Memorandum

MIAMI-DADE COUNTY

Date: July 14, 2011

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: Release of ARRA Funding and Feedback on Corrective Action Plan

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I am pleased to announce that today we received notification from the Federal Transit Administration (FTA) that the County's $72.6 million allocation of American Recovery and Reinvestment Act funding would be exempt from the current suspension of funds. This includes $12.7 million, which represents the municipal project portion as allocated by the Metropolitan Planning Organization. This is welcome news as the County has been carrying expenditures associated with these ongoing projects in an effort to maintain this national and regional priority program.

Specifically, the letter indicates approval from the FTA of the standard operating procedure that had been previously submitted for ARRA reimbursements, and staff has been instructed to prepare a drawdown package for prompt reimbursement on all eligible expenditures to date.

A second letter received today recommends enhancements to our corrective action plan and I have instructed staff to address these accordingly. As you are aware, this progress is a result of many months of dialogue with the FTA and represents a significant step in restoring MDT's full drawdown privileges.

I have attached both letters for your review and I will continue to provide the Board with any updates as soon as they are available.

Please call me directly should you have any other questions.

Attachments

c: Dr. Yvette Taylor, FTA Regional Administrator, District IV
Robert A. Cuevas, Jr., County Attorney
Harvey Ruvin, Clerk of the Board
Charles Anderson, Commission Auditor
Christopher Mazzella, Inspector General
Jose Mallea, Interim Chief of Staff, Office of the Mayor
Alina T. Hudak, County Manager
Ysela Llort, Assistant County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Cathy Jackson, Director, Audit and Management Services
Carter Hammer, Finance Director
George Navarrete, Office of Capital Improvements
Charles Scurr, Executive Director, Office of the Citizens' Independent Transportation Trust
Miriam Singer, Director, Department of Procurement Management
FTA Review Management Team

U.S. Department
of Transportation
**Federal Transit
Administration**

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JUL 1 4 2011

Ms. Alina T. Hudak
County Manager (Miami-Dade)
701 NW 1st Court
Overtown Transit Village, Suite 1700
Miami, FL 33136-1999

Re: Comments on the Revised Federal Reimbursement Request Procedures for ARRA Projects Standard Operating Procedure (SOP) for Miami-Dade Transit (MDT) dated July 1, 2011

Dear Ms. Hudak:

The Federal Transit Administration (FTA) required Miami-Dade Transit (MDT) to produce a standard operating procedure (SOP) to once again access funds provided through the American Recovery and Reinvestment Act (ARRA). The purpose of the SOP is to ensure that proper oversight and management procedures are in place before MDT was permitted to withdraw ARRA funds. The FTA has carefully reviewed MDT's July 1, 2011 draft document, "Federal Reimbursement Request Procedures for ARRA Projects", and concurs with the proposed steps.

MDT will be required to follow the agreed upon SOP when requesting ARRA reimbursements. Within 30 days of receipt of a reimbursement request, FTA will perform a thorough review of the supporting documentation to validate the eligibility of the expenses incurred under the grant(s). FTA reserves the right to withhold funds if the supporting documentation is not complete or does not support the entire amount requested.

If you have additional questions, please contact me at 404-865-5600.

Sincerely,

Yvette G. Taylor

Yvette G. Taylor, Ph.D
Regional Administrator

U.S. Department
of Transportation
**Federal Transit
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Re: FTA Assessment of MDT Corrective Action Plan, dated May 13, 2011

Dear Ms. Hudak:

The Federal Transit Administration (FTA) has received Miami Dade Transit's (MDT) Corrective Action Plan addressing the eight major issues of concerns previously identified in FTA's correspondence of April 8, 2011. FTA has thoroughly reviewed MDT's plan and provides an assessment of the plan below.

1. Accrual Basis of Accounting

Ensure all quarterly reporting is on an accrual basis of accounting in accordance with FTA Circular 50101D, Chapter 3 (b).

FTA Assessment of MDT's Corrective Actions

The format MDT has proposed in its submitted documentation appears to be a typical and functional accrual calculation. Accruals typically include invoices not recorded and/or internal records calculating expenditures incurred for which the organization has not yet been billed by vendors.

MDT's Standard Operating Procedure (SOP) "Quarterly Federal Financial Reporting on Accrual Basis," did not include identifiable cross references. For instance, we could not link the amounts on the summary schedule to the underlying invoices or other support schedules. If the amounts on support documents are carried forward, the two amounts should be cross referenced. If there are any intermediary calculations between amounts on support documents and summary schedule (such as allocations, etc.), those should also be clearly shown on the supporting document.

Next Steps

FTA will perform a field examination to review the supporting documentation, including a review of the cross-reference the documentation to evaluate whether the process is functioning as intended.

2. Index Code Authorizations and Approvals

Ensure that only valid vouchers and active grant index codes are properly authorized and approved for payment. Furthermore, the Grant index number should not be changed by any specific division without approval of divisions involved with initially approving the Purchase Order (PO), which establishes the index code as chargeable to a specific federal grant Activity Line Item (ALI). These recommendations are in accordance with FTA Circular 5010.1D, Chapter VI, Section 2(e)3(b)3; Section 2(d)5.

FTA Assessment of MDT's Corrective Actions

The SOP should be augmented by adding specific procedures in the event that different parties in the process do not concur on the charging codes used. After making the augmentation, the "Financial Approval Checklist" would be a good example format for other SOPs. Although the Financial Approval checklist is manual, a checklist incorporated into MDT's system would be an acceptable enhancement to save time and effort.

It is unclear if the Accounts Payable Department is responsible for the SOP entitled "Processing Payments for Purchases by MDT Department for All Grant Related Expenditures". Moreover, the assignment of responsibilities is not expressly written in the SOP. The responsible positions should be named along with the related procedures.

The inclusion of the automated report named "Weekly Exception Report" that MDT presented is a secondary functional detection control of index code changes and would not resolve the issue by itself. The FTA would like to see both, the follow-up procedures in the event parties in the process do not concur on index coding and specific indication of which position is responsible for each procedure. Finally, MDT needs to develop an SOP to ensure changes to an originally assigned index code do not occur.

Next Steps

FTA will examine the updated SOPs incorporating the recommended changes. A field examination of the documentation supporting performance of these procedures will be necessary to determine if the process is functioning as intended.

3. Fees Deducted from Procurements that are FTA Funded

Ensure that there is no federal participation in any County procurement that includes the User Access Program (UAP) and/or Inspector General Fee (IG) Fee. This recommendation is in accordance with 49 CFR 18.36(b) (1), 18.20(b) (5), 18.22 and FTA Circular 5010.1D, Chapter VI, Section 2(e) (3) (b) 3.

FTA Assessment of MDT's Corrective Actions
The FTA will examine the SOP and MDT Invoice Payment Process Checklist when MDT has finalized it.

The "Weekly UAP/IG Exception Report" appears correctly structured to provide the necessary information. However, MDT's corrective action does not include a resolution process, which is necessary to make the report useful.

The FTA reviewed the modification work order and noted it appears that the reversal would occur in a subsequent batch run. We recommend that the reversal run immediately after the initial Accounts Payable processing.

FTA request that MDT's SOPs include resolution procedures in the event UAP/IG Fees are erroneously applied to FTA funded charges and that MDT reevaluate its process to determine why fees were applied.

Next Steps
MDT should include a resolution process for errors discovered and ascertain that any fee reversals are processed immediately. FTA will examine the updated SOP's incorporating the recommended changes. A field examination of the documentation supporting performance of these procedures will be conducted to ascertain that the processes are functioning as intended.

4. Reconciliation of Fare Collection Boxes
Fare collection reports generated from bus probing data should be reconciled to cash counted on a daily basis, and the related variance reports should be reviewed by someone independent of the counting process. This recommendation is in accordance with FTA Circular 5010.1D, Chapter VI, Section 2(e) 3(b) 3.

FTA Assessment of MDT's Corrective Actions
Specified dollar criteria should replace the percentage (%) criteria in the SOP entitled "Daily Bus Farebox Cash Revenue Variance Analysis Procedure". Responsibilities in the SOP are segregated by department, but should be more detailed (by position). Because the two changes indicated are significant, we would need to examine the SOP after MDT makes these changes in order to assess its adequacy.

To our surprise, we did not receive any examples of probe reports or reconciliations. We request that MDT's SOP use dollar ($) based criteria for variances. The responsible parties in the SOP should be indicated by position, rather than by department as they are currently specified. In addition, there should be a reconciliation of the cash and credit card receipts counted to the related bank deposit on a periodic basis.

Next Steps
MDT should revise its SOPs to incorporate the use of the dollar value criteria and also further detail the responsibilities by exact positions instead of by departments. A field examination of the documentation supporting performance of these procedures will be conducted to ascertain that the processes are functioning as intended.

5. Reconciliation of Kiosk Collections
Kiosk collection reports should be reconciled to the cash counted on a daily basis with variance reports reviewed by someone independent of the counting process. In addition, there should be a reconciliation of the cash and credit card receipts counted to the related bank deposit on a periodic basis. This recommendation is in accordance with FTA Circular 5010.1D, Chapter VI, Section 2(e) 3(b) 3.

FTA Assessment of MDT's Corrective Actions
A specified dollar criteria should replace the percentage (%) criteria in the SOP entitled "Daily Transit Service Center (Kiosk) and Pass Sales Office Cash Revenue Reconciliation Process". In addition, there should be a reconciliation of the cash and credit card receipts counted to the related bank deposits on a periodic basis. The effectiveness of this process can only be determined in conjunction with a specific review of the results which were not submitted.

Subject to specific examples of actual implementation, this data processing change should enhance actions 1 and 2. Credit/Debit Card receipts need to be specifically addressed in the SOP. We request that MDT's SOP use dollar based criteria.

Next Steps
MDT should revise their SOPs to incorporate the use of the dollar value criteria and also further detail responsibilities by exact positions instead of by departments. FTA will examine the updated SOP for Credit/Debit Card receipts, as well as for Cash Processing which incorporates the recommended changes. A field examination of the documentation supporting performance of these procedures will also be performed to determine if the processes (Cash and Credit/Debit) are functioning as intended.

6. Preventive Maintenance (PM) Grants Support
Maintenance division cost should be analyzed in detail to document exactly which costs are to be used in support of ECHO draws. For labor costs, the analysis should start with applicable lines in an existing General Ledger detail report (A74) that are allowable. As for any charges not payroll related, MDT should specify in the ECHO draw support exactly which costs charged to the bus and rail maintenance divisions are eligible for reimbursement under the grant. This recommendation is in accordance with FTA Circular 5010.1D, Chapter VI, Section 2(e)3(b) 6.

FTA Assessment of MDT's Corrective Actions
MDT's "Required actions to attain full compliance" section in the MDT Corrective Plan Matrix references "Labor Distribution Reports"; however, more specific wording, "Detail Labor Distribution Reports" would avoid any confusion that this needs to be supported at the employee level. PM should be based on cash payroll, which should post to the General Ledger directly from the payroll system without the necessity of Journal Entries.

Next Steps
The SOP should include specific instructions to continue use of detail payroll data and should exclude any mention of "Journal Entry" or any other language that would suggest other than Cash Basis payroll was available for grant reimbursement. In addition, MDT should automate the process, whereby the data supporting the eligibility of costs associated with Preventive Maintenance labor can be extracted on a periodic basis as opposed to a manual process performed annually. Such an automated process would identify individuals and their related departments and allocate percentages that are consistent with the approved Force Account and Cost Allocation Plans. A field examination of the documentation supporting performance of these procedures will be conducted to ascertain that the processes are functioning as intended.

6. Inclusion of FTA Mandated Clauses in Vendor Contracts
Utilize a process that ensures compliance with FTA requirements for each federally funded contract. Furthermore, it should address the FTA mandated clauses in individual contracts, even if there is a master services agreement in place. This recommendation is in accordance with FTA Circular 4220.1F, Appendix D, 5010.1D, Chapter VI, Section 2(e)3(b) and Chapter II, Section 3(a) 7.

FTA Assessment of MDT's Corrective Actions
Subject to specific examples of actual implementation, the SOP entitled, "Financial Approval Checklist" should meet the criteria to resolve the issue and would be a good example format for other SOPs.

Subject to specific examples of actual implementation, The "Approval Path Meeting Material" should meet the criteria to resolve the issue. We noted that the presentation appears to indicate MDT has placed the approval process into FAMIS system, which should be effective in streamlining the control.

The "Federal Requirements [Compliance] Review Form" should incorporate the "FTA Contract Checklist". Subject to this recommended improvement to the "Federal Requirements [Compliance] Review Form", changes to the "Transit Administrative Policy" (TAPP) should meet the criteria to resolve the issue.

Next Steps
The FTA found no missing or inconclusive information related to this response. However, a proper review of compliance with federally mandated contract clauses would require on-site verification. MDT should consider developing standardize formats that are a part of every federal procurement action to ensure clauses are not absent from FTA funded contracts.

7. Procurement File Maintenance (Including Retention Policies)
Ensure there is a system in place to verify that MDT or the County is maintaining procurement files in accordance with FTA Circular 50101D, Chapter III, Section 7(c) and 42201F Chapter III, Section 3(d).

FTA Assessment of MDT's Corrective Actions
The criteria on the checklist now include analysis of FTA retention period as required. However, on MDT's FTA Contract Checklist, we did not see where the retention period end date is specifically indicated. If the retention period end date is indicated and subject to specific examples of actual implementation, SOP "Transfer of FTA Funded Contract Records" and "FTA Contract Checklist" should meet the criteria to resolve the issue.

Next Steps
The retention period end date should be indicated on MDT's retention checklist. Examples of completed checklists sampled can be examined during the on-site visit.

As noted above, FTA has identified a number of areas that need additional work. Once these corrective action(s) have been updated to reflect the recommended enhancements and verified through testing by FTA and our FMOC, MDT will be able to resolve these issues. If you have additional questions, please contact me at 404-865-5600.

Sincerely,

Yvette G. Taylor, Ph.D
Regional Administrator