Memorandum

MIAMI-DADE COUNTY

Date: July 11, 2012

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

From: Carlos A. Gimenez
Mayor

Subject: Miami-Dade Transit (MDT) Federal Transit Administration (FTA) Update

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As you are aware, in November and December 2011 Miami-Dade Transit (MDT) underwent a Full Scope System Review of performance by the FTA Financial Management Oversight (FMO) Reviewers, including a review of the correction action plan implemented as a result of the November 2010 areas of concern that lead to MDT's Drawdown Suspension of FTA funds. An Exit Conference was held on June 7, 2012 and yesterday, July 10, 2012, we received the FMO Final Draft Report. Attached you will find a summary of the findings included in the draft report. Staff is working on a response, which is due within 30 days.

Background and Update

On November 9, 2010, the FTA put MDT on Drawdown Suspension, which at that time totaled approximately $185 million in grant funds. This was due to certain weaknesses identified in MDT's internal controls. MDT worked with the FTA and has implemented FTA's corrective actions, addressing all of the FTA's areas of concern raised in November 2010. Currently, MDT is on "Restrictive Draw" which requires an FTA review of expenses, prior to reimbursing funds to MDT.

MDT continues to receive federal funding. Between June 2011 and May 2012, MDT has received approximately $133.5 million in reimbursements (approximately $124.8 million in FTA grants and $8.7 million in American Recovery & Reinvestment Act grants) and has been awarded $127,722,434 in additional FTA Grants.

As a result of the on-going civil investigation by the US DOT Office of Inspector General, FTA grants with fiscal years 2004-2009 funding, totaling approximately $41 million remain suspended. To date, only about $12 million of these funds have been expended by MDT.

I would like to thank the Board of County Commissioners, the Citizens' Independent Transportation Trust, and the FTA for their support of MDT during this time. As we have been doing since 2010, we will continue working towards resolving any outstanding issues.

Should you have any further questions, please do not hesitate to contact Ysela Llort at 786-469-5406.

Attachment

c: Alina T. Hudak, Deputy Mayor
Edward Marquez, Deputy Mayor
Ysela Llort, Director, Miami-Dade Transit
Bruce Libhaber, Assistant County Attorney
Charles Scurr, Executive Director, Citizens' Independent Transportation Trust

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U.S. Department
of Transportation
Federal Transit
Administration

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The Honorable Carlos A. Gimenez
Office of the Mayor
Stephen P. Clark Center
111 NW 1st Street
Miami, FL 33128

JUL 09 2012

Re: FTA FMO Full Scope Review of the Miami Dade Transit – Final Draft Report

Dear Mayor Gimenez:

Enclosed, for your review and comment, is a copy of the final draft report resulting from the Financial Management Oversight (FMO) Full Scope review conducted of your organization by Reid Consulting, LLC with Holmes and Company, LLC under contract with FTA.

Please provide us written comments on each procedure within the next 30 days. A final report, incorporating your comments and the FMO contractor's evaluation of those comments, will then be issued.

Ms. Margarita Sandberg, of my staff, is available to assist you if you have any questions or need further assistance with this matter. She can be reached at (404) 865-5612.

Sincerely,

Yvette G. Taylor, Ph. D.
Regional Administrator

Enclosure

cc: Reid Consulting, LLC
Ms. Donna L. McCoy, CPA
Ms. Ysela Llort

FINANCIAL MANAGEMENT OVERSIGHT PROGRAM

Full Scope Systems Review

Of

Miami-Dade Transit

PERFORMED FOR

U.S. DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION

Prepared by

Reid Consulting, LLC

with

Holmes & Company, LLC

CONTRACT NUMBER: DTFT60-10-D-00006

TASK ORDER NUMBER: 1

Report Date: January 6, 2012

Draft Report Submission Date: February 13, 2012

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Miami-Dade Transit
Financial Management Oversight Review
Table of Contents

REPORT OF INDEPENDENT ACCOUNTANTS 1

SECTION I: BRIEF DESCRIPTION 3

SECTION II: MATERIAL WEAKNESSES 7

1. Personnel Turnover and Vacancies Compromise the Control Environment 8
2. ECHO Draw Detail per General Ledger Does Not Agree to TEAM 10

SECTION III: SIGNIFICANT DEFICIENCIES 12

1. Force Account Plan Does Not Adequately Justify Use of Labor Forces 13
2. No Effective Fixed Asset Physical Inventory Process 15
3. Recording of Fixed Assets Not Timely, Complete, and Accurate 17
4. Fixed Assets Disposed of Before the End of Their Useful Life 19
5. Contract Solicitation Documents Not Included in Centralized Procurement File 21
6. No Use of Current Cost Allocation Plan Rates 22
7. Single Audit Findings and Status Not Filed Timely 24
8. Spare Parts Inventory System Not Reconciled to the General Ledger 26

SECTION IV: ADVISORY COMMENTS 23

1. No External Peer Review Performed of Internal Audit Function 24
2. No Formal Tracking of Internal Audit Findings 25
3. No Recent Vulnerability Testing of the Information Technology (IT) System 26

SECTION V: SUMMARY OF FINDINGS 27

SECTION VI: CRITERIA ESTABLISHED BY FTA FOR GRANTEE'S FINANCIAL MANAGEMENT SYSTEMS 33

SECTION VII: GRANTEE'S RESPONSE (FULL TEXT) 35

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Report of Independent Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Regional Administrator
Federal Transit Administration Region IV:

We understand that the Federal Transit Administration (FTA) has awarded Miami-Dade Transit (MDT) the grants listed in Section I of this report. We have examined the effectiveness of MDT's internal control over compliance with FTA financial management system requirements as of January 6, 2012, as set forth in Section VI of this report, based on 49 CFR Part 18 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule), Section 18.20, "Standards for Financial Management Systems." Management is responsible for maintaining effective internal control over MDT's compliance with FTA financial management system requirements. Our responsibility is to express an opinion on the effectiveness of management's internal control over compliance with FTA financial management system requirements 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 MDT'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.

As discussed in Section II of this report, our examination identified material weaknesses in MDT's internal controls over compliance with FTA financial management system requirements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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.

In our opinion, except for the effect of the material weaknesses described in the preceding paragraph on the achievement of the objective of the financial management system criteria, MDT has maintained, in all material respects, effective internal control over its compliance with FTA financial management system requirements as of January 6, 2012 based on the criteria established by the FTA as set forth in Section VI of the report.

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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.

January 6, 2012

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Section I

Brief Description of Miami-Dade Transit

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SECTION I: BRIEF DESCRIPTION

Background

In 1960, the County Commission passed an ordinance to create the Metropolitan Transit Authority (MTA). Over the years and under various administrations, MTA evolved into the Metro-Dade Transportation Administration, the Metro-Dade Transit Agency, the Miami-Dade Transit Agency, and is now known simply as Miami-Dade Transit (MDT).

Today's MDT has a viable four-mode system-Metrobus, Metrorail, Metromover, and Paratransit (STS) -used by nearly 300,000 passengers daily.

MDT Facts

MDT, one of the largest departments of Miami-Dade County government, is responsible for planning and providing all public transit services in the county. This integrated transportation system consists of four major components: the Metrobus fleet, connecting most areas of Miami-Dade County; Metrorail, an electrically-powered, elevated, rapid-transit system stretching 24.6 miles, from Kendall to Medley; Metromover, a 4.4-mile elevated people mover that serves the downtown central business district of Miami, and including Omni and Brickell; and, Special Transportation Service (STS), designed to meet the needs of people with disabilities unable to use regular transit services.

Currently, MDT records over 353,000 daily (weekday) boardings on Metrobus, Metrorail, Metromover and STS combined.

Metrorail System

The Metrorail system is an electrically-powered, elevated, rapid-transit system that extends for 24.6 miles. The Metrorail line extends from Kendall in South Miami-Dade to Medley in West Miami-Dade, and connects a major portion of the County to business, cultural and shopping centers. Passengers can travel from one end of the system to the other in only 49 minutes. The rail fleet consists of 136 rail cars.

In May 2009, Miami-Dade County broke ground on the AirportLink Metrorail Extension Project, a 2.4-mile extension of Metrorail that will run from the existing Earlington Heights station to the Miami Intermodal Center (MIC), now under construction next to Miami International Airport (MIA). Scheduled to open in spring 2012, the AirportLink is considered the centerpiece of the People's Transportation Plan (PTP), approved by Miami-Dade voters in 2002. The bulk of the funding for the $506 million project will come from the PTP half-penny tax, with the Florida Department of Transportation contributing $101.3 million.

The AirportLink will provide a fast, reliable Metrorail connection to MIA for the millions of residents, visitors and employees who travel to and from MIA every year. With this project, Miami-Dade County joins the ranks of major metropolitan areas around the world with rapid transit connections to their airports.

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SECTION I: BRIEF DESCRIPTION, continued

Metrobus System

The MDT system currently provides daily countywide service with a total fleet of 822 buses which includes 747 full size buses and 75 mini-buses traveling more than 28.5 million revenue miles and 34,454,799 total miles. With 93 routes, MDT offers express bus service from the north and south ends of Miami-Dade County, service to neighboring Broward County, all rail stations, local and limited-stop service, special events, major businesses and the cultural and shopping centers throughout the greater Miami area. MDT also contracts with a private bus operator to provide two routes from south Miami-Dade County to Monroe County. Designed to intersect with Metrorail and Metromover, MDT's bus system serves all major shopping, entertainment and cultural centers, as well as major hospitals and schools. Several bus routes operate 24 hours a day and three routes provide overnight service between 11 p.m. and 6 a.m.

Metromover System

Passengers ride free on Metromover. This electrically-powered, fully automated people mover system connects with Metrorail at Government Center and Brickell stations and with Metrobus at various locations throughout downtown. Major destinations of the Metromover system include the American Airlines Arena, Bayside Market Place, Miami-Dade College and the Miami-Dade County School Board. The mover fleet consists of 29 mover cars.

STS System Special Transportation Services (STS) is MDT's complimentary paratransit service. Established in 1976 to meet the special transportation needs of disabled Miami-Dade County citizens, STS is available to anyone MDT deems eligible. Privately contracted sedans, vans and vans equipped with lifts provide door-to-door service for eligible customers. Service is offered with no restrictions on trip purpose.

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SECTION I: BRIEF DESCRIPTION, continued

Active FTA Grants

The following is a list of MDT's active FTA Grants as of September 30, 2011:

Grant Number	Grant Title	Grant Amount	Expenditures 9/30/11
FL-03-0137-01	Miami Beach - Mt Sinai	$3,000,000	$219,771
FL-03-0232-03	Bus Projects	$8,797,130	$8,167,267
FL-03-0259-00	NE Passenger Activity Center	$371,261	$141,087
FL-03-0311-00	NW 7th Ave. Multimodal PAC	$1,942,653	$1,942,653
FL-03-0325	MIC Bus Plaza	$5,830,669	$4,989,415
FL-03-0328	City of Homestead Trolley Purchase	$242,945	$ -
FL-04-0016-02	Bus Projects FY 07, FY 08, & FY 09	$10,043,960	$1,117,046
FL-04-0017-02	NW 7th Ave. Multimodal PAC - FY 07 & FY 08	$4,385,942	$374,083
FL-04-0036	Miami Urban Partnership Agreement	$13,845,000	$13,495,222
FL-04-0073	City of Homestead Trolley Purchase	$495,000	$ -
FL-26-0017	NW 7th Ave. Multimodal PAC - FY 02	$3,469,575	$3,177,655
FL-26-7001-00	AUTOMATED PASSENGER INFORMATION SYSTEM	$400,000	$263,362
FL-70-X001	NW 7th Ave. Multimodal PAC - FY 03	$496,750	$32,466
FL-90-X350-05	Capital Funding for Busway Construction	$72,677,515	$68,764,659
FL-90-X578-01	CMAQ Transfer/FY 06 Formula Grant	$64,779,170	$63,381,634
FL-95-X015-04	Bridge Inspections FY09	$3,582,000	$3,168,860
FL-95-X035-00	344th Street Park & Ride	$1,857,500	$391,908

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SECTION I: BRIEF DESCRIPTION, continued

FL-05-0095	FY 07 5309 - Fixed Guideway Modernization	$15,403,545	$15,358,492
FL-05-0100	FY 08 5309 - Fixed Guideway Modernization	$17,743,472	$17,280,038
FL-05-0105	FY 09 5309 - Fixed Guideway Modernization	$17,254,329	$16,947,979
FL-05-0108	FY 10 5309 - Fixed Guideway Modernization	$15,346,830	$15,346,830
FL-90-X636-01	FY 07 5307 - Formula Grant	$48,202,089	$48,153,457
FL-90-X674	FY 08 5307 - Formula Grant	$49,967,571	$47,820,433
FL-90-X707	FY 09 5307 - Formula Grant	$51,452,692	$50,250,110
FL-90-X730	FY 10 5307 - Formula Grant	$49,288,963	$48,203,184
FL-37-X044	FY 07 Job Access Reverse Commute (JARC)	$1,336,500	$1,336,500
FL-95-X033-00	I-95 Operating	$1,764,985	$ 330,921
FL-37-X056	FY 08 & FY 09 JARC	$4,015,142	$ 101,707
FL-56-0005	ARRA 5309 Fixed Guideway Stimulus	$2,847,482	$930,062
FL-96-X028-02	ARRA 5307 Stimulus (MDT & Municipality)	$69,802,389	$10,375,498
FL-95-X047	University Pedestrian Overpass	$3,851,000	$17,812
FL-95-X052	Quail Roost Park & Ride	$2,879,076	$73,426
Total		**$547,373,135**	**$442,153,537**

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Section II

Material Weaknesses

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SECTION II: 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 a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis

The conditions and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the Grantee's proposed corrective actions and evaluation thereof.

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SECTION II: MATERIAL WEAKNESSES

1. Personnel Turnover and Vacancies Compromise the Control Environment

Condition

There has been a high degree of turnover in the Financial Services division. Personnel currently holding several key positions are relatively new to MDT or functioning in their current position on a temporary basis.

Standard Impacted

49 CFR, 18.20(b) (3) *Internal Control.* "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

49 CFR, 18.20(b) (1) *Financial Reporting.* Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

Circular 5010.1D, Chapter VI, Section 2(e) 1(h) states, "All personnel must be properly qualified for their assigned responsibilities, duties, and functions. Education, training, experience, competence, and integrity should be considered in assigning work. All must be held fully accountable for the proper discharge of their assignments."

Recommendation

MDT should fill key positions on a permanent basis with individuals knowledgeable of and responsible for compliance with the FTA accounting and reporting requirements. In addition, MDT should ensure that position descriptions are well-defined and documented.

This recommendation should be implemented within 120 days from receipt of this report.

Discussion

Several key positions within the Financial Services Division, including the Assistant Director of Financial Services position, have had a significant amount of turnover within the last five years. Some of these positions are currently assigned on a temporary basis to County employees with little or no transit background. In addition, there are vacancies in other key positions, such as the Controller position, and positions that have only recently been filled, such as the Chief of Budget position. Because of county-wide hiring restrictions, many openings were expected to be filled from internal sources. However, progress has been slower than anticipated. Uncertainty in critical roles, such as these, is not conducive to maintaining a strong internal control environment. MDT must ensure that competent professionals are assigned to key roles and that they develop industry knowledge so that MDT may maintain a sound financial management system. This is especially critical when taking into account that the MDT has been cited in the past for numerous internal control and compliance deficiencies that have resulted in restrictions and penalties from its primary funding source, the FTA. Therefore, MDT must locate and hire competent individuals to fill these vital positions on a permanent basis so that MDT can continue to make progress toward correcting deficiencies and getting restrictions lifted.

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SECTION II: MATERIAL WEAKNESSES

1. Personnel Turnover and Vacancies Compromise the Control Environment, continued

Grantee's Response

Evaluation of Grantee's Response

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SECTION II: MATERIAL WEAKNESSES

2. ECHO Draw Detail per General Ledger Does Not Agree to TEAM

Condition

In some instances, amounts in TEAM for the line items "Federal Cash Disbursements" and "Federal Cash on Hand" for the Formula Grant did not agree with MDT's records.

Standard Impacted

49 CFR, 18.20(b) (1) *Financial Reporting*. Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

Circular 5010.1D, Chapter VI, Section 9 (c) Policy for ECHO Payments. These guidelines state that the recipient organization shall commit itself to: Timely reporting of cash disbursements and balances as required by the Federal program agency, which is FTA.

Recommendation

Establish procedures to ensure that information is accurately entered into TEAM and reconciled to internal records on a periodic basis.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

Although MDT's general ledger (FAMIS) indicates the cumulative amount drawn life-to-date on a grant, that amount is not reconciled to TEAM on a periodic basis. Entries in TEAM for the Formula Grant FL-90-X636 were incomplete, resulting in Federal Cash Disbursements and Federal Cash on Hand being misstated. This may have been caused by a transaction prior to MDT's activity in TEAM being frozen, therefore, not allowing for the proper processing of that transaction in TEAM.

In addition, previously billed costs on this grant which MDT indicated were associated with a non-compliant contract were reversed by MDT and recorded as due to FTA as of 9/30/2011. MDT determined that this contract did not contain the required federal language/clauses as specified by FTA. In addition to the two invoices that were recorded as Due to FTA, MDT has determined that there were six other invoices under the same contact that were charged and drawn in 2009 and 2010 that were also considered ineligible, which totaled $99,466. This amount will be set up as Due to FTA also, for a total of $129,445. However, this reversal of charges for non-compliant contracts does not represent the total level of such charges identified to date. MDT previously provided schedules for 2004-2006 and 2007-2010, and prior preliminary follow-up activities identified additional charges associated with an earlier time. Therefore, resolution of the total extent of these charges is still pending.

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SECTION II: MATERIAL WEAKNESSES

2. ECHO Draw Detail per General Ledger Does Not Agree to TEAM, contunued

Grantee's Response

Evaluation of Grantee's Response

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Section III

Significant Deficiencies

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SECTION III: SIGNIFICANT DEFICIENCIES

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

These conditions and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the Grantee's proposed corrective actions and evaluations thereof.

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SECTION III: SIGNIFICANT DEFICIENCIES

1. Force Account Plan Does Not Adequately Justify Use of Labor Forces

Condition

MDT's Force Account Plan justifying the use of its own labor forces does not sufficiently describe the activities for which the forces will be used.

Standard Impacted

49 CFR, §18.20(b)(5) *Allowable Cost*. Grantees must have procedures to provide reasonable assurance that the cost principles of OMB Circular A-87, incorporated within 49 CFR §18.22, "agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs." If indirect costs are being charged to the grant, Grantees must prepare a cost allocation plan that is approved by its cognizant agency.

Circular 5010.1D, Chapter IV, Section 4(d) Force Account states "Force account work may consist of design, construction, refurbishment, inspection, and construction management activities, if eligible for reimbursement under the grant. Incremental labor costs from flagging protection, service diversions, or other activities directly related to the capital grant may also be defined as force account work. Force account work does not include grant or project administration activities which are otherwise direct project costs. Force account can include major capital project work on rolling stock. An example of this is preventive maintenance activities. FTA prior review of a force account plan and justification are required where the total estimated cost of force account work to be performed under the grant is greater than $10,000,000. When work to be performed is less than $10,000,000 but over $100,000, a force account plan is required to be in the grantee's file, but does not require prior FTA approval. When work to be performed using force account is less than $100,000, a detailed plan is not required."

Recommendation

MDT should amend the Force Account Plan to ensure that all applicable activities to be performed by MDT forces are described in sufficient detail to adequately justify the use of the MDT's own forces in accordance with FTA Circular 5010.1D.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

MDT charges payroll to several federal grants. Most of the payroll charges are for Preventive Maintenance (PM) for which a Force Account Plan has been prepared and is pending approval. However, we noted additional labor costs charged to other grant ALI's as follows:

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SECTION III: SIGNIFICANT DEFICIENCIES

1. Force Account Plan Does Not Adequately Justify Use of Labor Forces, continued

Discussion, continued

Grant	ALI	Description
FL-95-X015	124405	Bridge Inspection
FL 56 0005	122403	Metrorail Track & Guideway Refurbishment
FL-96-X028	123202	Metromover Replacement Canopies
FL-96-X028	125403	Palmetto Metrorail Station
FL-96-X028	129208	Signage Orange Line Phase I MIC-Earlington Heights Connector Metrorail Line

In-house payroll charges under these ALI's exceeded $100,000. Therefore, a Force Account Plan justifying their use based on one of the accepted criteria is required in accordance with FTA Circular 5010.1D.

Grantee's Response

Evaluation of Grantee's Response

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SECTION III: SIGNIFICANT DEFICIENCIES

2. No Effective Fixed Asset Physical Inventory Process

Condition

The basis for the annual inventory of fixed assets is the County's Fixed Asset System (FAS). However, MDT uses its Fixed Asset System (FAS 100) as its fixed asset detail and there are no procedures for reconciling FAS to FAS 100.

Standard Impacted

49 CFR, 18.20(b) (3) *Internal Control.* "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets.

Circular 5010.1D, Chapter VI, Section 3(k) (4) states, "A physical inventory of equipment must be taken and the results reconciled with equipment records at least once every two years. Any differences must be investigated to determine the cause of the difference."

Recommendation

Prepare and implement comprehensive fixed asset procedures that adequately verify the existence of assets in the MDT general inventory ledger control account. This recommendation should be implemented within 60 days from the date of this report.

Discussion

We noted the following regarding the physical inventory procedures performed by MDT:

- MDT's fixed asset system (FAS 100), which contains a detailed listing of the assets of the Transit Department, is not the basis for the physical inventory. The County counts inventory based on information contained in its own fixed asset system (FAS), which does not contain the level of detail maintained in the FAS 100 system. As a result, FAS is incomplete and, therefore, does not agree to FAS 100. Since the count is performed based on FAS, the count could omit assets and possibly result in a loss to the agency.
- The counts are done by personnel who have control of the assets (custodians) and physically inspected on only a test basis. Optimally, an inventory is an opportunity for an independent party who does not have custody of the assets to physically inspect them to ensure that they are in the possession of the agency and being used for their intended purpose. Without an actual physical inspection, assets which are no longer in the agency's possession could be lost, stolen or misappropriated without detection.
- Sheets from custodians are incomplete and no independent verification has been performed. In order for the physical inventory to be performed effectively, all assets must be properly accounted-for, which cannot happen if count sheets are not complete.

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SECTION III: SIGNIFICANT DEFICIENCIES

2. No Effective Fixed Asset Physical Inventory Process, continued

Discussion, continued

- The fixed asset physical inventory process is not well planned or performed using clearly defined procedures. The 2011 fixed asset inventory process, which began in April 2011, had not yet been completed as of December 2011.
- Further indication that the process requires additional structure and documentation is that the count sheets indicating which items were actually verified and by whom from the prior 2010 fixed asset physical inventory observation had been discarded.

Grantee's Response

Evaluation of Grantee's Response

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SECTION III: SIGNIFICANT DEFICIENCIES

3. Recording of Fixed Assets Not Timely, Complete, and Accurate

Condition

Entries of fixed asset additions and dispositions into MDT's accounting records are delayed. In addition, the FTA required field "title holder" does not exist and the "federal participation" field is not consistently completed in the fixed asset system (FAS 100).

Standard Impacted

49 CFR, 18.20(b) (3) *Internal Control*. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets.

Circular 5010.1D, Chapter IV, Section 3(k) 3 states, "Equipment records must be maintained by the grantee. Records must include: (f) percentage of Federal participation in the cost, and (k) who holds title to the equipment including rolling stock.

Circular 5010.1D, Chapter IV, Section 3(k) 5 states, "A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of project property. Any loss, damage, or theft must be investigated and documented by the grantee."

Recommendation

Record fixed asset additions and dispositions timely, completely and accurately, including federal participation, and revise the system to include the title holder field.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

We noted the following with regard to MDT's fixed assets accounting system:

- MDT's general practice is to record items in its fixed assets accounting system, FAS 100, quarterly. However, as of mid-December no entries had been posted to FAS 100 for assets acquired through the quarter ended September 30, 2011.
- During our review of the FAS 100 system, we noted that the FTA-required data field "who holds title" is not included. In addition, the federal participation percentage field is not consistently completed.
- Review of disposals in October 2010 indicates that dates entered into FAS 100 were not consistent with the actual in-service or disposition dates based on supporting documents.

In order to accurately reflect assets on hand, accounting records must be updated regularly with all required information.

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SECTION III: SIGNIFICANT DEFICIENCIES

3. Recording of Fixed Assets Not Timely, Complete, and Accurate, continued

Grantee's Response

Evaluation of Grantee's Response

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SECTION III: SIGNIFICANT DEFICIENCIES

4. Fixed Assets Disposed of Before the End of Their Useful Life

Condition

Review of disposals in December 2010 indicates that, based on when certain federally-funded assets were placed in service, they were not fully depreciated as of the date they were sold at auction.

Standard Impacted

49 CFR, 18.20(b) (2) *Accounting Records*. "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system.

Circular 5010.1D, Chapter III, Section 7 (b) Length of Retention Period. Except as otherwise specified, records must be retained for three years from the starting date specified in Chapter III, Subsection 7 c Starting Date of Retention Period. Equipment Records. The three year retention period for the equipment records starts from the date of the equipment's disposition or replacement or transfer at FTA's direction.

Circular 5010.1D, Chapter IV, Section 3 (l) (2) Disposition before the End of Useful Life states "Any disposition of project property before the end of its useful life requires prior FTA approval."

Recommendation

We recommend management update the Accounting Manual to include the reporting requirements for dispositions of federally funded assets and update the record retention policy to specifically reference the requirement to retain grant documentation for three years after disposition.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

During our tests of fixed assets, we noted the following:

- Six buses that were acquired in 1999 were disposed of during the testing period. FAS 100 documented an in-service date of March 1999. Through review of other available records, we noted that the actual in-service date was January 1999. Based on a twelve-year useful life (the minimum useful life in mileage had not yet been reached), the assets should have been retired no earlier than January 2011. However, the assets were disposed of in December 2010 and not documented in FAS 100 until 2011.

- No evidence of prior FTA approval for the early disposition was noted.

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

4. **Inadequate Documentation Regarding Fixed Asset Disposals before End of Useful Life, continued**

Discussion, continued

- MDT's record retention policies do not require that they keep documentation for grant-funded assets for three years after the date of disposition. Given the current lag in recording activity in FAS 100 (refer to Significant Deficiency 2), the underlying documentation was required to adequately analyze this disposal.

As a result of the above, MDT did not comply with FTA regulations with regard to disposition of assets. Non-compliance with reporting and record retention requirements can create significant issues upon disposition of long-lived assets. MDT should ensure that controls are in place to ensure compliance with all laws and regulations.

Grantee's Response

Evaluation of Grantee's Response

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

5. Contract Solicitation Documents Not Included in Centralized Procurement File

Condition

The Independent Cost Estimate and Bid Evaluation support for a contract were not in the procurement file.

Standard Impacted

49 CFR, 18.20(b) (6) Source Documentation. Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents.

Circular 4220.1F, Chapter III, Section 3d(1) Procurement History. The Common Grant Rules require the recipient to maintain and make available to FTA written records detailing the history of each procurement, as follows: (a) Procurement Method; (b) Contract Type; (c) Contractor Selection; and (d) Cost or Price.

Recommendation

MDT should establish procedures to ensure that all required information is documented and maintained in the procurement file.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

When requested for review, Miami-Dade County was initially unable to locate and provide two items of documentation that are critical components of a complete procurement file. The grantee must exercise great care to ensure that procurement files for contracts that are federally funded are complete, maintained and available for audit for the required record retention period. If information is removed from a completed procurement file, there must be procedures in place to ensure that the information continues to be available for review.

Grantee's Response

Evaluation of Grantee's Response

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

6. No Use of Current Cost Allocation Plan Rates

Condition

MDT is using fringe and overhead rates from an outdated cost allocation plan (CAP). Rates from the 2011 CAP have not been put into effect.

Standard Impacted

49 CFR, 18.20(b) (5) *Allowable Cost*. Grantees must have procedures to provide reasonable assurance that the cost principles of OMB Circular A-87, incorporated within 49 CFR §18.22, "agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs." If indirect costs are being charged to the grant, Grantees must prepare a cost allocation plan that is approved by its cognizant agency.

Circular 5010.1D, Appendix E Cost Allocation Plans:

1. Requirements. Grantees who intend to seek Federal Transit Administration (FTA) reimbursement for indirect costs must prepare a Cost Allocation Plan (CAP) and/or Indirect Cost Rate Proposal. The following are basic requirements for preparing a CAP.
   a. CAPs and Indirect Cost Rate Proposals must be updated annually.

5. Submission of Cost Allocation Plan/Indirect Cost Rate Proposals. OMB Circular A–87 requires that the plan (called a proposal) be submitted to a grantee's Federal Cognizant Agency for approval. The CAP/Indirect Cost Rate Proposal should be submitted to the "cognizant" or "lead" Federal Agency when:
   a. The grantee is working on its first assistance project or has not previously had a CAP/Indirect Cost Rate Proposal reviewed and accepted;
   b. The grantee has made a change in its accounting system, thereby affecting the previously approved CAP/Indirect Cost Rate Proposal and its basis of application;
   c. The grantee's proposed CAP/Indirect Cost Rate Proposal exceeds the amounts and rate approved for the previous year(s) by more than 20 percent; or
   d. The grantee changes the CAP/Indirect Cost Rate Proposal methodology.

Recommendation

MDT should establish a process to ensure that Cost Allocation Plans are prepared and put into effect on a timely basis.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

The 2010 CAP based on 2008 costs was prepared and submitted for approval. However, MDT was not aware of the requirement to prepare a plan annually. Accordingly, the 2011 CAP based on 2009 costs was not prepared until after fiscal year 2011 was completed. Costs were not overcharged in fiscal year 2011 since the new rates were higher than those being used to charge costs to the grants. However, the old rates are still being used and no Plan has yet been prepared for fiscal year 2012.

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

6. No Use of Current Cost Allocation Plan Rates, continued

Grantee's Response

Evaluation of Grantee's Response

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

7. Single Audit Findings and Status Not Filed Timely

Condition

The Single Audit report for the year ended September 30, 2010, was filed with the Single Audit Clearinghouse (SAC) more than 30 days after the report was issued. In addition, MDT is not reporting the status of its Single Audit findings to the FTA on a quarterly basis as required.

Standard Impacted

49 CFR, 18.20 (b) (1) *Financial Reporting*. Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

OMB Circular A-133, Section 320 (a) requires the audit shall be completed and submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Circular 5010.1D, Chapter VI, Section 8 (d) (3) Resolution of Audit Findings states "The status of outstanding audit findings and recommendations should be monitored and reported by the grantee in quarterly progress reports and, where appropriate, significant events reported."

Recommendation

MDT should establish a process to ensure that Single Audit findings are filed on a timely basis, as well as ensure compliance with the requirement to report quarterly status of findings.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

MDT's Single Audit report for the fiscal year ended September 30, 2010, was filed with the SAC on June 30, 2011. The grantee could not identify the date the report was presented or delivered to the County Commissioners. However, the audit report date was March 21, 2011. The auditors are required to release the report within a short time after the report date and, therefore would be required to issue it no later than April 2011. OMB Circular A-133 requires submission of the report within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period. This criteria requires the submission of the report to the SAC no later than May 2011. MDT should ensure that the report is submitted in a timely manner in accordance with the requirements of OMB Circular A-133.

In addition, in accordance with FTA Circular 5010.1D, the grantee is required to report on the status of outstanding audit findings on a quarterly basis, which MDT has not been doing.

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

7. Single Audit Findings and Status Not Filed Timely, continued

Discussion, continued

MDT should revise policies and procedures as necessary to ensure compliance with requirements related to its Single Audit submissions.

Grantee's Response

Evaluation of Grantee's Response

DRAFT

SECTION III: SIGNIFICANT DEFICIENCIES

8. Spare Parts Inventory System Not Reconciled to the General Ledger

Condition

The Finance Division does not post cycle count adjustments reported from the inventory system (EAMS) and there is no reconciliation/comparison of the balances in EAMS detail and the general ledger (FAMIS) control account.

Standard Impacted

49 CFR, 18.20 (b) (3) *Internal Control*. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.

Circular 5010.1D, Chapter IV, Section 3(k) (5) states, "A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of project property. Any loss, damage, or theft must be investigated and documented by the grantee."

Recommendation

Reconcile the general ledger spare parts account to the inventory database monthly.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

The EAMS system is used by MDT to track the detail of its spare parts inventory. The number on-hand of each part and its corresponding dollar values are updated as items are purchased and requisitioned for use. The value of the parts in the general ledger system, FAMIS, is increased with each purchase and decreased monthly as work orders, documenting the use of parts, are reported to the Finance Division. These two systems should be reconciled periodically to ensure that all activity is accurately reflected, and to verify that the ending value of the parts is the same in both systems. In addition, as inventory counts are performed, both systems should be updated to reflect the actual value of parts on-hand. During our review, we noted that, once cycle counts are completed, the EAMS system is updated to reflect any changes, but FAMIS is not. Also, we noted that no reconciliations are performed comparing the ending values in the two systems. Therefore, the value of spare parts reported in the financial statements may be misstated. MDT should revise its procedures to ensure that the general ledger balance is updated as necessary to reflect adjustments found as a result of the cycle counts and that a periodic reconciliation of the balances is performed.

Grantee's Response

Evaluation of Grantee's Response

DRAFT

Section IV

Advisory Comments

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SECTION IV: ADVISORY COMMENTS

For purposes of this review, an advisory comment represents a minor control deficiency in the design or operation of the financial management system that is not significant enough to adversely affect Miami-Dade Transit's ability to record, process, summarize, and report financial and related data consistent with the requirements of 49 CFR 18.20.

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

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SECTION IV: ADVISORY COMMENTS

1. No External Peer Review Performed of Internal Audit Function

Condition

The Miami-Dade County Audit and Management Services department does not require an external peer review to be performed.

Recommendation

The Audit and Management Services Department of the County should adopt a policy allowing for a peer review every five years in accordance with the Institute of Internal Auditors' Standards.

Discussion

The Miami-Dade County audit function's proposed budget and multi-year capital plan indicates that audits are conducted in accordance with professional internal auditing standards. However, the function does not comply with Institute of Internal Auditors (IIA), the standard-setting body for Internal Auditors, standards regarding the performance of an external peer review at least once every five years.

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SECTION IV: ADVISORY COMMENTS

2. No Formal Tracking of Internal Audit Findings

Condition

There is no documented mechanism for tracking the status of corrective actions in response to internal audit findings.

Recommendation

The Financial Services Division should establish a process to periodically determine the status of internal audit findings.

Discussion

The Audit and Management Services Department of the County has a process for resolution of audit findings prior to the issuance of its reports. However, once a report is issued, there is no documented mechanism for tracking the status of corrective actions or determining whether a follow-up review is warranted. The Financial Services Division is responsible for timely status reporting to the FTA regarding Single Audit and Financial Management Oversight review findings. However, the Audit Division's findings, as well as findings resulting from other third-party reviews, must be monitored and tracked through their resolution.

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SECTION IV: ADVISORY COMMENTS

3. No Recent Vulnerability Testing of the Information Technology (IT) System

Condition

Vulnerability testing of the IT system was last performed in 2006.

Recommendation

Management should establish requirements for the periodic performance and documentation of vulnerability testing of the IT system. These requirements should address the option of having the testing performed by an external source.

Discussion

It is common practice for many organizations to conduct a periodic vulnerability test, the purpose of which is to determine whether the IT system is open to potential threats to the security of its operations, data and/or applications. MDT hasn't performed such an assessment in over five years.

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Section V

Summary of Findings

SECTION V: SUMMARY OF FINDINGS-MATERIAL WEAKNESSES

Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
Material Weakness	Personnel Turnover and Vacancies Compromise the Control Environment	49 CFR, 18.20(b) (3) *Internal Control.* 49 CFR, 18.20(b) (1) *Financial Reporting.* Circular 5010.1D, Chapter VI, Section 2(e) 1(h).	MDT should fill key positions on a permanent basis with individuals knowledgeable of and responsible for compliance with FTA accounting and reporting requirements. In addition, MDT should ensure that position descriptions are well-defined and documented.	Within 120 days from date of report
Material Weakness	ECHO Draw Detail per General Ledger Does not Agree to TEAM	49 CFR, 18.20(b) (1) *Financial Reporting.* Circular 5010.1D, Chapter VI, Section 9 (c) Policy for ECHO Payments.	Establish procedures to ensure that information is accurately entered into TEAM and reconciled to internal records on a periodic basis.	Within 60 days from date of report

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SECTION V: SUMMARY OF FINDINGS: SIGNIFICANT DEFICIENCIES

Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
1	No Force Account Plan for Non-preventive maintenance Payroll Charges to Federal Grants	49 CFR, 18.20(b) (5) *Allowable Cost.* Circular 5010.1D, Chapter IV, Section 4(d) Force Account.	MDT should amend the Force Account Plan to ensure that all applicable activities to be performed by MDT forces are described in sufficient detail to adequately justify the use of the MDT's own forces in accordance with FTA Circular 5010.1D.	Within 60 days from date of report
2	No Effective Fixed Asset Physical Inventory Process	49 CFR, 18.20(b) (3) *Internal Control.* Circular 5010.1D, Chapter VI, Section 3(k) (4).	Prepare and implement comprehensive fixed asset procedures that adequately verify the existence of assets in the MDT general inventory ledger control account.	Within 60 days from date of report
3	Recording of Fixed Assets not Timely, Complete, and Accurate	49 CFR, 18.20(b) (3) *Internal Control.* Circular 5010.1D, Chapter IV, Section 3(k) 3. Circular 5010.1D, Chapter IV, Section 3(k) 5.	Record fixed asset additions and dispositions timely, completely and accurately, including federal participation, and revise the system to include the title holder field.	Within 60 days from date of report

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Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
4	Fixed Assets Disposed of Before the End of Their Useful Life	49 CFR, 18.20(b) (2) *Accounting Records*. Circular 5010.1D, Chapter III, Section 7 (b) Length of Retention Period. Circular 5010.1D, Chapter IV, Section 3 (l) (2).	Update the Accounting Manual to include the reporting requirements for dispositions of federally funded assets and update the record retention policy to specifically reference the requirement to retain grant documentation for three years after disposition.	Within 60 days from date of report
5	Contract Solicitation Documents Not Included in Centralized Procurement File	49 CFR, 18.20(b) (6) Source Documentation Circular 4220.1F, Chapter III, Section 3d(1) Procurement History	MDT should establish procedures to ensure that all required information is documented and maintained in the procurement file.	Within 60 days from date of report
6	No Use of Current Cost Allocation Plan Rates	49 CFR, 18.20(b) (5) *Allowable Cost*. Circular 5010.1D, APPENDIX E, Section 1. Circular 5010.1D, APPENDIX E, Section 5.	Establish a process to ensure that Cost Allocation Plans are prepared and put into effect on a timely basis.	Within 60 days from date of report

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Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
7	Single Audit Findings and Status Not Filed Timely	49 CFR, 18.20 (b) (1) *Financial Reporting*. OMB Circular A-133, Section 320 (a). Circular 5010.1D, Chapter VI, Section 8 (d) (3) Resolution of Audit Findings.	Establish a process to ensure that Single Audit findings are filed on a timely basis as well as ensure compliance with the requirement to report quarterly status of findings	Within 60 days from date of report
8	Spare Parts Inventory System Not Reconciled to the General Ledger	49 CFR, 18.20 (b) (3) *Internal Control*. Circular 5010.1D, Chapter IV, Section 3(k) (5).	Reconcile the general ledger spare parts account to the inventory database monthly.	Within 60 days from date of report

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SECTION V: SUMMARY OF FINDINGS: ADVISORY COMMENTS

Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
1	No External Peer Review Performed of Internal Audit Function	Not Applicable	The Audit and Management Services Department of the County should adopt a policy allowing for a peer review every five years in accordance with the Institute of Internal Auditors' Standards.	Not Applicable
2	No Formal Tracking of Internal Audit Findings	Not Applicable	The Financial Services Division should establish a process to periodically determine the status of internal audit findings.	Not Applicable
3	No Recent Vulnerability Testing of the Information Technology System	Not Applicable	Management should establish requirements for the periodic performance and documentation of vulnerability testing of the IT system. These requirements should address the option of having the testing performed by an external source.	Not Applicable

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Section VI

Criteria Established By FTA for Grantee's Financial Management Systems

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SECTION VI: CRITERIA ESTABLISHED BY FTA FOR GRANTEE'S FINANCIAL MANAGEMENT SYSTEMS

The following criteria have been set forth by FTA standards for the financial management systems of FTA grantees. Unless otherwise noted these criteria are drawn from 49 CFR Part 18 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule), Section 18.20 "Standards for Financial Management Systems." Additional guidance for applying many of these criteria is provided in various circulars issued by FTA, U.S. Department of the Treasury, and the Office of Management and Budget (OMB).

18.20(b) (1) ***Financial Reporting***. Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

18.20(b) (2) ***Accounting Records***. "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system.

18.20(b) (3) ***Internal Control***. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets.

18.20(b) (4) ***Budget Control.*** "Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement"

18.20(b) (5) ***Allowable Cost***. Grantees must have procedures to provide reasonable assurance that the cost principles of OMB Circular A-87, incorporated within 49 CFR §18.22, "agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs." If indirect cost is being charged to the grant, Grantees must prepare a cost allocation plan that is approved by its cognizant agency.

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SECTION VI: CRITERIA ESTABLISHED BY FTA FOR GRANTEE'S FINANCIAL MANAGEMENT SYSTEMS

18.20(b) (6) ***Source Documentation***. " Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. "

18.20(b) (7) ***Cash Management***. "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must established reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make [cash] drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

18.30 ***Project Change Accounting***. The grantee's project financial accounting systems must be able to document and track project changes that result in the need for additional funds, a revision in the scope or objectives of the project, or a need to extend the period of availability of funds or any other changes or budgetary transfers which would require the prior written approval of FTA.

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Section VII

Grantee's Response (Full Text)

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SECTION VII: GRANTEE'S RESPONSE (FULL TEXT)

FTA's Region IV office furnished a draft of this report to Miami Dade Transit on _____, with a request for them to respond to the significant deficiencies. The grantee's response was received by Reid Consulting, LLC on _____. Summaries of their response are included with the related findings and comments in previous sections of this report. The full text of the response is provided on the following pages.

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