



FINANCIAL MANAGEMENT OVERSIGHT PROGRAM

Full Scope Systems Review

of

Chatham Area Transit

PERFORMED FOR

U.S. DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION



Prepared by

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**U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION**

**FINANCIAL MANAGEMENT OVERSIGHT PROGRAM
FULL SCOPE SYSTEMS REVIEW**

CHATHAM AREA TRANSIT

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INDEPENDENT ACCOUNTANTS REPORT



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INDEPENDENT ACCOUNTANTS REPORT

To the Regional Administrator

Federal Transit Administration Region IV:

We understand that the Federal Transit Administration (FTA) has awarded Chatham Area Transit (CAT) the grants listed in Section I of this report. We have examined management's assertion, included in its representation letter dated June 17, 2022, that CAT maintained effective internal control over its compliance with FTA financial management system requirements during the period July 1, 2019, through June 30, 2021, as set forth in Section VI of this report, based on the following:

- For grants awarded or modified on or after December 26, 2014, [2 CFR Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section [200.302](#), *Financial Management*.

Management is responsible for maintaining effective internal control over CAT's compliance with FTA financial management system requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the financial management system, testing, and evaluating the design and operating effectiveness of the financial management system, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on CAT's compliance with FTA financial management system requirements.

Because of inherent limitations in any internal control structure or financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that CAT maintained effective internal control over its compliance with FTA financial management system requirements during the period July 1, 2019, through June 30, 2021, is fairly stated, in all material respects, based on the criteria established by the FTA as set forth in Section VI of the report.



INDEPENDENT ACCOUNTANTS' REPORT (continued)

Our examination identified significant deficiencies in CAT's internal controls over compliance with FTA financial management system requirements. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Significant deficiencies are discussed in Section III of this report. Certain advisory comments regarding procedures that do not affect our opinion or impact the criteria cited in the first paragraph of this report are described in Section IV of this report.

TFC Consulting, Inc.

Certified Public Accountants

June 17, 2022

SECTION I

BRIEF DESCRIPTION – CHATHAM AREA TRANSIT

BRIEF DESCRIPTION – CHATHAM AREA TRANSIT

Background

Chatham Area Transit Authority (CAT) provides transit service in Chatham County, Georgia to over a 632 square mile service area. CAT was established in 1986 by the Georgia State Assembly. It is governed by a nine-member Board composed of the three Chatham County Commissioners, four county citizens (including a representative of the disabled community) appointed by the Commission, one member of the City Council of Savannah, and a citizen of the City designated by the Council. Several key board membership and personnel changes have occurred during the last two years. On August 25, 2020, Deidrick Cody was nominated and confirmed as Board Chair by unanimous vote and on May 27, 2021, Helen Stone was nominated and confirmed as Vice Chair. In February 2021 Valerie Ragland was appointed Interim Chief Executive Officer. On February 3, 2022, Faye DiMassimo joined CAT, as CEO.

Under the leadership of the sitting Board of Directors, and CEO DiMassimo CAT's focus is on strengthening operating policies and procedures that promote operating efficiency, customer care, fiscal stewardship and regulatory compliance. These areas of focus is reflected within the FY 2023 Operating & Capital Budget that clearly outlines financial resources dedicated to support agency reorganization to accomplish desired outcomes as reference above. CAT continues to reassess operations in an effort to maximize operating efficiency and regulatory compliance.

Under normal circumstances, CAT operates a network of 21 fixed routes with a fleet of 66 buses. However, routes have been modified primarily due to the impact of COVID-19 resulting in a significant decrease in ridership. Presently ridership is beginning to increase and modifications made to adapt to public transit needs. Ridership productivity year-to date FY 2022 in comparison to year-to-date FY 2021 reflects an 8.8% increase.

The fixed-route service operates seven days a week from 4:45 a.m. to 1:45 a.m. Currently schedules has been modified due to decreased ridership with changes in route start and end times. CAT however continues to provide service seven days a week. The base fare for fixed-route service is \$1.50. During all service hours, a reduced fare of \$.75 is available to senior citizens, disabled individuals, and persons with Medicare cards. To receive a reduced fare, passengers must show a reduced fare identification card or a Medicare card. ADA complementary paratransit service, known as "CAT Mobility," operates during the same days and hours as the fixed routes. The fare for CAT Mobility is \$2.00. CAT also operates the "Savannah Belles" ferry service, offering an alternative to the Talmadge highway bridge to Hutchinson Island. The FTA-funded Savannah Belles Ferry service operates one triangle of service utilizing one of four ferry vessels. Four vessels are needed due to peak requirements during conventions and peak tourist season. Service is provided across the Savannah River from the City of Savannah to Hutchinson Island, to and from three ferry landings. This complimentary service operates daily from 7:00 a.m. to 12:20 a.m.

CAT operates from its FTA-funded operations and administrative center at 900 East Gwinnett Street in Savannah. There is an Intermodal Transit Center at 610 West Oglethorpe Avenue in Savannah.

BRIEF DESCRIPTION – CHATHAM AREA TRANSIT

Active FTA Awards

The following is a list of CAT’s active FTA awards listed in the Transit Award Management System (TrAMS) as of August 2, 2021.

Award Number	Description	Authorized Federal Share	Federal Share of Expenditures
GA-2017-011	FY14 5307-h Ferry Dock Repairs	\$ 374,400	\$ 338,153
GA-2017-038	FY15 & FY16 5307(h) Ferry Boat Rehab	713,280	267,331
GA-2019-007	5307 Capital and Operating: Savannah UZA, GA	3,722,654	3,719,454
GA-2020-032	Super Grant; Multi-Sourced Fleet Replacement and ITS; CAT; Savannah, GA UZA	7,337,780	4,362,720
GA-2020-033	FLEX to 5307; Vehicle Replacement, CAT: Savannah, GA UZA	2,176,472	-
GA-2020-034	Multi-sourced Capital & Operating Assistance: Savannah UZA; GA	4,251,469	3,304,406
GA-2021-024	Ferry Vessel Rehabilitation: FHWA Flex Funds	516,240	-
GA-2021-025	FFY21 CRRSAA Operating Assistance	5,868,708	5,477,459
GA-2021-028	FLEX to 5307; Vehicle Replacement with Electric Bus; CAT, Savannah, GA UZA	1,127,328	-
GA-2022-007	FY2021 5307 ARP Act Funds, Operating Assistance; Chatham Area Transit; Savannah UZA, GA.	12,667,863	-
GA-2022-008	5307h Capital: Ferryboat Discretionary Award; Acquisition of Vessels; CAT; Savannah UZA, GA	2,560,000	-
Total This Page		\$ 41,316,194	\$ 17,469,523

SECTION II

MATERIAL WEAKNESSES

MATERIAL WEAKNESSES

For purposes of this examination, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that instances of material noncompliance with the FTA Financial Management system requirement may have occurred and were not prevented or detected and corrected on a timely basis.

None of the matters identified during the examination were considered to be material weaknesses in CAT's financial management system.

SECTION III

SIGNIFICANT DEFICIENCIES

SIGNIFICANT DEFICIENCIES

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The significant deficiencies identified during our examination are presented below, with notation of the standards impacted, recommendations, discussion of the significance of the condition, a summary of the recipient's proposed corrective actions and evaluations thereof.

SIGNIFICANT DEFICIENCIES

1. Incorrect Percentages of Grant Funding Were Drawn Down for One FTA Award

Finding

CAT drew down the incorrect percentages of grant funding for three electric buses purchased with award number GA-2020-032 and therefore is drawing down amounts on a Federal award that are not in agreement with the current Activity Line Item (ALI) budgets in TrAMS.

Standards Impacted

2 CFR §200.302(b) *Financial Management*. “The financial management system of each non-Federal entity must provide for the following: . . . (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. (4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. (5) Comparison of expenditures with budget amounts for each Federal award.”

2 CFR §200.303 *Internal Controls*. “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. . . (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.”

Recommendations

We recommend the following:

- 1) CAT should work with Region IV to determine the most appropriate course of action related to the electric buses and how to resolve the ALI matter; and
- 2) CAT should remind their staff that drawdowns must be made in accordance with the approved budget percentages for each ALI.

These corrective actions should be completed within 180 days from the date of receipt of this report.

Discussion

CAT provided a listing of fixed assets in inventory as of June 30, 2021. Included in that list were two Gillig 35-foot electric buses (VINs 15GGB2814M3194708 and 15GGB2812M3194710). The

SIGNIFICANT DEFICIENCIES

1. Incorrect Percentages of Grant Funding Were Drawn Down for One FTA Award (continued)

Discussion (continued)

listing showed that these vehicles were purchased at a cost of \$944,851 each. The asset listing also showed that \$500,000 of Federal funding from FTA award GA-2020-032 was used for each of the two buses on the fixed asset listing. Upon further inquiry, we noted a third 35-foot Gillig electric bus was purchased using the dollar amounts as noted above during a subsequent quarter. Therefore, CAT purchased three Gillig 35-foot electric buses for a grand total cost of \$2,834,553, of which \$1,500,000 was from FTA award GA-2020-032 and the remaining \$1,334,553 was from local funding sources. Based on the information above, this computed to a Federal participation rate of 52.92% and a local participation rate of 47.08%.

FTA award GA-2020-032 included the three electric buses with a budget of \$1,500,000 in Federal funding and an intended \$2,552,000 in local sources. This would have resulted in a 37.02% Federal participation and a 62.98% local participation rate.

The testing team also spoke with CAT personnel and noted that the drawdowns were made incorrectly based on the award and the Activity Line Item (ALI) percentages. CAT personnel noted that the drawdowns should have been \$349,772 per vehicle in order to be in alignment with the ALI. Based on the information made available during the review, it appears that CAT is overdrawn for the three Gillig electric buses by \$150,228 each, for a total of \$450,684. In the discussions with CAT personnel, it was noted that this error occurred based on a misunderstanding of the award and the ALI related to the electric buses.

As a result of the conversations with CAT personnel and Region IV, this matter will require additional discussions between the regional office and CAT to determine the proper resolution. We are aware that CAT personnel have already contacted Region IV to begin this process as of the date of this report.

Recipient Response

During the period of review, staff diligently reviewed files related to grant award number GA-2020-032 in an effort to gather supporting documentation to justify the draw amount. Staff's findings are in concurrence with the findings of the FMO consultant conducting the review. Outreach to Region IV staff has been made regarding this finding however no final conclusion as to how the matter will be addressed as of the date of this response. Corrective action will be taken within 180 days from the date of receipt of the draft report. CAT will continue to consult with FTA Region IV regarding this matter.

SIGNIFICANT DEFICIENCIES

**1. Incorrect Percentages of Grant Funding Were Drawn Down for One FTA Award
(continued)**

Recipient Response (continued)

CAT current practice is to make a diligent effort to consult with FTA Region IV staff regarding any grant uncertainties and/or issues prior to the procurement of goods or services to be funded with FTA grant funds.

Evaluation of Recipient's Response

The recipient's response is considered adequate.

SIGNIFICANT DEFICIENCIES

2. Policies and Procedures for Various Areas Need to be Documented or Updated

Finding

CAT's policies and procedures surrounding procurement, code of conduct, records retention, internal monitoring, and project management need to be formally documented or updated.

Standards Impacted

2 CFR §200.303 *Internal Controls*. “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award... (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.”

2 CFR §200.334 *Retention Requirements for Records*. “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities.

FTA Circular 4220.1F Chapter III(3)(a) *Written Procurement Procedures*. “The Common Grant Rule for non-governmental recipients requires the recipient to have written procurement procedures, and by implication, the Common Grant Rule for governmental recipients requires written procurement procedures as a condition of self-certification. The recipient's procurement procedures are expected to address: (1) Solicitations... (2) Necessity... (3) Lease versus Purchase... (4) Metric Usage... (5) Environmental and Energy Efficiency Preferences... (6) Procurement Methods... (7) Legal Restrictions... (8) Third Party Contract Provisions... (9) Sources... [and] (10) Resolution of Third Party Contracting Issues.”

FTA Circular 5010.1E Chapter III(7). *Retention and Access Requirements for Records*. “(b) Length of Retention Period.(1) Except as otherwise specified, records must be retained for three years from the specific start dates specified in Chapter III, subsection 7.c. below.

c. Starting Date of the Retention Period. (1) General. In most circumstances, the starting date for retention of records is the date when the recipient submits the final expenditure report to FTA. For a project that is supported with federal assistance across multiple Awards, FTA may request that the starting date for retention of records be the date when the last associated Award is closed. For example, for a large capital project where a third-party contract is funded across more than one Award, retention of records associated with that third- party contract would commence as soon as the last Award financing that third-party contract is closed. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the three-year

SIGNIFICANT DEFICIENCIES

2. Policies and Procedures for Various Areas Need to be Documented or Updated (continued)

Standards Impacted (continued)

period, the records must be retained for three years after completion of the action and resolution of all issues that arise from it.

Recommendations

We recommend that CAT do the following:

- 1) Formally document project management policies and procedures for project managers and others within CAT to ensure consistency regarding project management activities. This should also include the development and usage of internal project management tracking sheets instead of vendor-supplied documents;
- 2) Formally document the internal monitoring policies and procedures to be used by individuals conducting internal evaluations of different processes at CAT. This should also include documentation requirements;
- 3) Update the Procurement Manual to include procedures for third-party contracting as required by 2 CFR 200 and FTA Circular 4220.1F (if there is a conflict between 2 CFR 200 and FTA Circular 4220.1F, the Uniform Administrative Requirements in 2 CFR 200 supersede FTA Circular 4220.1F);
- 4) Update the ethical policies in the Code of Business Conduct and Ethics to comply with FTA Circular 4220.1F regarding conflict of interest policies applying to family members of employees, Board members and vendors;
- 5) Update the ethical policies in the Code of Business Conduct and Ethics to address the type of disciplinary actions that could be taken for violations of ethical policies;
- 6) Update the records retention schedule to include the minimum number of years for retaining award-related documents as required by 2 CFR §200.334;
- 7) Store these policies and procedures in a repository that can be readily accessible if requested by auditors or other reviewers; and
- 8) Provide a copy of these policies and procedures to FTA Region IV for review.

These corrective actions should be completed within 120 days from the date of receipt of this report.

SIGNIFICANT DEFICIENCIES

2. Policies and Procedures for Various Areas Need to be Documented or Updated (continued)

Discussion

CAT provided copies of the various policies and procedures used within the organization. During the review of the various policies and procedures, the following was noted:

- 1) The Procurement Manual was well-written but was missing procedures related to third-party contracting as required by FTA Circular 4220.1F;
- 2) The Code of Business Conduct and Ethics included various policies regarding conflicts of interest, but did not mention that the conflict of interest policies also applied to family members of employees, Board members, and its vendors;
- 3) The Code of Business Conduct and Ethics did not address the disciplinary actions that would be taken for violations of ethical policies. CAT personnel stated that they did have unwritten procedures that would be used in the event of ethical violations;
- 4) The records retention schedule was very thorough but did not include specific reference to the retention periods of FTA grant related documents. We did note that the records retention schedule does state that CAT retains records as required by law, but did not specify the number of years of retention as required by 2 CFR §200.334;
- 5) Policies and procedures surrounding internal reviews were not developed fully; and
- 6) The policies and procedures surrounding project management were not fully developed and there was reliance upon contractor provided spreadsheets rather than project management analysis performed internally by CAT.

Although policies and procedures are available and the project-related files were well organized, the documents were not stored in a manner that was easily accessible to other authorized CAT personnel.

CAT personnel have stated that policies and procedures are currently being updated and it is CAT's intent to store copies of the most current policies and procedures and project files in a shared location that is readily accessible for authorized personnel.

Recipient Response

CAT's policies and procedures surrounding procurement, code of conduct, records retention, internal monitoring, and project management are currently being updated with plans to take applicable policies before the Board of Directors within 120 days of receipt of the draft report. Some of the areas of concern had been previously identified by CAT staff and movement made towards resolution prior to the beginning the review process. Documentation to evidence these actions were provided to the reviewers as identified below.

SIGNIFICANT DEFICIENCIES

2. Policies and Procedures for Various Areas Need to be Documented or Updated (continued)

Recipient Response (continued)

Internal Controls

The FY 2023 budget as proposed and adopted on June 28, 2022 included two Sr. Planners/Project Management positions, a Grants Administrator, and a Compliance Analyst position to ensure FTA compliance with the management of grant funds used to fund Capital Projects and project management. Essential functions will include the gathering of detailed documentation related to all processes impacting the grant process i.e., application submittal, award details, procurement process, project contract award, contract compliance, project timeline and other aspects of project management detail.

Finance Department staff will follow operating procedures outlined to ensure that grant draws are compliant with executed grant percentages and applicable project costs. The Grant's Administrator function will be ongoing monitoring to ensure detailed documentation is secured for grant application and award compliance.

1. CAT's grant management policies and procedures document will be developed to ensure that CAT has a documented policies and procedures to accurately guide staff.
2. CAT is also developing a Project Management Manual including best practices to grow and mature our strength of our capabilities. A draft is currently under review by our Executive Team with plans for it to be complete by the end of 2022

Retention Requirements for Records

The existing records retention policy will be updated to document a specified period of time for records retention that complies with the recommendation as outlined within the draft report and all applicable FTA regulations.

Written Procurement Procedures

Procurement policy will be updated in accordance with the draft report recommendations and brought before the CAT Board of Directors for approval within 120 days from the date of receipt of the draft report.

All policies and procedures and project files will be stored in a shared location and made accessible to authorized staff. Mandatory annual training on procurement policies and procedures will be scheduled and conducted for all managers. All corrective actions will be implemented within 120 days from the date of receipt of the draft report.

Evaluation of Recipient's Response

The recipient's response is considered adequate.

SIGNIFICANT DEFICIENCIES

3. Procurement Files Were Missing Documentation

Finding

Procurement files for certain contracts selected for review were missing required documentation.

Standards Impacted

2 CFR §200.302(b) *Financial Management*. “The financial management system of each non-Federal entity must provide for the following: . . . (4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

FTA Circular 4220.1F Chapter III 3(d) *Record Keeping*. “The Common Grant Rules require the recipient to prepare and maintain adequate and readily accessible project performance and financial records, covering procurement transactions as well as other aspects of project implementation.”

FTA Circular 5010.1E Chapter VI(2)(f)(3)(b)(6) *Source Documentation*. “Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts, and subrecipient documents.”

Recommendations

We recommend that CAT do the following:

- 1) Institute procedures to verify that all procurement files are complete and available for review.
- 2) Provide training to remind employees of the importance of maintaining proper procurement files and verifying that scanned documents are complete.

This corrective action should be completed within 120 days from the date of receipt of this report.

Discussion

The review of procurement files for a sample of 10 Federally-funded procurements indicated that they were generally complete. However, the following documents were not available for review:

- 1) A copy of the electronic requisition for purchase order was not provided so it was not possible to view a document that would indicate that the operating department had made a request for the procurement (Dejong & Lebet).

SIGNIFICANT DEFICIENCIES

3. Procurement Files Were Missing Documentation (continued)

Discussion (continued)

- 2) The copy of the Buy America post-delivery award audit only included page one of four, so it was not possible to verify that the audit had been completed or authorized (Gillig).
- 3) A copy of the signed contract that had been awarded was not provided. In addition, there were no copies of notification to the winning and unsuccessful bidders (Urban Transportation).

The Procurement Manager indicated that CAT had begun scanning all procurement documents several years ago and no longer maintained hard copy documents in their files. He indicated that missing documents were no longer available either electronically or in hard copy.

Recipient Response

The newly created Compliance Division that has been funded within the FY 2023 operating budget creates positions to ensure that all required documentation to support accurate accounting of grant funds from the initial start of the grant application process to the retirement of the federally funded asset and/or of the conclusion of contractual agreements for service delivery and/or construction of buildings and/or rolling stock. This documentation will be filed within a shared location and accessible to authorized personnel. All corrective actions will be implemented within 120 days from the date of receipt of the draft report.

Evaluation of Recipient's Response

The recipient's response is considered adequate.

SIGNIFICANT DEFICIENCIES

4. Accounts Payable Invoices Were Not Paid Timely

Finding

Some accounts payable invoices were not paid within the terms of the vendor invoices and vendors were not paid by CAT for an average of 82 days after the invoice date.

Standards Impacted

2 CFR §200.302(b) *Financial Management*. “The financial management system of each non-Federal entity must provide for the following: . . . (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

2 CFR §200.303 *Internal Controls*. “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Recommendations

We recommend that CAT do the following:

- 1) Update its procedures to ensure that vendors are paid in accordance with applicable Federal and state requirements (which should identify timelines and responsibilities for matching invoices to services or goods received, approving payment of invoices, and supervisory review of payments);
- 2) Communicate to staff the importance of timely payment of invoices to vendors; and
- 3) Provide Region IV a copy of the updated procedures related to invoice payment.

These corrective actions should be completed within 120 days from the date of receipt of this report

Discussion

As part of the examination, we examined the documentation for 20 disbursements. We reviewed the checks, invoices, purchase orders, and receiving reports, as applicable, that supported all sampled disbursements. We also reviewed the policies provided by CAT related to invoice payment. We noted that CAT’s policy stated invoices should be paid in accordance with the terms provided by the vendor.

SIGNIFICANT DEFICIENCIES

4. Accounts Payable Invoices Were Not Paid Timely (continued)

Discussion (continued)

CAT did not pay invoices within the terms of invoices provided by the vendors in 12 out of 20 disbursements tested (i.e., net 30 days). The invoices were paid between 7 and 159 days after the due date. Therefore, on average for these 12 disbursements, CAT paid the vendors 52 days after the payment due date.

CAT personnel stated that they have been working to make 30 days a goal for payments to be made to vendors. Further, CAT personnel have been ensuring that employees are aware that invoices from vendors need to be paid in a timely fashion and that any delays in the process, including where vendors have not provided all the documents necessary to process payment, are documented.

Recipient Response

Performance measurement within the FY 2023 budget document, page 42, lists vendor payment processing within thirty (30) after receipt of invoice as a performance goal. Compliance with and the importance of this performance measure is communicated to staff on an ongoing basis and is monitored quarterly for compliance. Region IV will be provided a copy of updated procedures and monitoring guidelines related to invoice payment within 120 days from the date of receipt of the draft report.

Evaluation of Recipient's Response

The recipient's response is considered adequate.

SECTION IV

ADVISORY COMMENTS

ADVISORY COMMENTS

For purposes of this review, an advisory comment represents a control deficiency in the design or operation of the financial management system that is not significant enough to adversely affect CAT's ability to record, process, summarize, and report financial and related data consistent with the requirements of [2 CFR Part 200.302](#).

The advisory comments presented in this section represent matters that came to our attention during the course of the review and are offered to CAT's management as an opportunity for improvement. These advisory comments are provided along with recommendations and discussion of the significance of the comment.

ADVISORY COMMENTS

1. CAT Should Consider Additional Disposal Methods Other Than Scrap Value at the End of an Asset's Useful Life

Finding

All of the fixed assets disposed of during the review period were disposed of at scrap value without consideration of other methods of disposal.

Recommendation

We recommend that, in addition to scrapping, CAT consider other methods of disposal of fixed assets once they have reached the end of their useful lives. Alternative disposal methods include auctioning, selling, or donating the assets.

Discussion

During our review of fixed asset disposals, it was noted that assets which reached the end of their useful lives were typically scrapped as the means of disposal. Further, CAT uses book value to determine value and federal interest without any attempt to determine market value of the assets to be disposed. Recipients are required to determine the fair market value of assets to be disposed of. CAT should consider other methods of disposal for assets as it may result in a higher value during the asset disposition process. Assets that have no book value and have met FTA useful life requirement may still have a market value of over \$5,000 and be subject to a remaining federal interest. By considering other methods of disposal, it is possible that a larger amount of proceeds would be received for disposed assets. For amounts under \$5,000, but greater than scrap value, this would result in additional funds available to CAT to use in its operations. For amounts greater than \$5,000, the appropriate calculations would need to be performed and would result in not only additional funds for CAT to use in its operations, but also additional funding to be returned to FTA.

Recipient Response

In 2021 CAT began to examine alternatives for the disposal of fixed assets at the end of an asset's useful life. Consideration was given to the following.

1. Donation to non-profit organizations based on a selective competitive process. The Community Surplus Vehicle Donation policy was approved by the CAT Board of Directors on 5/25/202.
2. Repurpose fully depreciated fixed route buses for other uses to support emergency operations (mobile command center) and other appropriate uses.
3. Partner with local government for participation in a vehicle auction program.

CAT will further pursue these options and develop policy to guide the process.

ADVISORY COMMENTS

2. CAT Should Notify FTA When a Vehicle is Taken Out of Service

Finding

Vehicle number 1805 was taken out of service after it had been in an accident without notification to FTA.

Recommendation

We recommend that CAT notify FTA when vehicles are taken out of service for something other than routine preventive maintenance.

Discussion

Vehicle number 1805 was taken out of service prior to the end of its useful life because it had been in an accident. During the assessment phase interview sessions, it was discovered that this vehicle was in a repair facility. At that time, it was being determined if the vehicle would be considered by the insurance company to be a total loss or repaired. FTA had not been notified that this vehicle was taken out of service.

As of the date of this report, it was determined that the vehicle will be repaired and is currently awaiting parts. Once the repairs are complete, the vehicle will be placed back in service.

It is important to notify FTA whenever a vehicle is taken out of service for matters other than routine preventive maintenance.

Recipient Response

CAT realizes the importance of maintaining open communications with the FTA regarding grant funded assets and has made this commitment as a component of standard operating procedures. Operating policies and procedures will be updated to include language that requires such notification.

ADVISORY COMMENTS

3. CAT Should Document Its Internal Evaluation Program

Finding

CAT currently conducts internal operational reviews but has not established formal procedures to document matters reviewed, the results of the reviews, or a procedure to track the status and resolution of recommendations for improvement.

Recommendation

We recommend that CAT do the following:

- 1) Document its internal monitoring program;
- 2) Retain copies of its review documentation; and
- 3) Establish a procedure to track the findings from the internal reviews to their ultimate resolution.

Discussion

CAT has conducted two internal reviews in the past three years. However, CAT was unable to provide documentation supporting the reviews to our examination team. CAT does not currently have procedures to track review findings to ensure they are resolved in a timely manner.

Additionally, CAT personnel indicated that there is not currently an internal audit function but the process of establishing an internal audit / compliance officer position is under way. It is CAT's intent to hire someone with internal audit experience to fill this position. While Federal regulations for award recipients do not require an internal audit function, implementing such a function could help improve compliance with regulations and the efficiency and effectiveness of CAT operations. As of the date of this report, CAT has provided an updated organizational chart showing this new role. Per discussion with CAT personnel, the intent of this role will be to assist with compliance related activities and to further develop its internal review function.

Recipient Response

In August 2021 CAT began to revamp its internal evaluation program and will continue to place emphasis on its importance from a policy, operational and administrative perspective. The FY 2023 budget establishes performance goals for monthly compliance reviews in the areas of operations, administration and policy. Funding to accomplish these performance goals are included with the FY 2023 budget with the creation of a Compliance Division.

SECTION V

SUMMARY OF FINDINGS

SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Material Weakness 1	None of the matters identified during the review were considered to be a material weakness in CAT's financial Management system.			
Significant Deficiency 1	Incorrect Percentages of Grant Funding Were Drawn Down for One FTA Award.	2 CFR §200.302(b) <i>Financial Management.</i> 2 CFR §200.303 <i>Internal Controls.</i>	We recommend the following: <ul style="list-style-type: none"> • CAT should work with Region IV to determine the most appropriate course of action related to the electric buses and how to resolve the ALI matter; and • CAT should remind their staff that drawdowns must be made in accordance with the approved budget percentages for each ALI. 	Within 180 days from the date of receipt of this report.

SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Significant Deficiency 2	Policies and Procedures for Various Areas Need to be Documented or Updated	2 CFR §200.303 <i>Internal Controls</i> . 2 CFR §200.334 <i>Retention Requirements for Records</i> . FTA Circular 4220.1F Chapter III(3)(a) <i>Written Procurement Procedures</i> . FTA Circular 5010.1E Chapter III(7). <i>Retention and Access Requirements for Records</i> .	We recommend that CAT do the following: <ul style="list-style-type: none"> • Formally document project management policies and procedures for project managers and others within CAT to ensure consistency regarding project management activities. This should also include the development and usage of internal project management tracking sheets instead of vendor-supplied documents; • Formally document the internal monitoring policies and procedures to be used by individuals conducting internal evaluations of different processes at CAT. This should also include documentation requirements; • Update the Procurement Manual to include procedures for third-party contracting as required by 2 CFR 200 and FTA Circular 4220.1F (if there is a conflict between 2 CFR 200 and FTA Circular 4220.1F, the Uniform Administrative Requirements in 2 CFR 200 supersede FTA Circular 4220.1F); • Update the ethical policies in the Code of Business Conduct and Ethics to comply with FTA Circular 4220.1F regarding conflict of interest policies applying to family members of employees, Board members and vendors; • Update the ethical policies in the Code of Business Conduct and Ethics to address the type of disciplinary actions that could be taken for violations of ethical policies; • Update the records retention schedule to include the minimum number of years for retaining award-related documents as required by 2 CFR §200.334; • Store these policies and procedures in a repository that can be readily accessible if requested by auditors or other reviewers; and • Provide a copy of these policies and procedures to FTA Region IV for review. 	Within 120 days from the date of receipt of this report.

SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Significant Deficiency 3	Procurement Files Were Missing Documentation	2 CFR §200.302(b) <i>Financial Management.</i> FTA Circular 4220.1F Chapter III(d) <i>Record Keeping.</i> FTA Circular 5010.1E. Chapter VI(2)(f)(3)(b)(6) <i>Source Documentation.</i>	We recommend that CAT do the following: <ul style="list-style-type: none"> • Institute procedures to verify that all procurement files are complete and available for review. • Provide training to remind employees of the importance of maintaining proper procurement files and verifying that scanned documents are complete. 	Within 120 days from the date of receipt of this report.
Significant Deficiency 4	Accounts Payable Invoices Were Not Paid Timely	2 CFR §200.302(b) <i>Financial Management.</i> 2 CFR §200.303 <i>Internal Controls.</i>	We recommend that CAT do the following: <ul style="list-style-type: none"> • Update its procedures to ensure that vendors are paid in accordance with applicable Federal and state requirements (which should identify timelines and responsibilities for matching invoices to services or goods received, approving payment of invoices, and supervisory review of payments); • Communicate to staff the importance of timely payment of invoices to vendors; and • Provide Region IV a copy of the updated procedures related to invoice payment. 	Within 120 days from the date of receipt of this report.
Advisory Comment 1	CAT Should Consider Additional Disposal Methods Other Than Scrap Value at the End of an Asset's Useful Life	Not applicable.	We recommend that, in addition to scrapping, CAT consider other methods of disposal of fixed assets once they have reached the end of their useful lives. Alternative disposal methods include auctioning, selling, or donating the assets.	Not applicable.

SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Advisory Comment 2	CAT Should Notify FTA When a Vehicle is Taken Out of Service	Not applicable	We recommend that CAT notify FTA when vehicles are taken out of service for something other than routine preventive maintenance.	Not applicable.
Advisory Comment 3	CAT Should Document Its Internal Evaluation Program	Not applicable	We recommend that CAT do the following: <ul style="list-style-type: none"> • Document its internal monitoring program; • Retain copies of its review documentation; and • Establish a procedure to track the findings from the internal reviews to their ultimate resolution. 	Not applicable.

SECTION VI

**CRITERIA ESTABLISHED BY THE FTA FOR
RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS**

CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS

The following criteria have been set forth by the Federal Transit Administration (FTA) as standards for the financial management systems of FTA recipients. The criteria for grants awarded or modified on or after December 26, 2014, are located in [2 CFR Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Additional guidance for applying many of these criteria is provided in various circulars issued by the FTA, U.S. Department of Treasury, and the Office of Management of Budget (OMB).

For grants awarded or modified on or after December 26, 2014, the financial management standards of [2 CFR Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, apply. Specifically, the financial management standards of the Omnibus Circular, located at [2 CFR Part 200.302](#). Additional guidance for applying many of these criteria is provided in various circulars issued by the FTA and the U.S. Department of Treasury. The financial management criteria of [2 CFR Part 200](#) are as follows:

[2 CFR Part 200.302\(a\)](#) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

[2 CFR Part 200.302\(b\)](#) The financial management system of each non-Federal entity must provide for the following (see also §§ [200.334](#) *Retention requirements for records*, [200.335](#) *Requests for transfer of records*, [200.336](#) *Methods for collection, transmission and storage of information*, and [200.337](#) *Access to records*):

1. Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings [formerly known as the Catalog of Federal Domestic Assistance (CFDA)] title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
2. Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ [200.328](#) *Financial reporting* and [200.329](#) *Monitoring and reporting program performance*. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

**CRITERIA ESTABLISHED BY THE FTA FOR
RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS**

3. Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.
4. Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §[200.303](#) Internal controls.
5. Comparison of expenditures with budget amounts for each Federal award.
6. Written procedures to implement the requirements of §[200.305](#) Federal payment.
7. Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of [2 CFR Part 200](#) and the terms and conditions of the Federal award

SECTION VII

RECIPIENT'S RESPONSE (FULL TEXT)



TO: Jed Stancato, TFC Consulting, Inc.

FROM: Stephanie S. Cutter, Chief Financial Officer *SSC*
Chatham Area Transit Authority

DATE: September 22, 2022

RE: Financial Management Oversight (FMO)
Full Scope Review Draft Report received August 25, 2022

Please find below within the following paragraphs responses to finding resulting from the Full Scope Review conducted on behalf of the Federal Transit Administration (FTA).

Significant Deficiencies

1. Incorrect Percentages of Grant Funding Were Drawn Down for One FTA Award

During the period of review, staff diligently reviewed files related to grant award number GA-2020-032 in an effort to gather supporting documentation to justify the draw amount. Staff's findings are in concurrence with the findings of the FMO consultant conducting the review. Outreach to Region IV staff has been made regarding this finding however no final conclusion as to how the matter will be addressed as of the date of this response. Corrective action will be taken within 180 days from the date of receipt of the draft report. CAT will continue to consult with FTA Region IV regarding this matter.

CAT current practice is to make a diligent effort to consult with FTA Region IV staff regarding any grant uncertainties and/or issues prior to the procurement of goods or services to be funded with FTA grant funds.

2. Policies and Procedures for Various Areas Need to be Documented or Updated

CAT's policies and procedures surrounding procurement, code of conduct, records retention, internal monitoring, and project management are currently being updated with plans to take applicable policies before the Board of Directors within 120 days of receipt of the draft report. Some of the areas of concern had been previously identified by CAT staff and movement made towards resolution prior to the beginning the review process. Documentation to evidence these actions were provided to the reviewers as identified below.

Internal Controls

The FY 2023 budget as proposed and adopted on June 28, 2022 included two Sr. Planners/Project Management positions, a Grants Administrator, and a Compliance

Analyst position to ensure FTA compliance with the management of grant funds used to fund Capital Projects and project management. Essential functions will include the gathering of detailed documentation related to all processes impacting the grant process i.e., application submittal, award details, procurement process, project contract award, contract compliance, project timeline and other aspects of project management detail.

Finance Department staff will follow operating procedures outlined to ensure that grant draws are compliant with executed grant percentages and applicable project costs. The Grant's Administrator function will be ongoing monitoring to ensure detailed documentation is secured for grant application and award compliance.

1. CAT's grant management policies and procedures document will be developed to ensure that CAT has a documented policies and procedures to accurately guide staff.
2. CAT is also developing a Project Management Manual including best practices to grow and mature our strength of our capabilities. A draft is currently under review by our Executive Team with plans for it to be complete by the end of 2022

Retention Requirements for Records

The existing records retention policy will be updated to document a specified period of time for records retention that complies with the recommendation as outlined within the draft report and all applicable FTA regulations.

Written Procurement Procedures

Procurement policy will be updated in accordance with the draft report recommendations and brought before the CAT Board of Directors for approval within 120 days from the date of receipt of the draft report.

All policies and procedures and project files will be stored in a shared location and made accessible to authorized staff. Mandatory annual training on procurement policies and procedures will be scheduled and conducted for all managers. All corrective actions will be implemented within 120 days from the date of receipt of the draft report.

Procurement File Were Missing Documentation

The newly created Compliance Division that has been funded within the FY 2023 operating budget creates positions to ensure that all required documentation to support accurate accounting of grant funds from the initial start of the grant application process to the retirement of the federally funded asset and/or of the conclusion of contractual agreements for service delivery and/or construction of buildings and/or rolling stock. This documentation will be filed within a shared location and accessible to authorized personnel. All corrective actions will be implemented within 120 days from the date of receipt of the draft report.

Accounts Payable Invoices Were Not Paid Timely

Performance measurement within the FY 2023 budget document, page 42, lists vendor payment processing within thirty (30) after receipt of invoice as a performance goal. Compliance with and the importance of this performance measure is communicated to staff on an ongoing basis and is monitored quarterly for compliance. Region IV will be

provided a copy of updated procedures and monitoring guidelines related to invoice payment within 120 days from the date of receipt of the draft report.

ADVISORY COMMENTS

1. Asset Disposal Methods

In 2021 CAT began to examine alternatives for the disposal of fixed assets at the end of an assets useful life. Consideration was given to the following.

- ✓ Donation to non-profit organizations based on a selective competitive process. The Community Surplus Vehicle Donation policy was approved by the CAT Board of Directors on 5/25/202.
- ✓ Repurpose fully depreciated fixed route buses for other uses to support emergency operations (mobile command center) and other appropriate uses.
- ✓ Partner with local government for participation in a vehicle auction program.

CAT will further pursue these options and develop policy to guide the process.

2. FTA Notification

CAT realizes the importance of maintaining open communications with the FTA regarding grant funded assets and has made this commitment as a component of standard operating procedures. Operating policies and procedures will be updated to include language that requires such notification.

3. Internal Evaluation Program

In August 2021 CAT began to revamp its internal evaluation program and will continue to place emphasis on its importance from a policy, operational and administrative perspective. The FY 2023 budget establishes performance goals for monthly compliance reviews in the areas of operations, administration and policy. Funding to accomplish these performance goals are included with the FY 2023 budget with the creation of a Compliance Division.

Please know that this process was a welcomed opportunity to gain better insight on how CAT can strengthen its policy, financial, administrative, and operational guidelines to ensure compliance with FTA regulations.

Cc: File - 2022 FMO Full-Scope Management Review