantee must resolve single audit findings promptly. The grantee's summary schedule of prior audit findings provides additional information about how well the grantee has rectified previous audit findings and indicates any new areas of concern.

REFERENCES

Single Audit Act Amendment of 1996
 2 CFR Part 200, Subpart F
 49 CFR 18.26
 FTA C. 5010.1D, Ch. VI, Section 8
 Administrator Policy Letter, C-05-04, June 17, 2004

SOURCES OF INFORMATION

Review information provided by the FTA regional office and OTrak pertaining to annual single audit reports. Information on audits can also be retrieved from the FAC.

DETERMINATION

The grantee is deficient if it meets the threshold for a single audit and has not had one conducted. (**DEFICIENCY CODE 172**: Annual audit not conducted)

The grantee is deficient if it has not submitted its single audit reports, management letter comments, or SF-SACs to the FTA regional office. The grantee is deficient if it has not submitted its audit report data collection form and reporting package to the FAC.

(**DEFICIENCY CODE 254**: Single audit submissions deficient)

The grantee is deficient if it has not taken appropriate action to resolve audit issues promptly. (**DEFICIENCY CODE 199**: Outstanding annual audit deficiencies)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to have annual single audits conducted.

Direct the grantee to submit single audits, management letter comments, and/or SF-SACs to the FTA regional office; to submit its audit report data collection form and reporting package to the FAC; and to submit a process to ensure that future submissions are completed.

Direct the grantee to submit to the FTA regional office procedures and a schedule for resolving single audit findings.

Part B. Financial Management

5. *How many Electronic Clearing House Operation (ECHO) adjustments (rejections, refunds, etc.) have been processed since the last Triennial Review? Has FTA placed any ECHO drawdown restrictions on the grantee?*

EXPLANATION

The FTA regional office receives notification if ECHO payment requests are rejected for insufficient funds or for other reasons.

ECHO transactions made by the grantee are populated to the EAMS. Numerous ECHO transactions other than disbursements, such as refunds or credits, can indicate weaknesses in the grantee's management control over the financial process.

FTA can implement ECHO drawdown restrictions on grantees if there have been financial compliance issues.

REFERENCE

None

SOURCES OF INFORMATION

Review ECHO/drawdown data from the EAMS and information provided by the FTA regional office. Discuss rejections, refunds, or restrictions with the regional office.

DETERMINATION

Input into enhanced review determination

Determinations on ECHO transactions will be made in conjunction with Questions 9 through 11 of this review area.

SUGGESTED CORRECTIVE ACTIONS

None

PROVIDED BY THE GRANTEE

6. What internal written policies and procedures guide the grantee's effective financial management of FTA funds?

- *How do these procedures address the preparation of reports that compare actual expenses against budgets, so that variances can be identified and resolved?*
- *What grantee officials routinely review financial reports?*
- *How do procedures address tracking of grant budgets by activity line item (ALI)?*
- *Do the procedures address a process to reconcile discrepancies between the grantee's and FTA's financial systems? Are there any discrepancies between the Electronic Award and Management System (EAMS) and grantee grant balances?*

7. Describe qualifications for grantee staff with financial and/or accounting responsibilities.

EXPLANATION

Grantees should have detailed policies and procedures for: managing FTA grant funds; outlining the grantee's internal control practices to prevent waste, fraud and abuse; levels of authority; the accounting software being used; required financial reporting; financial oversight of subrecipients; etc. The policies and procedures should show evidence that they have been updated as a result of any previous audit findings and/or any significant organizational or software modifications (if applicable).

It is incumbent upon the grantee to have internal controls that monitor these data to determine

expenditures by line item. Some grantees have not effectively tracked grant activity, particularly for older grants. In some cases, a grantee's grant balances may not reconcile with those in the EAMS. Frequent reconciling of internal grant balances with those in the EAMS helps the grantee identify and address any discrepancies quickly and prevent discrepancies from delaying grant close outs.

The way in which the grantee's financial functions are organized and staffed, along with the experience and education level of middle and senior accounting/finance staff should be commensurate with the agency's size and complexity.

REFERENCE

FTA C. 5010.1D, Ch. VI, Section 2.e.(1)(a) and (e)

SOURCES OF INFORMATION

Review written financial policies and procedures, organizational charts, and position descriptions. Discuss staffing on site.

Query the EAMS for the grantee's grant balances. Discuss the grantee's financial management systems and grant accounting with regional office staff. The regional office may know when a grantee's grant balances differ through review of FFRs and processing of ECHO rejections. Review single audits for findings related to grant accounting. On site, discuss with staff.

DETERMINATION

Input into enhanced review determination

The grantee is deficient if it does not have written policies and procedures for managing FTA grant funds. (**DEFICIENCY CODE 783**: No financial policies and procedures)

The grantee is deficient if its financial systems do not allow it to track grant balances accurately. (**DEFICIENCY CODE 106**: Insufficient tracking of grant balances)

SUGGESTED CORRECTIVE ACTIONS

Direct the grantee to submit to the FTA regional office financial policies and procedures that govern grant implementation and that is clearly stated and understood throughout the organization and conform to applicable legislative and administrative requirements.

Direct the grantee to submit to the FTA regional office updated financial management procedures that incorporate a process for tracking grant budgets by ALI. Direct the grantee to submit to the FTA regional office documentation that demonstrates that the procedures have been implemented. Direct the grantee to submit to the FTA regional office a plan for

reconciling the differences between the balances in the EAMS and its accounting system and to identify and correct the procedures that allow differences to develop.

8. Are grantee indirect costs charged to one or more FTA grants? If yes:

- *When and to what agency did the grantee submit its cost allocation plan (CAP)? Has the CAP submission been acknowledged and/or approved?*
- *What is the process for preparing, updating, and reviewing the CAP and reporting the current rate in the FFR?*

EXPLANATION

Under federally funded grant programs, recipients may incur both direct and indirect costs. A CAP is required to support the distribution of indirect costs to the grant program. Cost allocation is often found in state departments of transportation and municipal systems where overhead/administrative charges are allocated to the transit program. Two types of CAPs can be used to allocate costs to a transit program: a central service CAP or an indirect cost rate proposal.

A central service CAP, sometimes referred to as a statewide or local-wide CAP, is used by a state or local government to distribute executive and central level support functions to operating units which benefit from them. All statewide central service CAPs must be submitted to the U.S. Department of Health and Human Services (DHHS) annually, within six months prior to the beginning of the fiscal year. Each local government that has been designated a "major local government" by the OMB is also required to submit a plan to its cognizant Federal agency annually. OMB published the list of major local governments and their cognizant Federal agencies in the *Federal Register* January 6, 1986 (51 CFR 552, "Federal Agencies Responsible for Cost Negotiation and Audit of State and Local Government"). The cognizant agency for all governmental units or agencies not identified by OMB is determined based on the Federal agency providing the largest amount of Federal funds. Unless required by the cognizant agency, local-wide CAPs do not have to be submitted for review and approval. However, they must be updated annually and maintained for audit. If the cognizant agency does not require the grantee to submit the plan to it for approval, FTA reserves the right to review the plan. FTA approves plans only for grantees for which it is the cognizant agency.

An indirect cost rate proposal is developed annually at the operating agency level to distribute administrative support and/or overhead costs of that agency to the programs (and the grants and contracts) that benefit from them. An indirect cost rate proposal may include the allocable portion of a central service CAP. A governmental unit for which a Federal cognizant agency has been designated must submit its indirect cost rate proposal to its Federal cognizant agency annually.

Effective December 26, 2014, non-Federal entities that have never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to 2 CFR Part 200, "States and Local Government and Indian Tribe Indirect Cost Proposals," paragraph D.1.b, may elect to charge a de minimis rate of 10 percent of modified total direct costs which may be used indefinitely.

A governmental unit or agency that does not have a cognizant Federal agency identified by OMB must develop an indirect cost rate proposal annually and maintain the proposal and related supporting documentation for audit. Unless required by FTA or the cognizant agency, these governmental units are not required to submit their proposals for review and approval.

In addition to initial approval, FTA requires updates to be submitted to it or another cognizant agency when:

- the grantee has made a change in its accounting system, thereby affecting the previously approved CAP/indirect cost rate and its basis of application
- the grantee's proposed CAP/indirect cost rate exceeds the amounts **approved previously by the cognizant agency** by more than 20 percent (e.g., if the previously approved rate is 10 percent, approval is needed once the rate exceeds 12 percent)
- the grantee changes the CAP/indirect cost rate proposal methodology

Effective December 26, 2014, a governmental unit that receives more than \$35 million in direct Federal awards must submit its indirect cost proposal to its cognizant agency. Other governmental units or agencies must develop an indirect cost proposal and maintain it for audit.

REFERENCES

- 2 CFR Part 200 Subpart E, Appendix IV, V, VII
- 2 CFR Part 225 (OMB C. A-87), Attachments C and E
- 2 CFR Part 230 (OMB C. A-122)
- 51 CFR 552
- FTA C. 5010.1D, Ch. VI, Section 6 and Appendix F
- FTA C. 9050.1, Ch. VI, Section 11
- FTA C. 9045.1, Ch. VI, Section 11

SOURCES OF INFORMATION

Review Federal Financial Reports (FFRs) in the EAMS to determine if the grantee reports indirect costs charges to grants. Review the EAMS and prior Triennial Review documents in OTrak for evidence that a CAP has been approved or at least submitted for approval. Obtain and review documentation of CAP submittal and approval. Review grant files and correspondence. Review the annual single audit regarding the proper implementation of a cost allocation plan. On-site, discuss with grantee staff. During the review of ECHO draw, ensure that indirect expenses are charged using the correct rate against the correct base.

DETERMINATION

The grantee is deficient if it charges indirect costs to FTA grants but has not:

- submitted its initial CAP to FTA for approval if FTA is the cognizant agency
- received approval from the cognizant agency (if other than FTA) if required
- submitted its indirect cost rate proposal to its cognizant agency annually if required
- updated the plan annually and retained it for audit (those governmental units that do not have a cognizant agency identified by OMB)
- updated and resubmitted the plan if required

(DEFICIENCY CODE 54: Cost allocation plan deficiencies)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to submit to the FTA regional office procedures for complying with the submission and retention requirements of its cognizant agency.

Direct the grantee to provide documentation that it has complied with the cost allocation plan submission and retention requirements of its cognizant agency.

Direct the grantee to provide evidence to the FTA regional office of a process to update the indirect cost rate proposal and CAP annually and retain it for audit, if submittal to the cognizant agency is not required.

9. *What is the process for receiving and disbursing FTA funds?*

10. *How does the grantee ensure that only eligible expenses are charged to grants?*

11. *How does the grantee track drawdowns by activity line item (ALI)?*

EXPLANATION

Grantees request Federal funds through the FTA Electronic Clearing House Operation system (ECHO-Web). The grantee's records must support ECHO requests. The information should be traced back to an invoice for goods or services or timesheets, and be supported by information from the grantee's accounting system. Either the individual who is the registered ECHO approving official, or a person to whom this person has delegated the authority in writing, must approve each ECHO request. The approving/authorizing official must not draw the funds.

The grantee may initiate draws only when cash is needed for immediate reimbursement and must disburse the funds within three business days. Disbursement means that the grantee no longer controls the money (e.g., a check has been sent to a vendor). If the funds are not disbursed within three business days, FTA can charge interest beginning on day four. In most cases, grantees request funds on a reimbursement basis (after expenses have been incurred and paid). In some cases (e.g., large bus procurements), grantees request funds prior to issuing a check. This procedure is acceptable as long as the funds are disbursed within three business days.

Grantees may only request funds for expenses that are eligible under the grant. Similarly, funds in a grant project to purchase vehicles may not be used to purchase bus shelters.

A grantee may not use FTA assistance to support ineligible activities. FTA defines public transportation as transportation by a conveyance that provides regular and continuing general or special transportation to the public. It does not include sightseeing, school bus, charter or intercity bus transportation, or intercity passenger and intercity rail transportation provided by Amtrak.

When a grantee requests funds from FTA, the request is made for planning, capital, or operating funds. The EAMS does not track drawdowns by ALI so the grantee must maintain this information, and conduct variance analyses to monitor expenses and to know where FTA approval may be needed to request a budget amendment or budget revision that exceeds twenty percent of a scope.

REFERENCES

2 CFR Part 200, Subpart D
31 CFR Part 205
49 CFR 18.21
FTA Master Agreement, Section 7.f
FTA C. 5010.1D, Ch. II, Section 3.a

SOURCES OF INFORMATION

Check the audited financial statements and single audit reports to determine if there are ECHO process findings. On site, review a sample of ECHO draws in accordance with the records sampling procedures to ensure that documentation supports the draws. Review documentation to determine if:

- The approving/authorized official who approved the draw is not the same person who drew the funds.
- The approving official designated on the ECHO payment request form actually approved the draw or delegated that authority in writing to the person who approved the draw.
- The purpose of the draw was eligible under the grant.
- The grantee records show funds requested by ALI and the grantee has made the appropriate requests for budget amendments or revisions.
- The funds were disbursed within three business days. In cases where FTA funds were requested in advance of payment to a vendor or contractor, ensure that the check was mailed within three business days. Do not rely on the date of the check. A grantee may hold onto a check several days before mailing it.
- Indirect costs are charged at the current rate, if applicable.

DETERMINATION

The grantee is deficient if it held FTA funds for four or more business days after FTA funds were received. The grantee is deficient if it drew more funds than were allowed. (**DEFICIENCY CODE 56:** Excess cash problems)

The grantee is deficient if an authorized official does not approve the ECHO draws or the approving official draws the funds. (**DEFICIENCY CODE 80:** Insufficient effective control)

The grantee is deficient if it does not maintain documentation adequate to support the ECHO draws. (**DEFICIENCY CODE 142:** ECHO documentation deficient)

The grantee is deficient if its financial systems do not allow it to track grant balances accurately. (**DEFICIENCY CODE 106:** Insufficient tracking of grant balances)

The grantee is deficient if funds were drawn for expenses not eligible under the grant. (**DEFICIENCY CODE 276:** Ineligible expenses charged to grant)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to submit to the FTA regional office procedures for disbursing FTA funds within three business days and to submit documentation to support that funds were disbursed in accordance with FTA requirements until further notice.

Direct the grantee to work with the FTA regional office to determine if interest is owed in accordance with 31 CFR Part 205.

Direct the grantee to submit to the FTA regional office a process documenting that an authorized official approves each ECHO request.

Direct the grantee to update the authorizing official in ECHO or have the authorizing official delegate authority in writing to the person approving the requests.

Direct the grantee to have someone other than the approving official request ECHO funds.

Direct the grantee to submit to the FTA regional office procedures for documenting ECHO draws. Discuss with the FTA regional office if it wants to require the grantee to submit ECHO requests for prior approval.

Direct the grantee to document and work with the FTA regional office to reimburse FTA for ineligible expenses charged to grants.

Part C: Financial Capacity

12. *Describe procedures for developing the grantee's short-term (next three years) financial plans. How are expenses, and local and Federal sources of funds budgeted/projected and how are adjustments made to projections, when necessary?*

13. *In the short-term financial plan (next three years) what issues or underlying assumptions could affect the financial condition of the grantee? What impacts to local funding have occurred since the last Triennial Review? What potential impacts to local funding does the grantee project in the next three years? Is new transit service or an expansion of existing service planned? How have these issues been reflected in financial plans?*

- 14.** *Has the grantee had deficits, layoffs, service cuts, or deferred or late maintenance since the last Triennial Review?*
- 15.** *Does the grantee project deficits, or layoffs, service cuts, or deferred maintenance in the next three FFYs?*
- 16.** *Have the grantee's capital funds been used to cover deficits in the operating budget since the last Triennial Review?*

EXPLANATION

Annually, the grantee certifies to FTA (as part of the annual certifications and assurances process) that it has the financial capacity to carry out its proposed program of projects. Financial condition is reflected in working capital levels, current assets versus liabilities, capital reserves, and the present status of depreciation accounts. Grantees should develop multi-year financial plans (three to five years) that project operating and capital revenues and expenses and capability to maintain and operate current assets and service, and to operate and maintain new assets and service. The financial plans should indicate adequate revenues to maintain and operate the existing system and to complete the program of projects. Revenue sources must be stable and reliable enough to meet future capital and operating costs. Any sign of major decreases in service levels or operations must be explained. If the grantee is involved in a New Starts project, the financial plan must have a 20-year horizon.

Financial capacity considers the nature of funds matched to support operating deficits and capital programs, along with forecasted changes in fare and non-fare revenues. If a grantee is forecasting new funding sources, strategies for ensuring their availability must be identified. Unfunded capital or operating deficits could indicate a grantee's lack of financial capacity to fund the projects programmed in the TIP, and/or adequately maintain and operate FTA funded assets at the current level of service.

When state and/or local sources of funding decrease, the grantee may be unable to meet the non-Federal match requirements for existing FTA grants. This may also result in service reductions and/or fare increases, redirection of funds to meet critical operating and maintenance needs, and/or staff reductions.

A grantee's financial condition, future financial capacity, and ability to match FTA funds could be affected greatly if one or more of its sources of non-FTA funding is affected by pending legislation or "sunset" provisions in current legislation. Similarly, the grantee's eligible and available non-Federal funds

may be diverted from serving as match for an FTA grant if there are other Federal grants which are at risk of lapsing.

Grantees should make capital investment plans on the basis of current and projected capability to maintain and operate current assets, and to operate and maintain new assets. Unexplained/projected deficits, layoffs, services cuts or deferred/late maintenance can all be indicators of the grantees financial condition and its ability to maintain the FTA funded program. Reallocation of funds from capital to operating budgets can be an indicator of changes in the grantee's level and/or sources of local match. Grantees should have adequate financial capacity to provide at least the same level of service for at least one replacement cycle of such assets or 20 years, or as required in the grantee's active full funding grant agreement contract.

REFERENCES

49 U.S.C. 5307(d)(1)(a)
 FTA Master Agreement, Section 5
 FTA C. 5010.1D, Ch. VI, Section 4
 FTA C. 7008.1A

SOURCES OF INFORMATION

Review the EAMS for any indication that projects involving FTA funds are being deferred or have stalled because the non-Federal match is not available. Review the grantee's financial plan projecting revenues and expenses for the next three years (or longer). Review the annual audit reports, local or state legislation, the current year budget and/or financial statements or comprehensive annual financial report (CAFR), if available, for evidence of unfunded operating or capital liabilities. Review the transportation improvement plan (TIP) for levels of transit funding. Obtain operating budgets for the maintenance departments for the past three years and compare amounts allocated to determine if there has been any significant decrease in funds.

DETERMINATION

The grantee is deficient if financial deficits or lack of funding is impacting the ability to maintain and operate existing systems or to complete programs of projects, and there is no mitigation plan. The grantee may be deficient if there is pending legislation that could affect local funding sources negatively, depending on its ability to continue to provide local match for Federal funding or to maintain FTA funded assets. Where the source of local funding is dependent upon an election, action by local governmental body, or other event, a determination may need to await such an event. (**DEFICIENCY CODE 7: Insufficient financial capacity**)

The grantee is deficient if it does not have a multi-year financial plan or the plan does not project

operating and capital revenues and expenses. (**DEFICIENCY CODE 15:** No existing financial plan)

SUGGESTED CORRECTIVE ACTIONS

Direct the grantee to submit to the FTA regional office a plan for reducing expenditures, increasing revenues, or a combination of both to compensate for a budget shortfall.

Direct the grantee to submit to the FTA regional office a plan for responding to a change in financial circumstances caused by a “sunset” provision in current local funding legislation or pending legislation that will affect local funding negatively.

Direct the grantee to submit to the FTA regional office a new or revised multi-year financial plan.

17. What are the grantee’s sources of non-FTA funding for operating and capital expenses? Are the funds eligible? Identify any changes that have occurred since the last Triennial Review. How does the grantee fully document volunteered services or in-kind revenue used as local match?

EXPLANATION

All local share used to match FTA grant funds must come from non-US DOT sources, except for Federal Lands Highway Program funds. No FTA program funds can be used as a source of local match for other FTA programs, even when the funds are contract revenue. Federal loan programs such as Transportation Infrastructure Finance and Innovation Act (TIFIA) or Railroad Rehabilitation & Improvement Financing (RRIF) count as Federal sources even though they are often repaid with local or funds.

Depending on the grant program, FTA permits the use of the following as local share: cash (or in-kind contribution); non-farebox revenues from transit operations (e.g., advertising and concession revenues); amounts received under a service contract with a state, local, or private social service agency or organization; undistributed cash surpluses; replacement or depreciation cash funds; reserves available in cash or new capital; revenue bond proceeds (capital only); transportation development (toll) credits; program income generated from an earlier grant; non-US DOT Federal funds if authorized by the originating program to be used for transportation; funds used to purchase vanpool vehicles by private providers of public vanpools (capital match only); and in-kind match for intercity bus service.

In-kind contributions are eligible as long as the value of each is documented and supported, represents a cost that would otherwise be eligible under the program, and is included in the net project costs in the project budget.

REFERENCES

FTA Master Agreement, Section 5
FTA C. 5010.1D, Ch. VI, Section 3
FTA C. 5100.1, Ch. III, Section 8
FTA C. 9030.1E, Ch. III, Sections 7 and 8, Ch. VI, Section 1.a. (2)
FTA C. 9045.1, Ch. III, Section 12
FTA C. 9050.1, Ch. III, Section 12
FTA C. 9070.1G, Ch. III, Sections 16
FTA C. 9300.1B, Ch. II, Sections 7 and 9.b

SOURCES OF INFORMATION

Review annual audit reports, budgets, multi-year financial plans, and the TIP for information on local funding sources. On site, ask the grantee staff for an explanation of the funding programs. Review documentation for volunteered services or in-kind match.

DETERMINATION

The grantee is deficient if it cannot document that the funds used for local match are eligible. The grantee is deficient if the value of non-cash share is not documented, the non-cash share represents a cost that is not eligible under the program or the non-cash share is not included in the net project costs in the project budget. (**DEFICIENCY CODE 296:** Ineligible local match)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to submit to the FTA regional office documentation that the funds it uses for local match are eligible. If ineligible funds have been used as local match, work with the FTA regional office to develop a corrective action plan.

Direct the grantee to submit to the FTA regional office procedures for ensuring that the value of non-cash share is documented, the non-cash share represents a cost that would otherwise be eligible under the program, and the non-cash share is included in the net project costs of the project budget.

18. For grantees receiving Section 5307, 5310, 5316, or 5317 operating assistance, how is the amount eligible for operating assistance calculated?

EXPLANATION

Section 5307 operating assistance was available to all grantees in urbanized areas (UZAs) with populations under 200,000 through FY2012, and, in very limited

circumstances, to UZAs with populations over 200,000. Pursuant to MAP-21, operating assistance remained eligible in UZAs with populations less than 200,000; however, previously authorized exemptions for specific UZAs over 200,000 were repealed and replaced with a single nationwide exemption for fixed-route transit operators that operate fewer than 100 buses in peak service. Qualifying operators are eligible for operating assistance in an amount based on an individual operator's percentage of all public transportation service in the UZA.

Sections 5316 and 5317 funds, last apportioned in FY2012, were available to be used for operating assistance in all UZAs.

MAP-21 expanded eligible 5307 activities to include job access and reverse commute (JARC) projects, which provide nontraditional transportation services intended to serve the employment-related transportation needs of welfare recipients and low-income individuals. These projects were previously eligible under the repealed Section 5316 program. JARC projects may include operating assistance in a large UZA, where operating assistance is otherwise not an eligible expense. Operating assistance for eligible JARC projects is not limited by the "100 bus" special rule for operating assistance established by MAP-21 under 5307(a)(2).

Section 5310 operating funds are available for public transportation projects that exceed the Americans with Disabilities Act (ADA) minimum requirements, improve access to fixed-route service and decrease reliance by individuals with disabilities on ADA paratransit, or provide alternatives to public transportation that assist seniors and individuals with disabilities with transportation.

It is the responsibility of the grantee to calculate net eligible operating costs properly. The amount of funds requested for operating assistance must be no more than half the operating expenses, after fare revenues are credited and ineligible costs (such as costs for charter bus, school bus, sightseeing service and lobbying activities) are deducted to arrive at the net project cost. Interest and other financial costs associated with borrowing to provide working capital for the payment of current operating expenses are eligible operating costs. FTA Circular 9030.1E, Appendix C provides a worksheet for calculating eligible operating expenses.

Grantees may also use FTA funding at the 80/20 match level for ADA paratransit, preventive maintenance, and capital cost of contracting. These funds could increase the total amount of FTA funds the grantee could be eligible to request, but would reduce the net project cost eligible for 50/50 operating assistance.

The FTA share of any operating assistance project shall not exceed the lesser of: a) the local match, b) the currently available apportionment to the urbanized area plus any carryover funds available from past years, or c) 50 percent of the net project cost incurred on an accrual basis in the provision of transit services during the period. The remainder must be paid with the grantee's local share.

REFERENCES

FTA C. 9030.1E, Ch. IV, Sections 2.i, 2.n, 2.p, 4, 5; and Appendices C and E
FTA C. 9045.1, Ch. III, Section 12
FTA C. 9050.1, Ch. III, Section 12
FTA C. 9070.1G, Ch. III, Section 13

SOURCES OF INFORMATION

Review the detailed operating budgets for the past three years showing eligible operating expenses. During the site visit, discuss how the amount eligible for operating assistance is calculated. While reviewing ECHO drawdowns, ensure that the correct amounts have been drawn for operating expenses.

DETERMINATION

The grantee is deficient if the documentation is lacking or shows ineligible project costs included in the calculation of operating expenses. (**DEFICIENCY CODE 102**: Ineligible operating expense calculation)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to submit to the FTA regional office procedures for properly calculating net eligible project costs for operating assistance.

Direct the grantee to work with the FTA regional office for reimbursement, if an inappropriate payment or an overpayment of operating assistance has occurred.

Part D. Emergency Relief Grants

19. For Section 5324 Emergency Relief projects:

- *Were the expenses incurred during the period consistent with the approved projects contained in the grant? Have any budget revisions been processed for, or scope revisions made to, grant projects since award? If so, are the items included in the revisions eligible?*
- *Did the grantee receive FTA approval prior to incurring costs for local priority resiliency projects?*

- *Has the grantee received funds from other sources (such as the Federal Emergency Management Agency (FEMA)) to reimburse the total project(s) or a portion of the project(s) receiving Section 5324 funding?*

EXPLANATION

Emergency operations, emergency protective measures, emergency repairs, permanent repairs and resiliency projects, as those terms are defined in 49 CFR 602.5, are eligible for emergency relief funding. For all capital projects, the cost to perform the work, whether by in-house or contracted personnel, is an eligible cost.

FTA’s first goal in the Emergency Relief Program is to assist public transportation agencies in restoring public transportation service and in repairing and reconstructing transit assets to a state of good repair as expeditiously as possible. In conjunction with repair and reconstruction activities, a second goal is to increase the resiliency of affected public transportation systems in order to help protect those systems from damage due to future emergencies and major disasters.

“Permanent repairs” are defined as those repairs undertaken following the disaster occurrence for the purpose of repairing, replacing or reconstructing seriously damaged public transportation system elements, including rolling stock, equipment, facilities and infrastructure to a state of good repair.

Subject to FTA approval, four transit agencies (New York Metropolitan Transportation Authority, New York City Department of Transportation, New Jersey Transit Corporation, and Port Authority of New York/New Jersey) were permitted to use approximately 23 percent of their Hurricane Sandy Emergency Relief allocations for locally prioritized resiliency projects and improvements. A “resiliency project” is a project designed and built to address future vulnerabilities to a public transportation facility or system due to future recurrence of emergencies or major disasters that are likely to occur again in the geographic area in which the public transportation system is located; or projected changes in development patterns, demographics, or extreme weather or other climate patterns.

In its May 29, 2013, allocation notice for the local priority resiliency funding, FTA required grantees to seek FTA prior approval for local priority resiliency projects in advance of incurring costs, but recognized this may not be possible in some cases where work had already begun. This prior approval process is intended to ensure that resilience projects were selected by the grantees in accordance with accepted

hazard mitigation principles, were of an appropriate size, scope and complexity for this funding, and had addressed the US DOT policy on floodplain management, which requires that projects in the floodplain be built to be resilient to one foot above Federal Emergency Management Agency’s (FEMA) best available 100-year flood elevations. Recipients were instructed to submit detailed project information to FTA for approval in advance of incurring costs, or to notify FTA if project work had already begun prior to the allocation of funds.

Grants awarded with Section 5324 funds, as well as grants awarded under Sections 5307 and 5311 for emergency relief purposes, may be made only for expenses that are not reimbursed by FEMA under the Stafford Act, or by other Federal agencies, or by insurance proceeds. If an applicant has already received FEMA or other Federal agency funding or insurance proceeds, the applicant may not apply for FTA emergency relief funding for the same project expenses. However, partial compensation for a loss by such other sources will not preclude FTA participation for the part of the loss not compensated. For example, insurance proceeds may only cover the value of a vehicle at the time it was destroyed, and not the cost to replace that vehicle. FTA issued an Administrator’s Policy Letter in February 2014 stating the policy and options for allocating lump-sum insurance proceeds.

Consistent with FTA C. 5010.1D, FTA may participate in the replacement cost beyond what the insurance proceeds may cover. If FTA makes a grant and the recipient subsequently receives compensation from another source, the grantee must notify FTA and the funds received from the other source must be used to reduce FTA’s share of the project cost.

REFERENCE

- 49 U.S.C. Section 5324
- 49 CFR Part 602, Interim Final Rule
- May 29, 2013 Federal Register Notice
- Conditions of Award for FTA Public Transportation Emergency Relief Programs
- February 21, 2014 Administrator Policy Letter

SOURCES OF INFORMATION

Review information provided in the EAMS, by the FTA regional office, and responses from the grantee.

DETERMINATION

The grantee is deficient if projects funded by Section 5324 do not meet the definition of emergency operations, emergency repairs, permanent repair, or resiliency projects. (**DEFICIENCY CODE 576:** Section 5324 project definition deficiencies)

The grantee is deficient if projects funded by Section 5234 are also being reimbursed by other sources and FTA’s share of the project costs has not been

appropriately reduced. (**DEFICIENCY CODE 577:** Section 5324 funding deficiencies)

The grantee is deficient if it is proceeding with local resiliency projects prior to FTA approval and those projects were found not to be in compliance with Federal requirements or did not have an approved waiver. (**DEFICIENCY CODE 582:** Section 5324 resiliency project deficiencies)

SUGGESTED CORRECTIVE ACTION

For deficiencies in this area, consult with the FTA regional office to address correcting project scopes and/or adjusting the FTA share of funding.

20. *Does a review of ECHO documentation for FTA Emergency Relief Program grants verify that the grantee has adequate funds management procedures (i.e., adequate documentation, segregation of duties, no excess cash on hand, eligible costs)?*

21. *Is the grantee utilizing the correct financial purpose codes for FTA Emergency Relief grant drawdowns?*

EXPLANATION

Refer to the first two paragraphs of the Explanation for Questions 9 through 11 for a discussion of the ECHO requirements.

Grantees may only request funds for expenses that are eligible under the grant. Eligible uses of Emergency Relief funds include:

- Emergency operations
- Emergency protective measures
- Emergency repairs
- Permanent repairs
- Actual engineering and construction costs on approved projects
- Resiliency projects

Ineligible uses of Emergency Relief funds include:

- Heavy maintenance
- Project costs for which the recipient has received funding from another Federal agency
- Project costs for which the recipient has received funding through payments from insurance policies

- Projects that change the function of the original infrastructure
- Projects for which funds were obligated in an FTA grant prior to the declared emergency or major disaster
- Reimbursements for lost revenue due to service disruptions caused by an emergency or major disaster
- Project costs associated with the replacement or replenishment of damaged or lost material that are not the property of the affected recipient and not incorporated into a public transportation system such as stockpiled materials or items awaiting installation
- Other project costs FTA determines are not appropriate for the Emergency Relief Program

The Federal share for 5324 grants is identified in each grant and can be up to 90 percent of the net project cost. Grantees are required to maintain records including, but not limited to, all invoices, contracts, time sheets, and other evidence of expenses to assist FTA in periodically validating the eligibility and completeness of a recipient's reimbursement requests under the Improper Payment Information Act.

For Emergency Relief grants, grantees are to use specific financial purpose codes (FPC) for drawdowns. Local priority resiliency funding is to be drawn using FPC 03.

SOURCES OF INFORMATION

When on site, review a sample of ECHO draws in accordance with the records sampling procedures to ensure that documentation supports the draws. Refer to the Sources of Information for Questions 9 through 11 for additional information on reviewing ECHO documentation.

REFERENCES

MAP-21 Section 20017
May 29, 2013 Federal Register Notice
49 U.S.C. Section 5324
Conditions of Award for FTA Public Transportation Emergency Relief Programs

DETERMINATION

The grantee is deficient if it does not maintain documentation adequate to support the ECHO draws, demonstrate sufficient internal controls, or disburse Federal funds within three business days of receipt. Refer to Questions 9 through 11 for additional information. (**DEFICIENCY CODE 567:** ECHO deficiencies for FTA Emergency Relief grants)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to work with the FTA regional office to address ECHO deficiencies related to FTA Emergency Relief grants.

Part E. Subrecipient Oversight

22. *If the grantee has subrecipients, how does the grantee ensure its subrecipients:*

- *Have the financial management systems to carry out the programs and to receive and disburse Federal funds? Is this documented in the program management plan?*
- *Charge costs that are eligible under the grant and are traceable to source documentation?*
- *Only charge indirect costs to FTA grants based on an approved CAP?*

23. *Conduct annual single audits and promptly address, resolve, and close findings?*

EXPLANATION

The grantee is responsible for ensuring that subrecipients have financial management systems that meet standards for financial reporting, accounting records, internal control, budget control, allowable cost, source documentation, and cash management. The grantee is not required to monitor the financial management systems of subrecipients that do not receive Federal cash (e.g., subrecipients for which the grantee procures vehicles). Some grantees require applicants, especially first-time applicants, to describe their accounting systems or may perform a pre-award review of accounting systems. Other grantees require subrecipients to maintain separate accounting records for projects. In addition to an audit, some grantees require subrecipients to have their auditors certify year-end financial statements for their transit operations.

Grantees are required to ensure that subrecipients can trace funds to a level of expenditures adequate to establish that the funds are used for eligible expenditures under the program. Some grantees review single audits. Some grantees require subrecipients to submit supporting documentation periodically. Some grantees require new and high-risk

grantees to submit supporting documentation with every reimbursement request.

Grantees are responsible for oversight of subrecipients' CAPs. This may include, but is not limited to, ensuring that the plan was submitted to a cognizant Federal agency. Where a local government only receives funds as a subrecipient, the primary recipient is responsible for negotiating and/or monitoring the subrecipient's plan. Effective December 26, 2014, subrecipients may be eligible to charge a de minimis rate of 10 percent of modified total direct costs. Monitoring can include ensuring that the plan is retained for audit and ensuring that indirect costs are charged at the current rate and against the correct base.

The grantee must ensure that subrecipients expending \$500,000 or more in Federal awards in a fiscal year have annual independent audits conducted in accordance with 2 CFR Part 200 Subpart F and OMB Circular A-133. For fiscal years beginning before December 26, 2014, the threshold is \$500,000. For fiscal years beginning after December 26, 2014, the threshold is \$750,000. Items purchased by the grantee for a subrecipient count towards a subrecipient's single audit threshold. As an exception to this requirement, FTA has not required grantees to ensure that annual single audits are conducted when assistance is provided solely in the form of capital equipment procured directly by the direct recipient. Single audits are an eligible grant expense only if the subrecipient meets the threshold. Financial audits are an eligible grant expense even if the subrecipient does not meet the threshold for a single audit. The grantee must ensure that subrecipients resolve audit findings related to FTA funded programs within six months of receipt of the audit report.

REFERENCES

49 U.S.C. 5307(d)(1)(a)
2 CFR Part 200, Subpart D and Subpart F
2 CFR Part 200 Subpart E, Appendix IV, V, VII
2 CFR Part 225 (OMB C. A-87), Attachments C and E
2 CFR Part 230 (OMB C. A-122)
49 CFR 18.20
49 CFR 18.26
51 CFR 552
Annual Certifications and Assurances
Single Audit Act Amendment of 1996
FTA C. 5010.1D, Ch. VI
FTA C. 7008.1A
FTA C. 9030.1E, Ch. II, Section 8.b
FTA C. 9045.1, Ch. VI, Sections 10, 11 and 13
FTA C. 9050.1, Ch. VI, Sections 10, 11 and 13
FTA C. 9070.1G, Ch. VI, Section 11 and 20; Ch. III, Section 12
Dear Colleague Letter, C-05-04, June 17, 2004

SOURCES OF INFORMATION

Review the program management plan(s), application package(s), standard subrecipient agreement(s), site visit checklists, and any other written policies and procedures for information on how the grantee monitors its subrecipients to ensure they have the sufficient financial management systems. Review the program management plan(s) for a discussion of the grantee's process for obtaining and reviewing audits and monitoring the resolution of findings.

During site visits select an ECHO draw that includes reimbursement to a subrecipient, review the back-up documentation for at least one invoice to the grantee to ensure that the amounts invoiced can be traced to source documents. If resiliency or other discretionary funds passed through to subrecipients, include in sample selection.

Discuss the grantee's process for monitoring subrecipients that charge indirect costs to FTA grants. If subrecipient cost allocation plans are on file with the grantee, review a copy.

During the site visit to a subrecipient, determine whether the subrecipient has a cost allocation plan, the plan was approved by a Federal or other agency, and the plan is updated annually and documentation maintained for audit. Determine if the subrecipient is eligible to charge a de minimis rate of 10 percent of modified total direct costs. Review the back-up documentation for at least one invoice to the State to ensure that the subrecipient is using the approved rate.

Discuss the process used to ensure the subrecipient conducts annual single audits and promptly resolves any findings. Review documentation of follow-up to subrecipients' single audit activities. Review the single

audit and follow-up correspondence for subrecipients visited.

DETERMINATION

The grantee is deficient if it does not:

- Ensure that subrecipients have the financial management systems to carry out the programs and to receive and disburse Federal funds
- Ensure that reimbursement requests from subrecipients are adequately documented
- Monitor subrecipients' application of indirect costs to FTA grants
- Review audits and ensure that subrecipients resolve audit findings related to the FTA-funded programs

(DEFICIENCY CODE 288: Insufficient financial oversight)

SUGGESTED CORRECTIVE ACTION

Direct the grantee to submit to the FTA regional office procedures for ensuring that subrecipients have the financial management systems to carry out the programs, receive and disburse Federal funds, and adequately support reimbursement requests.

Direct the grantee to submit procedures to the FTA regional office, along with evidence of its implementation, for ensuring that subrecipients that claim indirect costs have and comply with the requirements of their cost allocation plans.

Direct the grantee to submit to the FTA regional office procedures for obtaining and reviewing subrecipients' single audits and monitoring and tracking the resolution of audit findings.