

Memorandum



Date: April 3, 2014

To: Honorable Chairwoman Rebeca Sosa and Members
Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Financial Management Oversight Follow-up Review

As you are aware, Miami-Dade Transit (MDT) has been working very closely with the Federal Transit Administration (FTA) on resolving financial issues as they relate to the application and use of Federal grant funds, internal controls, financial systems and reporting requirements. Since 2010 the FTA has conducted multiple extensive financial reviews of MDT's processes and procedures.

Attached is the final draft Financial Management Oversight (FMO) Follow Up review dated February 7, 2014 and the Demand Letter for the debt owed to the FTA as a result of the FMO Agreed Upon Procedures (AUP) conducted in April 2013.

The original review conducted by the FMO Auditors covered the fiscal years 2004 through 2010 and over \$600 million in grant expenditures were examined of which \$4.6 million were deemed questioned cost. FTA demands that the \$4.6 million be repaid within 30 days. However, as stated in the Demand Letter, MDT will be working with FTA to possibly liquidate this debt through an administrative offset. The administrative offset that will be presented to the FTA for their concurrence would include offsetting previous year's unexpended federal grants with a goal of minimizing cash outlays so as to minimize disruptions to transit operation. The FMO AUP review presents previously identified findings, the original recommendation for corrective action and the current status. As a result of the findings, MDT developed additional standard operating procedures which strengthen the internal controls and processing procedures. Several persons were hired in the accounting division and changes were made in the grant review process. The current status of all findings except for two findings pertaining to fixed assets disposal procedures was deemed adequate and the finding is no longer applicable. MDT has implemented the necessary procedures which they believe will satisfy FTA's requirements as it pertains to the disposal of fixed assets.

Since taking office, I have been committed to working with the FTA to resolve these issues as expeditiously as possible. I would like to commend MDT and other department staff who worked on this effort in developing, enhancing and implementing the required changes to MDT's grant reporting, processing and other related areas. If you have any questions please do not hesitate to contact MDT Director, Ysela Llort at 305-469-5406 or me directly at 305-375-1880.

Attachments

c: Honorable Harvey Ruvin, Clerk, Clerk of the Courts
R. A. Cuevas, Jr., County Attorney
Alina T. Hudak, Deputy Mayor and Interim Director of Public Works and Waste Management
Edward Marquez, Deputy Mayor and Finance Director
Jennifer Moon, Director, Office of Management and Budget
Ysela Llort, Director, Miami-Dade Transit
Lester Sola, Director, Internal Services Department
Blanca Padron, Deputy Director, Finance Department
Cathy Jackson, Director, Audit Management Services
Charles Scurr, Executive Director, Citizens' Independent Transportation Trust
Charles Anderson, Commission Auditor
Christopher Agrippa, Director, Clerk of the Board



U.S. Department
of Transportation

Federal Transit
Administration

Headquarters

1200 New Jersey Avenue, SE
Washington, DC 20590

MAR 26 2014

The Honorable Carlos A. Gimenez
Mayor of Miami-Dade County
111 Northwest 1st Street
Miami, Florida 33128

Re: Notice of Outstanding Debt and Demand for Payment

Dear Mayor Gimenez:

The Federal Transit Administration (FTA) has determined that Miami-Dade Transit (MDT) owes a debt to FTA of \$4,667,119. FTA demands payment in full within 30 days of the date of this letter. The basis for the indebtedness is as follows.

2013 Financial Management Agreed Upon Procedures Review

Pursuant to FTA's Financial Management Oversight Program, FTA conducted an Agreed Upon Procedures (AUP) review of MDT. The AUP review was conducted by FTA's financial management oversight contractors Financial Business Solutions, LLC, and Holmes and Company, LLC. FTA provided MDT with the opportunity to comment on a draft version of the AUP report, and MDT did comment on the draft AUP report in August 2013. The final version of the AUP report was dated October 30, 2013, and was issued to MDT on December 6, 2013. The AUP review found the following, which are the basis for MDT's indebtedness.

Procurements Failed to Include Required Contract Clauses

The AUP review determined that MDT switched contract index codes so that some non-Federal contracts became charged against Federal index codes. This resulted in Federal funds being applied to contracts that were ineligible for Federal participation. MDT self-reported \$2,815,261 of Federal funds applied to such ineligible contracts.

In addition to the ineligible contracts self-reported by MDT, the AUP review found a further \$1,819,699 of Federal funds applied to contracts that were ineligible due to an index code switch, the omission of mandatory clauses enforcing FTA's Buy America requirements or the Davis-Bacon Act, or a combination of these.

User Access Program/Inspector General Fees

The AUP review also determined that Federal funds had been applied to User Access Program or Inspector General Contract Fees that the County charges on contracts to support

the costs of inspector general audits, inspections, and reviews, and the County's procurement operations. Federally funded contracts are exempt from such fees, and fees taken by the County are to be passed back to MDT and credited against future drawdowns by MDT. The AUP review determined that \$10,246 of Federal funds had been applied to User Access Program or Inspector General Contract Fees and had not been passed back to MDT and were therefore applied to an ineligible cost.

Missing Federally Funded Assets

In the course of conducting the AUP review, FTA's financial management oversight contractors also determined that certain federally funded assets were missing from MDT's inventory. MDT could not locate the assets, and could not show that the assets had been removed from service or had ever entered service in the first place. FTA therefore demands the return of the \$21,913 of Federal funds used to acquire the missing assets.

Procedure

MDT has 30 days from the date of this letter to pay the debt in full. Otherwise, the debt will become delinquent. If the debt becomes delinquent, FTA shall charge interest on the delinquent debt at the Treasury Current Value of Funds Rate published by the Secretary of the Treasury in accordance with section 3717 of title 31, United States Code, unless FTA determines that a higher rate is necessary to protect the interest of the United States. FTA shall charge a late payment penalty at a rate of six percent per year on any portion of the debt that is more than 90 days past due. FTA shall assess administrative charges to cover costs incurred in processing and handling the debt beyond the delinquency date identified above.

If the debt becomes delinquent, FTA may report this claim to commercial credit bureaus and consumer reporting agencies. FTA retains all rights to forward this claim to a collection agency, the U.S. Department of Justice, the U.S. Department of the Treasury, or a private contractor for collection of the debt.

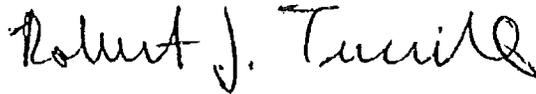
MDT has the right to request review of the validity or amount of FTA's claim within 30 days of the date of this letter. If MDT requests review, then MDT shall state the basis for the dispute and provide all factual information, documents, citation to authority, arguments, and any other matters for FTA's consideration. If MDT disputes only part of the debt, then MDT shall pay the undisputed portion by the delinquency date. If MDT admits liability in whole or in part, then MDT may propose remedial action, including a repayment plan, subject to FTA's approval. MDT has the right to inspect and copy FTA records related to this claim, with any reasonable costs of copying and inspection to be borne by MDT.

To the extent possible, FTA intends to collect this debt by administrative offset. MDT has the right to make voluntary payment of the debt in full, including all interest, administrative charges, and penalties, before FTA begins collection by administrative offset.

The Honorable Carlos A. Gimenez
Miami-Dade Transit Notice and Demand
Page 3 of 3

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Robert J. Tuccillo
Associate Administrator/CFO
Office of Budget and Policy

c.c. Ysela Llorca, Miami-Dade Transit



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

REGION IV
Alabama, Florida, Georgia,
Kentucky, Mississippi,
North Carolina, Puerto
Rico, South Carolina,
Tennessee

230 Peachtree Street, NW
Suite 800
Atlanta, GA 30303-8917
404-865-5600
404-865-5605 (fax)

Ms. Ysela Llort, Director
Miami-Dade Transit
701 NW 1st Court, 17th Floor
Miami, FL 33136

MAR 26 2014

Re: Results of MDT's FMO Follow Up Review and Demand Letter

Dear Ms. Llort:

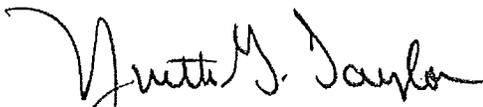
The Federal Transit Administration (FTA) would like to thank you for your cooperation as we worked to resolve Miami-Dade Transit's (MDT) serious financial issues. The exhaustive corrective actions process we have followed was conducted for the benefit of the greater-Miami residents who depend on safe and reliable public transportation each day and the taxpayers who demand proper stewardship of federal dollars.

Enclosed, for your review and comment, is a copy of the final draft report resulting from the Financial Management Oversight (FMO) Follow Up review. 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.

Also attached to this letter is a copy of the Demand Letter for the debt that MDT owes to FTA as a result of the FMO Agreed Upon Procedures (AUP) conducted in April 2013. A copy of the AUP report was issued to MDT on December 5, 2013.

The FTA looks forward to MDT's resolution of the findings identified in the report and the response to the Demand Letter. If you have any questions, please contact me at 404-865-5600 or Ms. Margarita Sandberg at (404) 865-5612.

Sincerely,


Yvette G. Taylor, Ph.D.
Regional Administrator

Enclosures

FINANCIAL MANAGEMENT OVERSIGHT PROGRAM

**FOLLOW-UP REVIEW
OF**

MIAMI-DADE TRANSIT

**PERFORMED FOR
U.S. DEPARTMENT OF TRANSPORTATION**

FEDERAL TRANSIT ADMINISTRATION

Prepared by

**Financial Business Solutions, LLC with
Holmes & Company, LLC**

Under

CONTRACT NUMBER:

TASK ORDER NUMBER:

Report Date: February 7, 2014

Report Submission Date:

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

**FINANCIAL MANAGEMENT OVERSIGHT (FMO) PROGRAM
FOLLOW-UP FMO REVIEW**

MIAMI-DADE TRANSIT

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SECTION I

INTRODUCTION, OBJECTIVES AND LIMITATIONS

INTRODUCTION, OBJECTIVES AND LIMITATIONS

Introduction

Financial Business Solutions (FBS/Holmes) was engaged by the Federal Transit Administration (FTA) to apply certain agreed-upon procedures (Procedures) to the Miami-Dade Transit (MDT) management's assertions relative to the current status of deficiencies cited in the Financial Management Oversight (FMO) review reports by Financial Business Solutions, LLC submitted February 25, 2011 (fiscal year 2010 test period) and Reid Consulting, LLC dated June 7, 2012 (fiscal year 2011 test period). The objective of this follow-up FMO review was to determine whether MDT had implemented adequate corrective actions, as described in the prior FMO review reports.

Specifically, the prior FMO review reports concluded that MDT had not maintained effective internal control over the financial management system to meet the criteria established by FTA, as set forth in Section V of this report, based on 49 CFR Part 18 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule).

For purposes of both the prior FMO reviews and this follow-up FMO review, findings are classified as follows:

A **material weakness** in a financial management system is defined as 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 defined as 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.

An **advisory comment** represents a minor deficiency in the design or operation of the financial management system that is not significant enough to adversely affect MDT's ability to record, process, summarize, and report financial and related data consistent with the requirements of the Common Rule.

INTRODUCTION, OBJECTIVES AND LIMITATIONS

The prior FMO reviews reported material weaknesses in MDT's financial management system. The prior reviews also reported significant deficiencies in the design or operation of MDT's financial management system.

Current status of findings and recommendations related to each original finding is presented in Section IV of this report

Objectives

The purpose of this agreed-upon procedures review was to follow up on the prior full scope FMO reviews (test periods in 2010 and 2011) relating to MDT, and to ascertain whether the corrective actions and recommendations that have since been implemented have resulted in modified financial systems that are adequate for managing and administering Federal funds.

The Procedures were designed to accomplish the following objectives:

- Develop an understanding of the changes in MDT's financial systems and controls since the prior FMO reviews;
- Analyze the changed financial system environment and ascertain the adequacy in meeting FTA requirements;
- On the basis of the current test period in 2013, summarize the results in relation to the material weaknesses, and significant deficiencies included in the prior FMO review reports, and develop recommendations in relation to any new findings arising from the follow-up FMO review; and
- Prepare and issue an agreed-upon procedures report to FTA.

Scope

The prior FMO reviews highlighted a number of deficiencies in MDT's financial management system. The scope of work in the Follow-Up FMO review was determined by the material weaknesses, and significant deficiencies noted during the prior FMO reviews, the changes made to the financial management system, and internal controls revised or implemented to meet the Common Rule requirements. The major focus of the Follow-Up FMO Review procedures was in

INTRODUCTION, OBJECTIVES AND LIMITATIONS

the following areas:

- Financial Reporting and General Accounting
- Procurement
- Fixed Assets
- Cash Management
- Grants Management
- Account Payable
- Payroll
- Overhead

Generally, the follow-up FMO review procedures included understanding, testing, and evaluating the effectiveness of MDT's revised financial management system, and consisted of: (1) interviewing MDT's personnel; (2) reviewing and substantiating documentation supporting MDT's revised financial management system, transaction processing procedures, and reports; and (3) re-performing certain MDT procedures and calculations. The sample transactions tested were for the period following the implementation of corrective actions.

Limitations

This report does not constitute an examination of any financial statements or assertions prepared by MDT, the objective of which would be to express an opinion on MDT's statements or assertions. Accordingly, we do not express such an opinion. Instead, this report is a comprehensive, professional analysis focused on compliance with applicable Federal regulations. Since data provided by MDT were assumed to be accurate, any inherent limitations, errors, or fraud that may have occurred might not have been detected.

The sufficiency of the Procedures detailed in Section III of this report is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the Procedures described in Section III either for the purpose for which this report has been requested or for any other purpose.

The follow-up FMO review procedures are summarized in Section III of this report. Except for discussions of specific concerns with the FTA Region IV office and a review of the supporting documentation from the prior FMO reviews, all other procedures summarized in Section III were performed on-site at MDT, from January 21, 2014 to February 7, 2014.

SECTION II

INDEPENDENT ACCOUNTANTS' REPORT

INDEPENDENT ACCOUNTANTS' REPORT

To the Regional Administrator of
Federal Transit Administration, Region IV

We have performed certain agreed-upon procedures (Procedures), solely to assist the Federal Transit Administration (FTA) Region IV office in evaluating the assertions of Miami-Dade Transit (MDT) relative to the status of actions taken by the management of MDT to correct deficiencies cited in prior Financial Management Oversight (FMO) review reports of 2011 and 2012. This agreed-upon procedures engagement was performed in accordance with Attestation Standards established by the American Institute of Certified Public Accountants.

The sufficiency of the Procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the Procedures described in Section III either for the purpose for which this report has been requested or for any other purpose. Additional detailed procedures performed and the associated findings are discussed in Section IV of this report.

We were not engaged to, and did not conduct an examination, the objective of which would be to express an opinion on MDT's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of FTA and MDT and is not intended to be and should not be used by anyone other than these specified parties.

February 7, 2014

SECTION III

FOLLOW-UP FMO REVIEW PROCEDURES

FOLLOW-UP FMO REVIEW PROCEDURES

The review procedures are as follows:

- Reviewed the prior FMO review reports of 2011 and 2012, and identified areas requiring follow-up.
- Read Single Audit reports, and other reports and correspondence issued subsequent to the prior FMO reviews for evidence of continued or new compliance deficiencies.
- Prepared a detail work program for conducting the follow-up review.
- Prior to commencement of testwork, conducted an Entrance Conference with MDT management to describe the purpose and scope of the follow-up review.
- Made appropriate inquiries of MDT management regarding issues of concern noted in the mentioned reports and correspondence.
- Performed interviews of MDT management to determine management's understanding of the current financial management system that has resulted from the implementation of corrective actions and changes made to date.
- Obtained and reviewed relevant documentation, including policies and procedures manuals, related to the revised financial management system.
- Observed MDT personnel performing the revised procedures.
- Based on the understanding and evaluation of the revised financial management system, performed detail test procedures, which included:
 - Re-performing certain checks, reconciliations, and calculations;
 - Conducting tests of selected controls; and
 - Reviewing and substantiating documentation related to selected transactions.
- Considered any other relevant factors, as appropriate, that could impact the effectiveness of the financial management system.
- Summarized and documented the results by applying the procedures in Section IV.
- Discussed all preliminary findings with the individuals responsible for the areas tested.
- Conducted an Exit Conference in March 2014, and discussed all findings with MDT management and FTA Region IV officials.
- Prepared this agreed-upon procedures report for submission to FTA.

SECTION IV

**FTA CORRECTIVE ACTION REQUIREMENTS,
STATUS, FINDINGS, AND RECOMMENDATIONS**

2010 FMO

2010 II - 1 Quarterly Reporting is not on the Accrual Basis of Accounting

Original Finding

The Federal Financial Reports (FFR) are not submitted on the accrual basis of accounting.

Original Recommendation

MDT should make appropriate adjustments to the accounting records to ensure that the Federal Financial Reports (FFR's) are on the accrual basis of accounting.

Review Procedures

1. Performed a detailed review of Miami Dade Transit's Grants management system. Reviewed the entire cycle, from initiation to final closeout. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities are authorized, processed accurately, completed and on a timely manner. Identified and reviewed the actual documents used throughout this process. Followed the process through to summary recording in the detailed system, and the interface of that detailed system to the general ledger and final reporting.

No findings noted.

2. Selected a sample of FFRs filed with the FTA throughout the period under review and ensured the following criteria was met:
 - a. Financial data reported was derived from accounts that were maintained on a consistent, periodic basis.
 - b. Confirmed that appropriate adjustments are made to the financial reports submitted to the FTA in order to be stated on the accrual basis.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2010 II - 2 Expenditures Paid From Unauthorized Funding Sources

Original Finding

We noted that non-federally funded expenditures were paid using monies from federal grants, because the initial approval process for the related expenditures was compromised.

Original Recommendation

Miami-Dade Transit should ensure that only vouchers with valid 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 the approval of divisions involved with initially approving the Purchase Order (PO), which establishes the index code as chargeable to specific federal grant Activity Line Items (ALI).

Review Procedures

1. Performed a detailed transaction review of MDT's procurement process and system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Noted that MDT's procurement policies and procedures address the following:
 - a. Contract term limitations for revenue rolling stock
 - b. Competition
 - c. Prohibitions against geographic preferences
 - d. Procurement of architectural engineering services
 - e. Awards to responsible contractors
 - f. Third Party Contract Provisions

No findings noted.

3. Reviewed invoices to ensure that only vouchers with valid and active grant index codes as indicated on approved purchase orders are properly authorized and approved for payment.

No findings noted.

4. Requested the procurement documentation and reviewed procurement files for evidence of appropriate procurement procedures/controls identified in the introductory interviews. Evaluated the adequacy of procurement documentation and procedures relative to FTA requirements for that type of procurement. At a minimum, the procurement file should contain reasonable documentation of the procurement history including the following:
 - a. Procurement Method

- b. Contract Type
- c. Contractor Selection, including consideration of responsibility, procedures performed to ensure that the contractor is not suspended or debarred, and disclosures related to lobbying activities
- d. Cost or price

No findings noted.

- 5. Specifically, certain government regulations require that federally-assisted procurements over \$100,000 involving steel, iron, or manufactured products must be domestically produced. For items selected, if any are not, domestic waivers from the FTA should have been obtained. Documented any changes made by MDT to be in compliance with the requirement.

No findings noted.

Current Status of Finding

Current procedures were adequate. This finding is no longer applicable.

2010 II - 3 Fees Improperly Taken on Federal Grants

Original Finding

MDT improperly applied their User Access Program (UAP) to FTA assisted procurement despite being advised against doing so by FTA's Regional Administrator in 2004. Inspector General (IG) fees are also being improperly deducted from vendor invoices related to FTA grants at the time of payment.

Original Recommendation

MDT should ensure that there is no federal participation in any County procurement that includes the User Access Program (UAP) and/or Inspector General Fee.

Review Procedures

1. Performed a detailed review of the Grantee's accounts payable process, including its entire cycle from initiation to final closeout. Review the entire process to identify the controls in place to ensure the activities are identified, assigned to the general ledger, processed accurately, completely and in a timely manner

No findings noted.

2. Obtained check disbursements for the period under review. Reviewed these invoices for documentation of the following payables processing controls:
 - a. Verification of receipt of item/service
 - b. Match with purchase order and receiving report
 - c. Verification of terms
 - d. Test of rates, prices, math extensions, and discounts
 - e. Appropriate assignment of account/grant numbers based on appropriately approved purchase orders
 - f. Approval by appropriate authority by both the department manager receiving the services, and the accounts payable processing area
 - g. Authorization to disburse the funds to the vendor
 - h. Appropriate signatures

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2010 II - 4 Fare Box Receipts Not Reconciled to Cash Counted and Deposited

Original Finding

There is no reconciliation of Bus Fare Box receipts to Cash Counted and Deposited.

Original Recommendation

Fare collection reports generated from bus probing data should be reconciled to cash counted on a bus by bus basis daily, and the related variance reports should be reviewed by someone independent of the counting process. In addition, MDT should take this reconciliation process a step further by reconciling the cash counted to the related bank deposit on a periodic basis.

Review Procedures

1. Performed a detailed transaction review of MDT's Cash management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Reviewed the reconciliation procedures over Fare Box cash collection for 10 days during the review period:
 - a. Reviewed and recalculated variances on a test basis.
 - b. Reviewed Bus Revenue Collection Daily Reports (by garage), matching amounts to the Fare Box Cash Reconciliation spreadsheet.
 - c. Noted that Bus Revenue Collection Daily Reports are signed by preparer and reviewer.
 - d. Compared amounts on NFS004 report (from the NextFare System) which details revenue collection by garage to amounts on the Fare Box Cash Reconciliation Spreadsheet
 - e. Reviewed variances for total cash collected from Revenue Collection Daily Reports to total cash collected per NFS004 reports, noting whether or not variance exceeds the "greater than \$500 or 1%" threshold.
 - f. Reviewed Finance/Treasury Services Daily Cash Report matching daily total cash collected to the deposit slip and to the general ledger.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2010 II - 5 Kiosk and Vending Machine Receipts Not Reconciled

Original Finding

MDT could not provide any evidence that reconciliations of kiosk and ticket vending machine (TVM) revenues (cash and credit card receipts) collected to bank deposits are being performed.

Original Recommendation

Kiosk collection reports should be reconciled to cash counted on a shift basis with variance reports reviewed by someone independent of the counting process. TVM collection reports should be reconciled to cash and credit card receipts counted on a periodic basis with variance reports reviewed by someone independent of the counting process. In addition, MDT should take this reconciliation process a step further by reconciling the cash and credit card receipts counted to the related bank deposit on a periodic basis.

Review Procedures

1. Performed a detailed transaction review of MDT's Cash management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Reviewed the reconciliation procedures over cash collection for 5 Kiosk days during the review period:
 - a. Obtained reconciliation package from MDT Finance.
 - b. Agreed information from Ticket Office Machines ("TOM") System to the Reconciliation worksheet.
 - c. Determined that Daily Reconciliation is performed by MDT Finance.
 - d. Determined that the count was verified by MDT Transit Service Member and Treasury Services Personnel.
 - e. Reviewed Cash Count performed and entered into NextFare system by Treasury Services noting that amounts match information on TOM reconciliation worksheet.
 - f. Reviewed Treasury Services Daily Cash Report to match Cash counts to amounts deposited.
 - g. Reviewed journal entries noting posting of Kiosk cash.
 - h. Reviewed monthly variance reports and explanations.

No findings noted.

3. Reviewed the reconciliation procedures over cash collection for 5 Ticket Vending Machine days during the review period:

- a. Obtained "Variance Analysis of TVM Reported Receipts to Manual Count of Receipts" spreadsheet from Accounts Receivable.
- b. Determined that variances and totals calculate accurately.
- c. For each day, traced bills and coins collected to the NextFare system report, noting that amounts match.
- d. For each day, traced bills and coins collected from the treasury manual count to the TVM Cash Report, which details manual counts by Treasury.
- e. Agreed total deposits by deducting the change hopper replenishment amount per the TVM cash report prepared by Treasury.
- f. Traced daily deposits to Finance Treasury Service Daily Cash Report and to the General Ledger.
- g. Reviewed monthly variance report and explanations.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2010 II - 6 Insufficient Analysis of Expenses Charged under Preventive Maintenance Grants

Original Finding

MDT does not perform a detailed analysis of Force Account charges under federal grants. MDT records all preventive maintenance related costs to its bus and rail maintenance divisions without any indication of which costs included are eligible for federal reimbursements. The grantee's practice of capturing allowable as well as unallowable charges under broad bus and rail cost centers makes the determination of allowable costs cumbersome and confusing and could result in drawing against unallowable charges.

Original Recommendation

Maintenance division costs should be analyzed in detail to document exactly which costs are to be used to support ECHO draws. As for the labor costs, the analysis should start with applicable lines in an existing General Ledger detail report (A74) that are allowable. Additional support required on an employee by employee basis should be extracted from general ledger payroll detail and reconciled to the A74 report. 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.

Review Procedures

1. Performed a detailed transaction review of MDT's Cash management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Obtained the log of Echo requests from the grantee:
 - a. For a sample of dates, reviewed funding requests and ECHO transfers for proper recording and authorization.
 - b. Determined whether that ECHO drawdown process were adequately controlled:
 1. Drawdowns were supported by disbursements in the accounting/capital projects records.
 2. The authorized official had reviewed and approved the drawdown prior to the transaction.
 3. The person responsible for approving ECHO drawdowns is the same as the authorizing official noted in the ECHO system.
 - c. Assessed whether the Federal funds were disbursed in a timely fashion to vendors/contractors.
 - d. For grant receipts that apply to several grants, verified that the total Echo receipt amount was properly posted to the individual grant records.

No Findings noted.

3. Selected the 2012 bus and rail preventive maintenance grants for detailed testing and performed the following procedures:
 - a. Reviewed the documentation that these grants had been approved by the FTA.
 - b. Verified the appropriateness of the charges to the grants.
 - c. Verified the appropriateness of the charges for Federal reimbursement.
 - d. Noted approval of authorized management for payment.
 - e. Noted satisfactory documentation support.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

DRAFT

2010 II - 7 Contracts Not Complying with FTA Requirements

Original Finding

MDT charged accounts subject to federal grant reimbursement under contracts that did not comply with FTA requirements.

Original Recommendation

We recommend that MDT utilize a checklist for compliance with FTA requirements for each federally funded contract. MDT uses Master Services Agreements (MSA) with certain vendors. MSA's provide uniform general terms and conditions which are included by reference on any issued Purchase Orders or Work Orders. In addition, MDT should include the FTA mandated clauses in individual contracts, even if there is a master services agreement in place.

Review Procedures

1. Performed a detailed transaction review of MDT's procurement process and system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Requested the procurement documentation and reviewed procurement files for evidence of appropriate procurement procedures/controls identified in the introductory interviews. Evaluated the adequacy of procurement documentation and procedures relative to FTA requirements for that type of procurement. At a minimum, the procurement file should contain reasonable documentation of the procurement history including the following:
 - a. Procurement Method
 - b. Contract Type
 - c. Contractor Selection, including consideration of responsibility, procedures performed to ensure that the contractor is not suspended or debarred, and disclosures related to lobbying activities
 - d. Cost or price

No findings noted.

3. Specifically, certain government regulations require that federally-assisted procurements over \$100,000 involving steel, iron, or manufactured products must be domestically produced. For items selected, if any are not, domestic waivers from the FTA should have been obtained. Documented any changes made by MDT to be in compliance with the requirement.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

DRAFT

2010 II - 8 ECHO Drawdowns in Excess of Eligible Expenditures

Original Finding

MDT made ECHO draws that related to procurements in which User Access Program (UAP) fees were deducted from the related expenses submitted for reimbursement, thus resulting in excessive draws from FTA that violate the requirement to expend Federal funds within three business days.

In addition, there is another questionable expenditure relating to a grant that did not meet FTA procurement requirements, in which MDT later changed the coding on the payment voucher in order to seek reimbursement from non-federal sources. Hence, this would call into question the repayment of prior draws from FTA and remitting the related interest.

Original Recommendation

Miami-Dade Transit should identify and quantify all UAP fees taken on FTA grants and not repaid by Miami-Dade County to MDT and refund the excess drawdown with interest to FTA. MDT should also identify all FTA grants that did not meet federal procurement requirements in which payment codes were changed so that reimbursement for expenditures could be made from non-federal sources. Accordingly, MDT should work with FTA to make a determination as to whether prior related federal draws require repayment along with interest.

Review Procedures

1. Obtained the Agreed-Upon Procedures Report dated April 26, 2013. Relative to the above finding, the report included the following:
 - a. There is no indication that MDT passed back to FTA \$10,246 in UAP/IG fees deducted from vendor invoices. Also, MDT was in violation of the 3 day rule for federal funds drawn on \$52,881 of UAP/IG fees by 2-4 months.
 - b. Including adjustments for additional cash disbursement activity, the MDT 2007-2010 self-reported non-compliant contracts total \$2,819,201.
 - c. Identified additional questionable contracts for FTA consideration amounting to \$4,558,528 (\$2,877,091 of which was for contracts charged to grants that had been closed for more than 3 years).
2. Determined that MDT and FTA were in the process of making a determination of the nature and extent of MDT's obligation regarding settlement of these issues.

Current Status

This finding has been addressed; however, final resolution is still pending.

2010 III - 1 Personnel Turnover and Vacancies Have Compromised the Control Environment

Original Finding

There has been a high degree of turnover in the Financial Services division. Personnel currently holding several internal control related position are relatively new to MDT or functioning in their current position on an acting basis.

Original Recommendation

MDT should establish stability and continuity in key positions with individuals knowledgeable of and responsible for compliance with FTA accounting and reporting requirements as well as administrative guidelines.

Review Procedures

1. Performed a detailed transaction review of MDT's general accounting management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Obtained copies of the prior two (2) years audit reports, management letters, (if applicable), and reports on Schedule of Expenditures of Federal Awards. Noted any issues that may affect the quality of financial information prepared for the FTA and/or impacted the Full scope review of internal controls in other areas.

No findings noted.

3. Reviewed the Single Audit report and noted the following:
 - a. The report was completed in a timely manner
 - b. The form SF-SAC was completed and filed within (9) months of the fiscal year end or 30 days after delivery of the audit report, whichever is earlier.
 - c. If there were findings, noted that a copy of the Single Audit report was submitted to the FTA Regional Office.
 - d. Noted that the Form SF-SAC was submitted to the FTA Regional Office.
 - e. MDT tracked resolution of findings.

For 2011, there were 4 financial findings noted. MDT concurred with all 4 findings and corrective actions were implemented.

For 2012, there was 1 financial related finding. Corrective actions were implemented by September 2013.

4. Reviewed the chart of accounts (and responsibility centers) and accounting policy manual/procedure:
 - a. Determined whether these documents are active documents, utilized by accounting personnel as guides to their procedures (to identify appropriate charges for expenses or activities).
 - b. Inquired of accounting department personnel as to any recent instances of changes in accounting procedures/policies/regulations. Reviewed the accounting manual to verify that it was kept updated, that these changes have been reflected in the manual.
 - c. Considering the scope and complexity of accounting department operations, determined that these documents were sufficient in scope and level of detail.

No findings noted.

5. Reviewed current organizational chart.

It was noted that all positions have been filled, with only one vacancy. However, that position is filled on an acting basis.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2010 III - 2 No Effective Internal Monitoring of the Control Environment

Original Finding

An Audit Committee does not exist to provide direction for the Internal Audit (IA) function, and ensure appropriate resolution of internal audit findings. Currently, IA reports and takes direction from the Assistant Director of Financial Services.

Original Recommendation

MDT should establish an oversight body such as an Audit Committee to monitor the control environment and provide oversight and direction for the Internal Audit function.

Review Procedures

1. Performed a detailed transaction review of MDT's general accounting management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Obtained copies of the prior two (2) years audit reports, management letters, (if applicable), and reports on Schedule of Expenditures of Federal Awards. Noted any issues that may affect the quality of financial information prepared for the FTA and/or impacted the Full scope review of internal controls in other areas.

No findings noted.

3. Reviewed the Single Audit report and noted the following:
 - a. The report was completed in a timely manner
 - b. The form SF-SAC was completed and filed within (9) months of the fiscal year end or 30 days after delivery of the audit report, whichever is earlier.
 - c. If there were findings, noted that a copy of the Single Audit report was submitted to the FTA Regional Office.
 - d. Noted that the Form SF-SAC was submitted to the FTA Regional Office.
 - e. MDT tracked resolution of findings.

For 2011, there were 4 financial findings noted. MDT concurred with all 4 findings and corrective actions were implemented.

For 2012, there was 1 financial related finding. Corrective actions were implemented by September 2013.

4. Inquired about the organizational structure of reporting internal audit.

Per discussion with the Assistant Director of Financial Services, MDT no longer has its own Internal Audit department. Instead, MDT now relies on the County for its

Internal Audit functions. The Director of the Audit and Management Services Department reports to the County Board.

5. Selected and reviewed MDT related internal audit reports issued during the review period:
 - a. Reviewed the reports to determine whether findings impact internal controls in financial areas.
 - b. Documented the process for tracking and reporting the status of internal audit recommendations from issued reports to completion/implementation of appropriate management actions.

The County department of audit and management services performs follow-up reviews to make sure findings are being addressed. Per the Assistant Director Financial Services, there are no open financial findings.

Current Status of Findings

Current procedures were adequate. This finding is no longer applicable.

2010 III - 3 Recording of Fixed Assets Not Complete and Timely

Original Finding

Entries of fixed asset additions and dispositions into the accounting records are delayed and two of the FTA required fields do not exist in the fixed asset system (FAS).

Original Recommendation

Fixed asset additions should be recorded timely and the fixed asset system (FAS) should be revised to include the location field and the title holder field.

Review Procedures

1. Performed a detailed review of the Grantee's fixed asset system. Reviewed and identified the controls in place, to ensure that the activities are processed completely and in a timely manner.

No findings noted.

2. Selected 5 fixed asset purchases during the past two years that were funded through federal grants. Reviewed and tested the postings to ensure that the FTA required information was recorded completely and in a timely manner.

No findings noted.

3. Tested 5 fixed asset dispositions for timely recording and FTA correspondence.

Entries of fixed asset dispositions into the accounting records are generally delayed. One disposal with a net book value of approximately \$400,000.00 did not have any indication of related FTA correspondence.

Current Status

Finding Not Yet Resolved

The process and timing of recording disposals still needs improvement regarding sufficient tracking of Property Action Forms. In particular, there was a disposition of a bus, indicated in the fixed asset system as FTA funded, before the end of its useful life without FTA notification, approval, or determination of appropriate resolution.

2010 III - 4 Inadequate Segregation of Duties Regarding Physical Inventory of Fixed Assets

Original Finding

MDT Finance Division conducts the physical count of fixed assets and they are also responsible for maintaining the fixed asset system (FAS).

Original Recommendation

Responsibilities for counting of fixed assets and maintaining the fixed asset records should be assigned to separate functions.

Review Procedures

1. Performed a detailed review of the Grantee's fixed asset system. Reviewed and identified the controls in place, to ensure that the activities are processed completely and in a timely manner.

No findings noted.

2. Reviewed Grantee's Current Fixed Assets and Inventory Process and Procedures Manual.
 - a. Reviewed Grantee's 2012 Inventory tracking procedures
 - b. Reviewed the inventory procedures and process in each department and whether adjustments are posted in appropriate ledgers.
 - c. Reviewed whether the Grantee is complying with FTA requirements as to bi-annual certifications.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable

2010 III - 5 Source Payroll Documents Not Appropriately Approved and Summarized for Processing

Original Finding

Maintenance employees within rail and bus had time sheets processed without proper employee or supervisor authorization (one document for a rail employee was subsequently provided). There were also some clerical errors in hours processed in the manual timekeeping process.

Original Recommendation

Payroll clerks should be required to return any incomplete (including unsigned) payroll documents to the responsible supervisors for remediation. With regard to clerical errors, supervisors should be required to calculate subtotals by charge type (regular, overtime, night differentials, etc.) at the bottom of the time sheets to improve the accuracy of information transferred to payroll system input sheets prior to being submitted to the payroll clerks.

Review Procedures

1. Performed a detailed transaction review of MDT's payroll process. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Selected a representative sample of employees from the payroll records. Reviewed the documentation supporting payroll expenses for documentation of the payroll processing controls:
 - a. Time sheet/time card should substantiate hours charged
 - b. Approval of time worked and/or account/grant activity charged by supervisory personnel
 - c. Proper signatures (employee and supervisor)

Out of 100 time cards reviewed, there were 2 which were missing the employee's signature. These were two isolated instances which do not indicate a weakness in control.

3. From the personnel records, select several employees terminated during the past year. Reviewed that they were not included in the period after their termination.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2010 III - 6 Grant Index Code Verification Process in Accounts Payable Process Not Adequately Documented

Original Finding

Index codes which should correspond to those assigned to applicable approved purchase orders (PO) are manually entered on the invoice without required authorization.

Original Recommendation

Accounts Payable should be required to reject vouchers with grant or account coding discrepancies, incomplete or inconsistent information and should reroute those vouchers to appropriate departments for proper approvals. Although full utilization of a stamp clearly indicating reviews and approvals performed is a valid internal control, MDT may want to consider having the system generate an exception report whenever the index code on an invoice does not match its corresponding PO.

Review Procedures

1. Performed a detailed review of the Grantee's accounts payable process, including its entire cycle from initiation to final closeout. Reviewed the entire process to identify the controls in place to ensure the activities are identified, assigned to the general ledger, processed accurately, completely and in a timely manner.

No findings noted.

2. Obtained check disbursements for the period under review. Selected a sample of capitalized invoices which indicated paid. Reviewed these invoices for documentation of the following payables processing controls:
 - a. Verification of receipt of item/service
 - b. Match with purchase order and receiving report
 - c. Verification of terms
 - d. Test of rates, prices, math extensions, and discounts
 - e. Appropriate assignment of account/grant numbers
 - f. Approval by appropriate authority by both the department manager receiving the services, and the accounts payable processing area
 - g. Authorization to disburse the funds to the vendor
 - h. Appropriate signatures

No Findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2011 FMO

2011 II - 1 Personnel Turnover and Vacancies Have Compromised the Control Environment

Original Finding

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.

Original 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.

Review Procedures

1. Performed a detailed transaction review of MDT's general accounting management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Obtained copies of the prior two (2) years audit reports, management letters, (if applicable), and reports on Schedule of Expenditures of Federal Awards. Noted any issues that may affect the quality of financial information prepared for the FTA and/or impacted the full scope review of internal controls in other areas.

No findings noted.

3. Reviewed the Single Audit report and noted the following:
 - a. The report was completed in a timely manner
 - b. The form SF-SAC was completed and filed within (9) months of the fiscal year end or 30 days after delivery of the audit report, whichever is earlier.
 - c. If there were findings, noted that a copy of the Single Audit report was submitted to the FTA Regional Office.
 - d. Noted that the Form SF-SAC was submitted to the FTA Regional Office.
 - e. MDT tracked resolution of findings.

For 2011, there were 4 financial findings noted. MDT concurred with all 4 findings and corrective actions were implemented.

For 2012, there was 1 financial related finding. Corrective actions were implemented by September 2013.

4. Reviewed the chart of accounts (and responsibility centers) and accounting policy manual/procedure:
 - a. Determined whether these documents are active documents, utilized by accounting personnel as guides to their procedures (to identify appropriate charges for expenses or activities).
 - b. Inquired of accounting department personnel as to any recent instances of changes in accounting procedures/policies/regulations. Reviewed the accounting manual to verify that it was kept updated, that these changes have been reflected in the manual.
 - c. Considering the scope and complexity of accounting department operations, determined that these documents were sufficient in scope and level of detail.

No findings noted.

5. Reviewed current organizational chart.

It was noted that all positions have been filled, with only one vacancy. However, that position is filled on an acting basis.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2011 III-1 Force Account Plan does Not Adequately Justify Use of Labor Forces

Original Finding

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.

Original 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.

Review Procedures

1. Performed a detailed transaction review of MDT's payroll process. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. For force account:
 - a. Obtained copies of three current Force Account Plans and Justification, which must be prepared in accordance with Circular 5010.1D, Chapter IV, Section 4e. Reviewed the rationale and justification of MDT.
 - b. Assessed the adequacy of procedures used in preparing, revising, and managing force account labor estimates.

Out of the three, only one amount was more than \$100,000, however, it was less than \$10,000,000. Therefore, FTA approval of the plan is not applicable

Current Status

Current procedures were adequate. This finding is no longer applicable.

2011 III – 2 No Effective Fixed Asset Physical Inventory Process

Original Finding

The basis for the annual inventory of fixed assets is Miami-Dade County's (the County) 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.

Original Recommendation

Prepare and implement comprehensive fixed asset procedures that adequately verify the existence of assets in the MDT general inventory ledger control account.

Review Procedures

1. Performed a detailed review of the Grantee's fixed asset system. Reviewed and identified the controls in place, to ensure that the activities are processed completely and in a timely manner.

No findings noted.

2. Reviewed Current Fixed Assets and Inventory Process and Procedures Manual:
 - a. Reviewed Grantee's 2012 Inventory tracking procedures
 - b. Reviewed the inventory procedures and process in each department and whether adjustments are posted in appropriate ledgers
 - c. Reviewed whether the Grantee is complying with FTA requirements as to bi-annual certifications

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2011 III – 3 Recording of Fixed Assets Not Timely, Complete, and Accurate

Original Finding

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).

Original Recommendation

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

Review Procedures

1. Performed a detailed review of the Grantee's fixed asset system. Reviewed and identified the controls in place, to ensure that the activities are processed completely and in a timely manner.

No findings noted.

2. Selected 5 fixed asset purchases during the past two years that were funded through federal grants. Reviewed and tested the postings to ensure that the FTA required information was recorded completely and in a timely manner.

No findings noted.

3. Tested 5 fixed asset dispositions for timely recording and FTA correspondence.

Entries of fixed asset dispositions into the accounting records are generally delayed. One disposal with a net book value of approximately \$400,000.00 did not have any indication of related FTA correspondence.

Current Status

Finding Not Yet Resolved

The process and timing of recording disposals still needs improvement regarding sufficient tracking of Property Action Forms. As previously noted on p. 28, there was a disposition of a bus, indicated in the fixed asset system as FTA funded, before the end of its useful life without FTA notification, approval, or determination of appropriate resolution.

2011 III – 4 Fixed Assets Disposed of Before the End of Their Useful Life

Original Finding

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

Original 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.

Review Procedures

1. Performed a detailed review of the Grantee's fixed asset system. Reviewed and identified the controls in place, to ensure that the activities are processed completely and in a timely manner.

No findings noted.

2. Tested 5 fixed asset dispositions for timely recording and FTA correspondence.

Entries of fixed asset dispositions into the accounting records are generally delayed. One disposal with a net book value of approximately \$400,000.00 did not have any indication of related FTA correspondence.

Current Status

Finding Not Yet Resolved

The process and timing of recording disposals still needs improvement regarding sufficient tracking of Property Action Forms. As previously noted on p.28, there was a disposition of a bus, indicated in the fixed asset system as FTA funded, before the end of its useful life without FTA notification, approval, or determination of appropriate resolution.

2011 III - 5 Contract Solicitation Documents Not Included in Centralized Procurement File

Original Finding

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

Original Recommendation

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

Review Procedures

1. Performed a detailed transaction review of MDT's general accounting management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Requested the procurement documentation and reviewed procurement files for evidence of appropriate procurement procedures/controls identified in the introductory interviews. Evaluate the adequacy of procurement documentation and procedures relative to FTA requirements for that type of procurement. At a minimum, the procurement file should contain reasonable documentation of the procurement history including the following:
 - a. Procurement Method
 - b. Contract Type
 - c. Contractor Selection, including consideration of responsibility, procedures performed to ensure that the contractor is not suspended or debarred, and disclosures related to lobbying activities
 - d. Cost or price

No findings noted.

3. Observed whether procurement records and supporting documentation are kept in an organized, logical and controlled manner that facilitates ready access by only authorized personnel.

No findings noted.

4. Through inquiry with MDT personnel, determined that a formal records retention policy existed. Obtained a copy to determine if it was appropriate.

No findings noted.

5. Determined that MDT was in compliance with MDT's and FTA's records retention policies by reviewing the process and project/grant closure and records disposition dates pertaining to procurement documents that were destroyed during the testing period.

Based on inquiry, no records have been destroyed since 2010 due to a pending lawsuit requiring retention of all records.

Current Status

Current procedures were adequate. This finding is no longer applicable.

DRAFT

2011 III-6 No Use of Current Cost Allocation Plan Rates

Original Finding

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.

Original Recommendation

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

Review Procedures

1. Performed a detailed transaction review of MDT's cost allocation process. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Obtained and reviewed MDT's Cost allocation Plan and, if applicable, FTA documentation approving the cost allocation plan.

MDT is comparing FY 14 rates to FY 13 rates in order to evaluate whether or not the plan needs to be approved by the FTA. This process is incorrect, as MDT should be comparing the FY 14 rates to the FY in which the rates were last approved, 2010. From our calculation, MDT is still in compliance and does not have to get the plan approved by the FTA since the difference between the FY 14 and FY 10 rate is less than 20%.

3. Selected the first month in the current fiscal year to determine that proper cost allocation plan rates are being utilized in the payroll distribution.

No findings noted.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2011 III - 7 Single Audit Findings and Status Not Filed Timely

Original Finding

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.

Original 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.

Review Procedures

1. Performed a detailed transaction review of MDT's general accounting management process and financial system. Reviewed the detailed procedures, both automated and manual, at each stage of the process, and identified the controls in place to ensure these activities were authorized, were processed accurately, completely and in a timely manner.

No findings noted.

2. Reviewed the Single Audit report and noted the following:
 - a. The report was completed in a timely manner
 - b. The form SF-SAC was completed and filed within (9) months of the fiscal year end or 30 days after delivery of the audit report, whichever is earlier.
 - c. If there were findings, noted that a copy of the Single Audit report was submitted to the FTA Regional Office.
 - d. Noted that the Form SF-SAC was submitted to the FTA Regional Office.
 - e. MDT tracked resolution of findings.

For 2011, there were 4 financial findings noted. MDT concurred with all 4 findings and corrective actions were implemented.

For 2012, there was 1 financial related finding. Corrective actions were implemented by September 2013.

Current Status

Current procedures were adequate. This finding is no longer applicable.

2011 III - 8 Spare Parts Inventory System Not Reconciled to the General Ledger

Original Finding

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.

Original Recommendation

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

Review Procedures

1. Performed a detailed review of the Grantee's fixed asset system. Reviewed and identified the controls in place, to ensure that the activities are processed completely and in a timely manner.

No findings noted.

2. Determined whether Grantee's inventory procedures to determine whether effective cycle or annual physical observations are performed.

Subsidiary ledger activity with respect to purchases, issues and cycle count adjustments are periodically recorded in and reconciled with the general ledger.

Current Status

Current procedures were adequate. This finding is no longer applicable.

SECTION V

**CRITERIA ESTABLISHED BY FTA AS STANDARDS FOR
GRANTEE FINANCIAL MANAGEMENT SYSTEMS**

**CRITERIA ESTABLISHED BY FTA AS STANDARDS FOR
GRANTEE FINANCIAL MANAGEMENT SYSTEMS**

The following criteria have been set forth by FTA as 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 procedures are implemented for such assets.

18.20(b) (4) *Budget Control.* “Actual expenditures or outlays must be compared with budgeted amount 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 2 CFR Part 225, 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.

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, contract and subgrant award documents, etc.”

**CRITERIA ESTABLISHED BY FTA AS STANDARDS FOR
GRANTEE FINANCIAL MANAGEMENT SYSTEMS**

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 must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on Subgrantee’s 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 system 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.

EXHIBIT I

MATRIX OF OPEN FINDINGS, RECOMMENDATIONS AND CORRECTIVE ACTIONS

DRAFT

ORIGINAL FINDING	ORIGINAL RECOMMENDATION	CURRENT STATUS	CORRECTIVE ACTIONS
<p><i>Material Weaknesses</i></p> <p>MDT made ECHO draws that related to procurements in which User Access Program (UAP) fees were deducted from the related expenses submitted for reimbursement, thus resulting in excessive draws from FTA that violate the requirement to expend Federal funds within three business days.</p> <p>In addition, there is another questionable expenditure relating to a grant that did not meet FTA procurement requirements, in which MDT later changed the coding on the payment voucher in order to seek reimbursement from non-federal sources. Hence, this would call into question the repayment of prior draws from FTA and remitting the related interest.</p>	<p>Miami-Dade Transit should identify and quantify all UAP fees taken on FTA grants and not repaid by Miami-Dade County to MDT and refund the excess drawdown with interest to FTA. MDT should also identify all FTA grants that did not meet federal procurement requirements in which payment codes were changed so that reimbursement for expenditures could be made from non-federal sources. Accordingly, MDT should work with FTA to make a determination as to whether prior related federal draws require repayment along with interest.</p>	<p>This finding has been addressed; however, final resolution is still pending.</p>	

ORIGINAL FINDING	ORIGINAL RECOMMENDATION	CURRENT STATUS	CORRECTIVE ACTIONS
<p>Significant Deficiencies</p> <p>Entries of fixed asset additions and dispositions into the accounting records are delayed and two of the FTA required fields do not exist in the fixed asset system (FAS).</p>	<p>Fixed asset additions should be recorded timely and the fixed asset system (FAS) should be revised to include the location field and the title holder field.</p>	<p>The process and timing of recording disposals still needs improvement regarding sufficient tracking of Property Action Forms. In particular, there was a disposition of a bus, indicated in the fixed asset system as FTA funded, before the end of its useful life without FTA notification, approval, or determination of appropriate resolution.</p>	
<p>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).</p>	<p>Record fixed asset additions and dispositions timely, completely and accurately, including federal participation, and revise the system to include the title holder field.</p>	<p>Status indicated above also applies to this finding which was basically a repeat finding in the second FMO.</p>	
<p>Review of disposals in December 2010 indicates that, based on when certain federally funded assets were placed out of service, they were not fully depreciated as of the date they were sold at auction.</p>	<p>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.</p>	<p>Status indicated above also applies to this finding in the second FMO which reported a more specific issue regarding fixed asset disposals.</p>	