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of Transportation
**Federal Transit
Administration**

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August 24, 2015

Mr. Jay Davidson, Chairman
Board of Directors
Texoma Area Paratransit System
PO Box 2
Decatur, TX 76234

Re: FY2015 FMO Final Report

Dear Mr. Davidson:

The Federal Transit Administration's (FTA) Financial Management Oversight (FMO) contractors, DMS-RMW Associates JV, LLC, have completed the enclosed FMO Final Report for their review of Texoma Area Paratransit System (TAPS).

The report has incorporated TAPS's responses to the FMO Draft Report. The report shows the responses to the 4 Material Weaknesses and 5 Significant Deficiencies are adequate; however, the findings will remain open until further technical assistance and oversight show the corrective action plans have been implemented and are in compliance with federal requirements. The FTA requests that TAPS provide copies of any revised procedures and supporting documentation specified in the recommendations by the deadlines stated in the report.

If you have any questions or comments on this matter, please feel free to phone Abel Ayala, Program Management Specialist, at (817) 978-0550.

Sincerely,

Laura Wallace, Director
Office of Program Management
& Oversight

Enclosure

cc: Alison Pegram, TPM-41 (w/o enclosure)
Brad Underwood, CEO, TAPS

**FINANCIAL MANAGEMENT OVERSIGHT
REVIEW**

Full Scope Review

of the

Texoma Area Paratransit System

(TAPS)

PERFORMED FOR:

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



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**U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION
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INDEPENDENT ACCOUNTANTS REPORT

Robert C. Patrick,
Regional Administrator
Federal Transit Administration, Region VI

We understand that the Federal Transit Administration (FTA) has awarded the Texoma Area Paratransit System (TAPS) the grants listed in Section I of this report. We have examined the effectiveness of TAPS' internal control over compliance with FTA financial management system requirements as of March 31, 2013, 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 TAPS' 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 (AICPA) 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 TAPS' 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 TAPS' 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.

In our opinion, except for the effect of the material weakness(es) described in the preceding paragraph on the achievement of the objective of the financial management system criteria, TAPS has maintained, in all material respects, effective internal control over the compliance with FTA financial management system requirements as of June 16, 2015, based on the criteria established by the FTA as set forth in Section VI of the report.

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

DMS-RMW Associates JV, LLC

June 16, 2015

***SECTION I – DESCRIPTION OF TEXOMA AREA PARATRANSIT SYSTEM
(Provided by the Grantee)***

1. Organization

TAPS is a political subdivision of the State of Texas, operating as “TAPS Public Transit.” TAPS is a private, non-profit corporation. TAPS originated as a van and a station wagon ride service in 1986, supported by thirteen separate Senior Centers and communities in Fannin, Grayson, and Cooke Counties. TAPS was created, through an effort led by the Area Agency on Aging, to maximize resources in order to address the regional transportation needs. In July 2013, through an agreement with the Collin County Commission, TAPS assumed the operations of the former Collin County Area Regional Transit system (CCART) of McKinney, Texas. TAPS operates most services in-house, but contracts with Lone Star Coach for certain express route service and with First Transit, Inc., to manage the sub-corporation of Transit Management of Sherman, Inc., which serves as TAPS operating entity. TAPS operates in one of its capacities in 16 Texas counties and 1 Oklahoma County.

2. Services

TAPS provides local fixed-route service in the cities of Allen, Denison, Sherman, and McKinney, commuter and express fixed-route services between McKinney and Sherman, between Sherman and Durant, Oklahoma, and provides feeder connection routes from Allen, Sherman and McKinney to the Dallas Area Rapid Transit (DART) Parker Road light rail station in Plano, Texas.

In the summer of 2014, TAPS was awarded a 3 year contract from the Texas Health and Human Services Commission to provide Non-Emergency Medical Transportation (NEMT) to members of the state’s Medicaid program. The contract directs TAPS Access to provide NEMT services to a 16-county region of North Texas and Southern Oklahoma, including Archer, Baylor, Clay, Cooke, Collin, Fannin, Foard, Grayson, Hardeman, Jack, Montague, Wilbarger, Wichita, Wise and Young counties of Texas and Bryan county of Oklahoma.

Weekday demand response transit service is provided from 5:00 a.m. to 6:00 p.m. and Saturdays from 8:00 a.m. to 3:00 p.m. There is no Sunday demand response service. Fixed-route service operates weekdays from 6:00 a.m. to 11:45 p.m., depending on the route, Saturdays 8:45 a.m. to midnight (Allen and Sherman/Denison only), and from 10:00 a.m. to 9:00 p.m. on Sundays (Allen only).

The basic adult fare for local bus service is \$1.00. Seniors, persons with disabilities, and Medicare cardholders ride at no charge during all hours. TAPS also offers monthly passes with unlimited daily rides. Fares for demand response services are \$2.00 for in-town rides, \$3.00 for out-of-town rides, and \$4 for out-of-county rides.

TAPS utilizes 37 buses for its fixed route service. The fleet is comprised of 25 to 40-foot standard buses and body-on-chassis buses. TAPS requires 15 buses for peak service. TAPS has

approximately 110 additional vehicles in its demand response fleet, consisting of vans and body-on-chassis vehicles. All of the fixed-route buses and most of the demand response vehicles are ADA accessible. The non-accessible vehicles are used for demand response service for individuals not requiring use of a lift. TAPS service operates from six bus garages: two in Sherman and one each in McKinney, Gainesville, Decatur, and Bonham, Texas. TAPS operates from an administrative and operations center located on Texoma Parkway in Sherman. TAPS has four transit centers: two in Allen and one each in Sherman and McKinney.

TAPS' National Transit Database Report for FY2013 provided the following financial and operating statistics for its fixed-route and paratransit service:

	Fixed-Route Service	Commuter Bus	Demand Response
Vehicle Revenue Miles	157,748	486,214	2,121,289
Vehicle Revenue Hours	9,098	14,978	113,214
Operating Expenses	\$258,816	\$717,486	\$4,357,694

The 2014 NTD report is expected to be completed by June 15 and the above information will be updated once that is complete.

Grant Activity

There are no active grants as of June 9, 2015.

Completed Projects

In the past three years, TAPS has begun operating public transit services in Collin County, Texas, expanded its Sherman/Denison fixed-routes, assumed operation of McKinney fixed-route service, and added commuter routes in McKinney and Allen, Texas. TAPS has worked diligently as the lead agency to coordinate RCT-related planning activities in Cooke, Fannin, and Grayson Counties. TAPS also established the Red River Route, a JARC project that shuttles commuters back and forth between Sherman, TX and Durant, OK.

Projects Underway

TAPS is developing and implementing a number of JARC Routes in Collin County. Thus far, TAPS has established JARC routes from McKinney to Plano, Allen to Plano, Farmersville to McKinney and in Wise County TAPS began service in April from Decatur to Fort Worth. TAPS is also in the planning phase for four additional JARC routes within Collin County.

Future Projects

TAPS will soon begin construction on a new multimodal facility in Sherman, TX. TAPS is also developing a multitude of Feeder Routes/Commuter Routes throughout its seven-county public transit service area (such as a route from Decatur to Fort Worth). TAPS will begin 3 JARC routes in Collin County, which feed service to McKinney from outlying cities, on July 1, 2015. Future

projects have a focus on efficiencies, which utilize the developing fixed route connections throughout our service area.

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 findings and recommendations are provided below, with a discussion of the significance of the finding, notation of the standard(s) impacted, and a summary of the TAPS’s proposed corrective actions and evaluation thereof.

II.1 Lack of Supporting Documentation for Federal Financial Reports (FFR) and ECHO Drawdowns

Finding

TAPS was unable to provide supporting documentation for FFRs and ECHO drawdowns performed during our review period.

Discussion

During our review and conversation(s) with key personnel, we were unable to reconcile supporting documentation for FFRs and ECHO drawdowns performed during our review period. TAPS has experienced a transition of management staff. The current interim Chief Financial Officer (CFO) and Director of Finance have been in place since February of 2015. Per our discussion with the current CFO, there was no methodology used by the previous CFO to determine the amount of grant funds to drawdown or support information reported on the FFRs. TAPS provided us with the previous CFO records but we were unable to reconcile paid invoices to actual ECHO drawdown requests. In addition, we could not determine whether the expenses were allowable and whether TAPS applied the correct Federal and local share percentages to the ECHO request as required by the grant agreement. TAPS has implemented new procedures for grants management but the process could not be tested since TAPS has no active FTA grants.

Standards Impacted

49 CFR 18.20(b)(6) Source documentation states, “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.”

49 CFR 18.20 (b)(1) Financial Reporting states that, “Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.”

49 CFR 18.20(b) (5) Allowable Cost “Grantees must have procedures to provide reasonable assurance that “Office of Management and Budget (OMB) Circular A-87 (2CFR Part 225) cost principles are incorporated within 49 CFR 18.22, agency program regulation, and the terms of grant and sub-grant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.”

Recommendations

TAPS should create a grants account process to ensure adequate control over grant expenditures. The record keeping should include the grant budget amount, Federal and local match as well as costs incurred and encumbrances. TAPS should create a reconciliation process for completion on a

monthly basis. This will ensure that all supporting documentation is present, reconciled to the general ledger, and compliant with the latest grant agreement, including budget amendments.

This recommendation should be completed within 30 days of the grantees receipt of the final report.

Grantee's Response

TAPS is working diligently within the current accounting system to develop procedures that will include budget amounts within the system, coding of invoices to the correct grant contracts that the agency has, and proper fiscal management of the grants. Currently, TAPS is under the ECHO suspension process - providing copies of invoices and allocation justification to the FTA prior to drawing down amounts in the ECHO system. TAPS finance department will continue to process the ECHO draws in the same manner even once off suspension.

The following process is currently being implemented by the TAPS finance team to be effective from August 1, 2015 forward:

1. When notification of funding is received, a new grant contract is set up with the accounting software used by TAPS – Abila MIP. The amount of the grant budget is input into the software in respect to the income to be received, the match to be made for the grant and the expenditures in the categories that were in the grant award. Notification of the input of the grant is given to finance and a copy of the grant budget is sent to all senior and executive level management.
2. Grant expenditures for over \$100 are incurred through the initiation of a request for a purchase order number. The request for the purchase order is approved by the originating department's director or designee before it is sent further in the system.
3. The purchase request is sent through the work flow system which is an added module to the current Abila MIP software accounting system.
4. All requests for purchase orders are approved by the procurement officer. A PO number is given at the time of the purchase request. The procurement officer is educated about which grants are available for expenditure at any given time through an excel spreadsheet that is prepared and updated as needed by the Grant Administrator. The Procurement officer can approve any request up to \$2,999.99. Any requests between \$3,000.00 and \$24,999.99 require the additional approval in the workflow system of the Director of Finance. Any request greater than \$25,000.00 requires the approval of all three levels: the procurement officer, the Director of Finance, and the CFO.
5. The account coding for the expenditure is assigned when the expense is approved by the procurement officer. Denied requests are voided and are not processed any further through the system.
6. An email is sent to the originator of the request letting them know the request is approved. The procurement office or department designee then places the order with the vendor.
7. Upon receipt of the goods, the invoice is matched with PO within the work flow portion of the accounting software. The PO is then moved from the work flow system into the MIP Accounting system and the invoice number is attached to the PO.

8. The accounts payable staff matches what is in workflow to the invoice to make sure that the expenses are allocated properly as the invoice passes from the work flow system into the accounts payable system.
9. The accounts payable staff then indicate on the invoice what the coding of the invoice is for grant purposes. If the invoice involved more than one contract grant, both contract numbers and their amounts are written on the invoice.
10. Prior to payment, the invoices are presented back to the Director of Finance for final approval prior to payment.
11. Invoices are scanned and placed into the finance drive for later location and labeling for grant reimbursement.
12. Once the Director of Finance approves the check to be paid, the accounts payable staff are given the invoices again to write the check and match checks with the invoices being paid.
13. The checks, with all the supporting documentation, are presented to the CFO for signature. If the CFO is absent, the COO or the CEO are able to sign checks. The check is verified as to payee and amount and the checks are signed.
14. Checks are returned to a finance staff member that did not write the checks, where they are again agreed for payee and dollar amount before being separated from their support information and mailed to the vendor. Any checks that do not go through the work flow system, such as checks for utilities, are coded by accounts payable staff based on grant contracts available and all coding is approved by the grant administrator or the finance director prior to being input in the accounts payable system for payment. The remaining part of the process for matching, check signature, and verification are followed just as they are for purchase orders. Once a month, reports are run out of the accounting system comparing the budgeted expenditures to the actual expenditures. Appropriate levels of management are provided a copy of the monthly reports to show how much is left on each grant contract to spend. This also alerts executive management of the local match that is required on a monthly basis. If any line item is over budget, that line item is inspected for potential miscoding and corrections are made. If budget amendments are necessary, the CFO follows the amendment process with FTA.
15. Any budget amendments are input in the MIP accounting software as soon as the amendment is approved. The Director of Finance or the CFO are the only two with permissions to change grant contract budget amounts.
16. Anything processed after the monthly cutoff will be posted to the current month to provide the grant draw down process with a proper cutoff of expenditures.
17. Request for Reimbursement's (RFR) for any grant are prepared based on the information provided from the detailed general ledger in the accounting system. If any errors are noted, they are corrected in the general ledger immediately. The Director of Finance is primarily responsible for the processing of all grant requests for reimbursement and uses only information provided in the detailed general ledger to prepare RFR's and ECHO drawdown requests.

The above are brief steps that will be incorporated into the fiscal policies and procedures manual that will be used to teach and train the Finance Department and support the processes used in the department.

As this process will begin on August 1, 2015, the implementation of this will be done prior to the 30 days of final issuance of the report.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than 30 days after receipt of the final report. In addition, the Grantee should provide the missing MPR reports to FTA as soon as possible.

II.2 TAPS ECHO Drawdown Process is Inadequate

Finding

TAPS does not maintain a record of each ECHO drawdown to ensure that funds requested are reconcilable to cost incurred.

Discussion

During our review, we noted that TAPS does not maintain a record of each ECHO drawdown to track federal funds requested to costs incurred. Prior to February 2015, the previous CFO coded all transactions to various grants at the time of a drawdown and not prior to. Staff acknowledged that some expenditures were miscoded to grants that were already closed in the financial system. In addition, TAPS used FTA grants on an as needed basis to support cash flow. There was no methodology to trace expenditures to source documentation for drawdowns during the review period. We were only able to reconcile two invoices that were included in a drawdown for buses purchased during the review period. We were unable to verify the accuracy of the other drawdown requests during our testing due to a lack of support documentation.

Standards Impacted

49 CFR 18.20 (b)(1) *Financial Reporting* states that, “Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.”

49 CFR 18.20(b)(2) *Accounting records* states that, “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.”

Recommendations

TAPS should maintain a record of each ECHO drawdown that reconciles funds requested to funds received. TAPS should develop a process to ensure that all grant expenditures are eligible expenditures for reimbursement for a specific grant.

This recommendation should be implemented within 30 days after the grantees receipt of the final report.

Grantee’s Response

As was stated in II.1, the current environment within TAPS operates under ECHO suspension rules. The Fiscal Policy will be written such that the ECHO Suspension rules remain in place for the Agency. The following steps for an ECHO draw down will be implemented in the policy:

1. Once a month, a draw will be made using the ECHO drawdown system. The Director of Finance will prepare a trial balance, a detailed general ledger, and invoices all in a single folder in the finance drive to support the draw.
2. The amounts for the trial balance will be agreed to the detailed general ledger.
3. The detailed general ledger will be reviewed for applicability to the grant contract and any expenditure that needs to be investigated for coding will be done at that time. Any adjustments for any miscoding will be done at that time. As the process becomes more defined and policies adhered to, there should be fewer and fewer adjustments needed.
4. The Director of Finance, or designee, will then go into the invoices as scanned and filed in the finance drive, and pull over the invoices into the draw down file, labeling them appropriately to correspond to line numbers in the detailed general ledger.
5. The Director of Finance will then prepare the ECHO request form, sign it, and present the folder to the CFO for approval. The request form will detail the match revenue and where it comes from and agree that amount to the trial balance presented in the folder.
6. The CFO will review the invoices as attached, and agree the information provided on the ECHO request form.
7. Once everything is agreed and the CFO is satisfied that the request agrees to the general ledger and the expenditures are eligible to be requested on the grant contract, the CFO will go into the ECHO draw down system and request the draw. (Under ECHO Suspension, the file will first be sent to the appropriate personnel at the FTA Region VI office.)
8. Finance will be notified of the request for the draw down to record the receivable.
9. Upon receipt of the money to the bank, the receivable will be recorded to cash.

As this process will begin on August 1, 2015, the implementation of this will be done prior to the 30 days of final issuance of the report.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than 30 days after receipt of the final report.

II.3 Financial Reporting is Inaccurate and Not Filed on a Timely Basis

Finding

FFRs were not complete and filed on a timely basis.

Discussion

During our review, it was noted that the TAPS does not file FFRs within the 30 days after the end of the quarter. The last FFR filed was on 9/30/2014. There has been subsequent activity on the grants that was never reported on an FFR. During our review, we identified inaccurate information reported in the FFRs. The information provided on the FFRs match exactly to the grant agreement. TAPS could not provide us with support documentation to verify the accuracy of the FFRs. Additionally, we were not able to determine whether FFRs were prepared on a cash or accrual basis.

Table 1 represents the FFR submission dates of the listed active grants in TEAM. *Table 2* represents the financial information reported on the FFR compared to what the grant agreement states. In addition, the grantee is not completing and submitting milestone progress reports.

Table 1

Grant Number	FFR Period Submitted
TX-90-X979-02	3 rd Qtr 2014
TX-90-Y005-02	4 th Qtr 2014
TX-90-Y025-01	4 th Qtr 2014
TX-90-Y109-01	1 st Qtr 2014; 4 th Qtr 2014
TX-90-Y111-00	4 th Qtr 2014
TX-90-Y112-00	4 th Qtr 2014
TX-90-Y125-00	N/A

Table 2

Grant Number	Per FFR	Per Grant Agreement
TX-90-X979-02	Fed: \$991,636	Fed: \$991,636
	Local: \$898,636	Local: \$898,636
TX-90-Y005-02	Fed: \$1,286,983	Fed: \$1,286,983
	Local: \$457,664	Local: \$457,664
TX-90-Y025-01*	Fed: \$677,584	Fed: \$748,290
	Local: \$677,584	Local: \$748,290
TX-90-Y111-00*	Fed: \$534,394	Fed: \$2,782,374
	Local: \$534,394	Local: \$2,508,624
TX-90-Y112-00*	Fed: \$519,431	Fed: \$1,253,117
	Local: \$519,431	Local: \$1,076,867

*Grants TX-Y025-01, TX 90-Y111, TX 90-Y112 FFRs state that previous expenditures were reported. Upon review, there is no record of a previous FFR submitted in TEAM.

Standards Impacted

49 CFR 18.40 *Monitoring and Reporting Program Performance*, states that, (a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

49 CFR 18.20 (b)(2) *Accounting records*, states that, “Grantees and Sub-grantees 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.”

49 CFR 18.41 (b)(2) *Accounting basis*, states that, “Each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. If the Federal agency requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through and analysis of the documentation on hand.”

Recommendations

TAPS should ensure that FFRs properly reflect the information stated in the grant records and the related grant activities for the period. TAPS should ensure that all FFRs are reported on an accrual basis, and filed in a timely manner. TAPS should ensure that milestone progress reports are completed and filed on a timely basis.

This recommendation should be implemented within 120 days of the grantees receipt of the final report.

Grantee's Response

TAPS staff went to FTA Region VI and obtained training on the TEAM System. The FFR's and milestone reports will be completed on a quarterly basis and will be filed timely from this point forward. The FFR's in the system will also agree to all drawdowns made during the quarter and will be supported by a summary of the requests made during the quarter. There will be a quarterly electronic file for each grant showing the totals as supported by the requests for reimbursements. Budget to actual amounts will be supported by reports from the accounting software showing that the system agreed to the quarterly report at the time the report was filed.

The above are brief steps that will be incorporated into the fiscal policies and procedures manual that will be used to teach and train the Finance Department and support the processes used in the department.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

The first drawdown done on an active FTA was done in July 2015, therefore the first set of quarterly reports will be due October 31, 2015. Every effort will be made to file these reports prior to the deadline. Therefore, to prove that this step was implemented will take longer than the 30 days of the final report, so TAPS respectfully asks for additional time to complete this step.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The FTA has granted the Grantee's requests for additional time to complete the corrective action. The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than ***120 days*** after receipt of the final report.

II.4 TAPS' Accounting and Reporting of Grants Accounting Information Does Not Meet Federal Standards

Finding

Based on our review of TAPS' accounting and financial reporting processes, TAPS does not have an accounting process that conforms with 49 CFR Part 18.20, Standards for Financial Management Systems and the corresponding FTA requirements of Circular 5010.1D, Rev.1: August 27, 2012, Chapter II, 3(a). We noted that the accuracy of accounting and reporting of grant accounting information is impacted by the use of numerous manual calculations and Excel spreadsheets to perform general and grant accounting functions.

Discussion

TAPS current Abila MIP Fund Accounting financial/accounting system functionality is not being used to its full capacity. Specifically, the system contains a grant management/accounting module that would facilitate the processing of financial information within TAPS' functional areas for management and Grantors if fully implemented. The module would aid TAPS in facilitating and upgrading the current financial reporting process, which would improve financial reporting responsiveness to senior management and Grantors.

Due to the limited use of the financial management system's functionality, the grantee must rely on numerous manual calculations and Excel spreadsheets to perform grant management and accounting functions. The use of the manual intervention of spreadsheets that do not interface with core accounting systems increases the risk of errors and misclassifications.

During our review of TAPS' various accounting and financial reporting processes, we noted the following:

- 1) The CFO, who performs numerous accounting and financial duties without appropriate staff back up, used manual calculations and Excel spreadsheets for grants accounting and the tracking of a portion of NTD information.
- 2) Budgetary reporting to the Board has been negatively impacted since quarterly grant budget to actual variance reports were produced and consequently material budget variances were not identified and adequately investigated in a timely manner.

Standards Impacted

49 CFR 18.20 (b)(1) ***Financial Reporting*** states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR 18.20(b)(3) *Internal Control* states that, “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.

Recommendations

- 1) The preparation of manual and “external to the Abila MIP Fund Accounting financial/accounting system” accounting and financial calculations and processes should be documented in TAPS’s accounting policies and procedures.

In addition, the accuracy and reliability of accounting and financial reporting information is not categorically dependent on a fully integrated and automated financial system. Such system(s) may typically provide enhanced functionality, which provides greater efficiencies, as well as the greater likelihood of more accurate information due to the decreased frequency of manual errors. An automated system does remain similar to a manual system in that, ultimately, the information produced will only be as accurate and reliable as the source information. While budgetary constraints and cost-prohibitive realities may limit TAPS from planning for and implementing a more desirable automated solution for the current needs, TAPS should assess the cost-effectiveness of other automated solutions that will help augment the financial system needs. This will help TAPS to more effectively meet the Federal Standards for Financial Management Systems and reduce the risk associated with manual errors.

- 2) We also recommend that, until a more effective automated solution is implemented, TAPS should revise the accounting policy and procedures to ensure that prior period adjustments are not to be made during a current period within the Abila MIP Fund Accounting financial/accounting system without appropriate documentation and approval.

These recommendations should be implemented within 120 days after the grantee receipt of the final report.

Grantee’s Response

The Interim CFO has contacted Abila support and obtained several tools necessary to assist with using the Abila software more in line with its full potential. The Grants module within the software is a functional piece of software and assistance will be obtained to begin to teach TAPS staff how to use this piece of the package.

TAPS finance staff will be taught the functionality of the grants management software already in the system in a formal setting as soon as all aspects are learned and implemented by the Interim CFO. There is extensive training on the software and the modules mentioned in the FMO report in October 2015. In the meantime, the information provided by the consultant will be used and implemented.

TAPS is in full agreement that the use of excel spreadsheets that do not agree and support the detailed general ledger needs to cease. The detailed trial balances and general ledgers will be the source data for any supporting schedules prepared.

If adjustments are considered necessary during the review process, the Director of Finance will make the adjustments, and the CFO will post the adjustments to the general ledger in the system after reviewing the supporting documentation. Reports will be rerun as necessary and anything supporting the grant drawdown or revenue support will be supported in the system.

TAPS Interim CFO did inquire into the potential of the purchase of the additional grants software provided by Abila MIP and was advised against the purchase. If TAPS will learn to use the software they currently have, everything required by the FTA and other funding agencies will be satisfied without an additional purchase.

The recommendation was made to implement policies and procedures to ensure that proper adjustment are not to be made during a current period. The fiscal policies will include a monthly cutoff date be established. Anything after that date will be posted to the current month. The only exception to this will be year end, at which time, the accounts payable module will be left open for a longer period of time. Abila does allow the closing of various modules within the system such that postings cannot be done back to an improper period. The fiscal policies and procedures will require the closing of the periods by the Director of Finance to prevent timing errors from occurring.

The above are brief steps that will be incorporated into the fiscal policies and procedures manual that will be used to teach and train the Finance Department and support the processes used in the department.

TAPS appreciates the implementation period of 120 days for this step in order to obtain the proper training to completely use the Abila software package to its fullest potential and then train the other finance staff in areas necessary. Please note that some of the other areas already covered in the FMO will incorporate some of this training, so while the process is being refined to be completely contained within the software, it is possible that excel spreadsheets will continue to be used, but will be supported by information that is in the accounting software at any given time. But budget to actual reports might have to be presented in excel, for example, until training is obtained to make this seamless in the software.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than 120 days after receipt of the final report.

SECTION III – SIGNIFICANT DEFICIENCIES

A significant deficiency is a deficiency, or a 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.

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

III.1 TAPS' Controls Over Fare Revenue Needs Improvement

Finding

TAPS fare revenue is currently not counted in a secure location.

Discussion

During our review of cash management, we performed a walkthrough of the farebox revenue procedures. We observed that the driver removed the farebox revenue from the bus. The funds were then carried to an open area within the building and counted by the driver and a supervisor. There was one camera located over the table where funds were counted and linked to video surveillance in the Safety and Security Manager's office. The funds were then placed in a Ziploc bag and placed in a drop slip in the door. For the night drivers, the drivers have to place their funds into a locked file cabinet and a supervisor is responsible for counting the funds the next morning. Once a week, an individual from the Safety and Security team and a Manager, remove the funds from the safe and performs another count. The Safety and Security team and Manager are responsible for creating the deposit slip and dropping the funds off at the bank. The TAPS staffs performing the farebox count of funds collected are not bonded.

Standards Impacted

49 CFR 18.20(b) (3) *Internal Control* states, "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."

Recommendations

TAPS should provide a secure, separate location for counting and storing cash. Additionally, TAPS should analyze its security procedures and resources to ensure that there are safeguards in place for cash handling.

This recommendation should be implemented within 60 days of the grantees receipt of the final report.

Grantee's Response

TAPS Interim CFO and the Director of Safety and Security have started working on the fare revenue collection procedure. TAPS recognizes the need to make sure that the cash collection

points are strong and controlled and that the risk for the loss of cash at these collection points is minimized. The current policy and procedure will be strengthened to include more than one camera overseeing and recording the counting of cash.

TAPS appreciates 60 days to investigate and strengthen the process in place. It is possible that the policy as changed will require Board approval. This policy will not be ready for the next Board meeting, which is August 12, 2015, but will be presented to the Audit/Finance Committee of the Board (discussed later in these responses) for its approval prior to the 60 day requirement and will be presented to the full Board of Directors through the Finance Committee at the next Board meeting.

TAPS recognizes the importance of internal control and appreciates suggestions made in this area to help strengthen those controls.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than 60 days after receipt of the final report.

III.2 TAPS' Processes Related to Accounts Payable Are Not Adequate

Finding

Invoices are not properly coded to grants.

Discussion

During our review, we sampled 23 invoices and only one invoice was coded to a grant. The remaining invoices were not coded to grants. In addition, the majority of the invoices had no approval signatures or evidence that the items were received. We reviewed the general ledger account for each grant during the review period and there were invoices allocated to multiple grants, however, the allocation was not identified on the invoice. In addition, per conversation with key personnel, some expenditures were coded to grants that were already closed.

Standards Impacted

49 CFR 18.20(b) (3) *Internal Control* states that, "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."

Recommendations

TAPS should create a process in which every invoice is coded to the proper grant(s). This process should be performed at the time of procurement and/or when an invoice is received. In addition, the Director of Finance and/or the CFO should approve every invoice.

These recommendations should be implemented within 30 days after the grantees receipt of the final report.

Grantee's Response

As described in the procedures in Section II. Material Weaknesses II.1, a defined procedure of coding grants is being implemented by TAPS Finance Staff to be completely implemented beginning August 1, 2015. While many facets of this policy are already being implemented, certain sign offs and approvals are going to be indicated on the actual invoice. The work flow program in Abila will also show the approvals prior to an invoice even being generated by a vendor to show the layers of approval that exist within the system.

The grant administrator position will be used to define the grants in place, the local match required, and the expenditure types and line items. The Director of Finance will work with the CFO and the Directors/Managers involved to determine to line item budgets within the TAPS accounting framework that the budget needs to be allocated to. That will assist the departments in knowing what their budgets are and how to code their requests for expenditures in the work flow system for approval.

All levels of management will know the budget amounts available to them through the grant contract award process. Reports will be available and distributed on a regular basis to keep everyone informed and educated. The responsibility of spending the grants within the parameters defined by the grant agreement does not fall on the finance department alone, and TAPS management recognizes this.

As this process will begin on August 1, 2015, the implementation of this will be done prior to the 30 days of final issuance of the report.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than 30 days after receipt of the final report.

III.3 Several Audit Reports Were Not Submitted by the Respective Due Dates

Finding

During our review, we noted that the September 30, 2013 Single Audit Report was due by June 30, 2014 but was not completed until November 14, 2014. The Single Audit for the period ending September 30, 2014 has not commenced. Additionally the submission of form SF-FAC, **Data Collection Form for Reporting on Audits of States, Local Governments, And Non-Profit Organizations**, and reporting package for fiscal year ending September 30, 2013 was not submitted to the Federal Clearinghouse by June 30, 2014.

Discussion

During our assessment of TAPS' financial reporting process, we noted that TAPS' external auditors cited the untimely filing and completion of the Single Audits for the fiscal years ending September 30, 2012 and 2013. Additionally, TAPS did not submit a copy of the FY 2012 report including management's response to the audit findings to FTA Region VI. The delays in completion of the financial audits were attributed to management's inability to supply critical financial records to the external auditors in a timely manner.

Standards Impacted

49 CFR 18.20 (b)(1) Financial Reporting states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Recommendations

We recommend that TAPS establish an audit and finance committee from the Board of Directors to oversee the completion of the annual audit process to ensure the timely completion of the Single Audit and the submission of form SF-FAC, Data Collection Form for Reporting on Audits of States, Local Governments, And Non-Profit Organizations, and the reporting package. A timetable should be established with the external auditors at least six months before the fiscal year end. The committee should emphasize that the auditors should start their interim fieldwork before the fiscal year end in order to expedite completion of year-end fieldwork and the preparation of the audit reports.

These recommendations should be implemented within 60 days after grantees receipt of the final report.

Grantee's Response

TAPS executive management recognizes the importance of the A-133 audit from an independent third party certified accounting firm. At the August 12, 2015 Board meeting, an Audit/Finance

Committee of the Board will be appointed. This committee will be charged with the oversight of the timing and performance of the external A-133 audit to ensure that staff are held accountable for timeliness of the audit and filing of form *SF-FAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*. This Committee will assist with revising fiscal policy and procedure, too.

The audit for the year ended September 30, 2014 is underway. An engagement letter has been signed and the first meeting the audit team has taken place with the Interim CFO. Fieldwork is expected to begin the week of July 27, 2015. At this time, a defined completion date has not been established. Every effort will be made to provide the auditors with the information they need to complete their audit as soon as possible.

It is going to be the future policy of the TAPS administration to have the audit completed by December 31 each year to meet all the filing requirements of the funding agencies of TAPS. This will be added to the fiscal policy and recommended by the audit/finance committee for Board approval.

The Board appointed committee will be in place after the August 12, 2015 Board meeting, so that will meet the 30 day guideline per the recommendation. However, the audit for the fiscal year ended September 30, 2015 may not be finalized within that time frame depending on the workload of the CPA firm that has been engaged. Every effort will be made to meet this date, however, a 60 day requirement on this particular item would be more likely for completion of the last fiscal year audit.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly.

The Grantee request for additional is granted FTA and should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than **60 days** after receipt of the final report.

III.4 Bank Reconciliations are not prepared on a Timely Basis

Finding

During our review, we noted that monthly bank reconciliations have not been prepared since September 30, 2014. Additionally, the monthly bank reconciliations that were available, prepared by the Director of Finance, did not indicate evidence of review or approval by the CFO.

Discussion

During our assessment of TAPS' financial reporting process, we noted that TAPS requires monthly bank reconciliations, to be prepared by the Director of Finance, and reviewed by the Chief Financial Officer. Although bank reconciliations were prepared through September 30, 2014, there was no evidence of review and approval by someone other than the preparer, which indicated a lack of separation of duties. In addition, there was no evidence that adjustments identified in the bank reconciliation were recorded in the general ledger. According to TAPS, subsequent preparations of monthly bank reconciliations were not performed because of staff turnover.

Standards Impacted

49 CFR 18.20 (b)(1) Financial Reporting states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR 18.20(b)(3) Internal Control states that, "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.

Recommendation

We recommend that TAPS update current bank reconciliation procedures to delegate the reconciliation to a subordinate staff person and be reviewed by the Finance Director and approved by the CFO.

This recommendation should be implemented within 60 days after the grantees receipt of the final report.

Grantee's Response

TAPS finance team recognizes the need for timely bank reconciliations. The inexperience and untrained accounting team that was in place from October 2015 to March 2015 has made the bank reconciliation process difficult due to the coding processes used and the methods of recording revenue. Checks were written and voided in the incorrect periods also complicating the reconciliation process.

The only personnel that have the experience and the knowledge to perform these reconciliations are the current Director of Finance and the Interim CFO. There will be another staff member trained to reconcile the accounts once everything is reconciled through May 2015. At that time, procedures were put in place to make sure that items were being recorded in the general ledger in the same manner that they were being deposited into the bank. PayPal fees are now recorded as a part of the entire transaction and not in other totals, as an example. The simplification of the posting will enable the reconciliations to be performed by another staff member.

It would be appreciated if the bank reconciliation process would be given 60 days to complete so that training can occur. All the reconciliations for the year ended September 30, 2015 will be complete no later than October 31, 2015. From that point forward, the reconciliations will be completed by the Tuesday following the tenth day of the month by a junior staff member, approved by the Director and Finance, and reviewed and signed off on by the CFO. It should be noted that finance staff has gone through all of the bank statements and verified that material items (items greater than \$1,000) have been recorded in the general ledger. It is anticipated that only minor adjustments will result from the reconciliations.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly. The FTA has granted the Grantee request for additional time to complete the corrective action.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than **60 days** after receipt of the final report.

III.5 Fixed Asset Records Do Not Indicate Federal Participation Percentage

Finding

During our review, we noted that the Federal participation percentages for fixed asset purchases were not provided in the fixed asset records. In accordance with 2 CFR 225, records for grant funded assets must include: (1) description, (2) identification number, (3) grant number, (4) owner,

(5) acquisition date, (6) acquisition cost, (7) percentage of federal ownership, (8) location, use and condition, and, (9) disposition date.

Discussion

During the assessment of the fixed asset tracking cycle/system, we conducted a review of TAPS' ledger posting to the fixed asset records of purchase to ensure that purchases were recorded in a timely manner and FTA's record keeping requirements were met. We were able to track the fixed asset back to the specific grant, however we were unable to determine the percentage of federal ownership. This information was omitted from the grant subsidiary ledger.

Standards Impacted

49 CFR 18.20(b)(3) Internal Control states that, "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 Sub-grantees 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.

Recommendation

TAPS should update the fixed asset ledger to include the percentage of federal ownership.

This recommendation should be implemented within 120 days after the grantees receipt of the final report

Grantee's Response

TAPS is in the process of implementing the Abila MIP fixed asset package. Scanners have been purchased and the process has started of identifying all assets of the Agency and giving them a barcode. All items that are to be capitalized will be assigned a grantor and a percentage of federal ownership of the capitalized item.

Every effort will be made to complete this process within the 30 day time frame of the date of the final report. However, older items previously purchased might take some time to research and determine the grant that purchased the items. From August 1, 2015 forward, every item will have that field in the software completed along with the other requirements that are required by 2 CFR 225. Additional time might be needed to backfill the information in the software once the research is done.

It is anticipated that this will be a follow up item for the September 30, 2015 A-133 audit, so the fixed asset schedule, as will be implemented in Abila, will need to be complete by November 15, 2015 for audit purposes. It is anticipated that this schedule will be complete by that time if this extension of the time requirement is granted.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

Evaluation of Grantee's Response

The Grantee's response is adequate. The proposed procedures will be reviewed with the Grantee and revised, as necessary, to assure compliance with Federal requirements as part of the on-going FTA Technical Assistance to the grantee. The FTA may perform a Follow-up review upon completion of the Technical Assistance to ensure that the Grantee has implemented the corrective actions to conform to Federal requirements and that they are working properly. The FTA has granted additional time for the Grantee to complete the corrective action.

The Grantee should provide the appropriate documentation to FTA to support actions taken to resolve the findings no later than ***120 days*** after receipt of the final report.

SECTION IV – ADVISORY COMMENTS

For the 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 TAPS' ability to record, process, summarize, and report financial and related data consistent with the requirements of 49 CFR 18.20.

The advisory comment presented in this section represents a matter that came to our attention during the course of the review, and is offered to TAPS's management as an opportunity for improvement. The advisory comment is provided along with a discussion of the significance of the comment and recommendations.

IV.1 TAPS Procurement Policy Is Not Compliant with FTA Regulations

Finding

TAPS procurement policy does not contain required information per 4220.1F.

Discussion

Upon review of TAPS' procurement policy, it was noted that the policy did not include any language regarding third party contracting. The policy also does not address lease vs. buy.

Recommendation

TAPS should include language regarding lease vs. buy and third party contracting in the procurement policy.

SECTION V- SUMMARY OF FINDINGS

Material Weaknesses				
FINDING REFERENCE	FINDING	STANDARDS IMPACTED	RECOMMENDATIONS	CORRECTIVE ACTION IMPLEMENTATION DATE
II.1	TAPS was unable to provide supporting documentation for FFRs and ECHO drawdowns performed during our review period.	49 CFR 18.20(b)(6) <u>Source documentation</u> states, "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." 49 CFR 18.20 (b)(1) <u>Financial Reporting</u> states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant." 49 CFR 18.20(b) (5) <u>Allowable Cost</u> "Grantees must have procedures to provide reasonable assurance that "Office of Management and Budget (OMB) Circular A-87 (2CFR Part 225) cost principles are incorporated within 49 CFR 18.22, agency program regulation, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs."	TAPS should create a grants account process to ensure adequate control over grant expenditures. The record keeping should include the grant budget amount, Federal and local match as well as costs incurred and encumbrances. TAPS should create a reconciliation process for completion on a monthly basis. This will ensure that all supporting documentation is present, reconciled to the general ledger, and compliant with the latest grant agreement, including budget amendments.	This recommendation should be implemented within 30 days after issuance of the final report.
II.2	TAPS does not maintain a record of each ECHO drawdown to ensure that funds requested are reconcilable to cost incurred.	49 CFR 18.20 (b)(1) <u>Financial Reporting</u> states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant." 49 CFR 18.20(b)(2) <u>Accounting records</u> states that, "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."	TAPS should maintain a record of each ECHO drawdown that reconciles funds requested to funds received. TAPS should develop a process to ensure that all grant expenditures are eligible expenditures for reimbursement for a specific grant.	This recommendation should be implemented within 30 days after issuance of the final report.
II.3	FFRs were not complete and filed on a timely basis.	49 CFR 18.40 <u>Monitoring and Reporting Program Performance</u> , states that, (a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported	TAPS should ensure that FFRs properly reflect the information stated in the grant records and the related grant activities for the	This recommendation should be implemented within 30

Material Weaknesses				
FINDING REFERENCE	FINDING	STANDARDS IMPACTED	RECOMMENDATIONS	CORRECTIVE ACTION IMPLEMENTATION DATE
		<p>activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.</p> <p>49 CFR 18.20 (b)(2) <i>Accounting records</i>, states that, "Grantees and Sub-grantees 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."</p> <p>49 CFR 18.41 (b)(2) <i>Accounting basis</i>, states that, "Each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. If the Federal agency requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through and analysis of the documentation on hand."</p>	<p>period. TAPS should ensure that all FFRs are reported on an accrual basis, and filed in a timely manner. TAPS should ensure that milestone progress reports are completed and filed on a timely basis.</p>	<p>days after issuance of the final report.</p>
II.4	<p>Based on our review of TAPS' accounting and financial reporting processes, TAPS does not have an accounting process that conforms with 49 CFR Part 18.20, Standards for Financial Management Systems and the corresponding FTA requirements of Circular 5010.1D, Rev.1: August 27, 2012, Chapter II, 3(a). We noted that the accuracy of accounting and reporting of grant accounting information is impacted by the use of numerous manual calculations and Excel spreadsheets to perform general and grant accounting functions.</p>	<p>49 CFR 18.20 (b)(1) <i>Financial Reporting</i> states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."</p> <p>49 CFR 18.20(b)(3) <i>Internal Control</i> states that, "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 Sub-grantees 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.</p>	<p>The preparation of manual and "external to the Abila MIP Fund Accounting financial/accounting system" accounting and financial calculations and processes should be documented in TAPS's accounting policies and procedures.</p> <p>In addition, the accuracy and reliability of accounting and financial reporting information is not categorically dependent on a fully integrated and automated financial system. Such system(s) may typically provide enhanced functionality, which provides greater efficiencies, as well as the greater likelihood of more accurate information due to the decreased frequency of manual errors. An automated system does remain similar to a manual system in that, ultimately, the information produced will only be as accurate and reliable as the source information. While budgetary constraints and cost-prohibitive realities may limit TAPS from planning for and implementing a more desirable automated solution for the current needs, TAPS should</p>	<p>This recommendation should be implemented within 120 days after the issuance of the final report.</p>

Material Weaknesses				
FINDING REFERENCE	FINDING	STANDARDS IMPACTED	RECOMMENDATIONS	CORRECTIVE ACTION IMPLEMENTATION DATE
			<p>assess the cost-effectiveness of other automated solutions that will help augment the financial system needs. This will help TAPS to more effectively meet the Federal Standards for Financial Management Systems and reduce the risk associated with manual errors.</p> <p>We also recommend that, until a more effective automated solution is implemented, TAPS should revise the accounting policy and procedures to ensure that prior period adjustments are not to be made during a current period within the Abila MIP Fund Accounting financial/accounting system without appropriate documentation and approval.</p>	

Significant Deficiencies				
FINDING REFERENCE	FINDING	STANDARDS IMPACTED	RECOMMENDATIONS	CORRECTIVE ACTION IMPLEMENTATION DATE
III.1	TAPS fare revenue is currently not counted in a secure location.	49 CFR 18.20(b) (3) <i>Internal Control</i> states, "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."	TAPS should provide a secure, separate location for counting and storing cash. Additionally, TAPS should analyze its security procedures and resources to ensure it has safeguards for their cash handling process.	This recommendation should be implemented within 60 days after issuance of the final report.
III.2	Invoices are not properly coded to grants.	49 CFR 18.20(b) (3) <i>Internal Control</i> states that, "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."	TAPS should create a process in which every invoice is coded to the proper grant(s). This process should be performed at the time of procurement and/or when an invoice is received. In addition, the Director of Finance and/or the CFO should approve every invoice.	This recommendation should be implemented within 30 days after issuance of the final report.
III.3	During our review, we noted that the September 30, 2013 Single Audit Report was due by June 30, 2014 but was not completed until November 14, 2014. The Single Audit for the period ending September 30, 2014 has not commenced. Additionally the submission of form SF-FAC, Data Collection Form for Reporting on Audits of States, Local Governments, And Non-Profit Organizations, and reporting	49 CFR 18.20 (b)(1) Financial Reporting states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."	We recommend that TAPS establish an audit and finance committee from the Board of Directors to oversee the completion of the annual audit process to ensure the timely completion of the Single Audit and the submission of form SF-FAC, Data Collection Form for Reporting on Audits of States, Local Governments, And Non-Profit Organizations, and the reporting package. A timetable should be established with the external auditors at least six months before the fiscal year end. The	This recommendation should be implemented within 30 days after issuance of the final report. FTA granted the Grantee additional time to complete the corrective action from 30 days to 120 days .

Significant Deficiencies				
FINDING REFERENCE	FINDING	STANDARDS IMPACTED	RECOMMENDATIONS	CORRECTIVE ACTION IMPLEMENTATION DATE
	package for fiscal year ending September 30, 2013 was not submitted to the Federal Clearinghouse by June 30, 2014.		committee should emphasize that the auditors should start their interim fieldwork before the fiscal year end in order to expedite completion of year-end fieldwork and the preparation of the audit reports.	
III.4	During our review, we noted that monthly bank reconciliations have not been prepared since September 30, 2014. Additionally, the monthly bank reconciliations that were available, prepared by the Director of Finance, did not indicate evidence of review or approval by the CFO.	49 CFR 18.20 (b)(1) Financial Reporting states that, "Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant." 49 CFR 18.20(b)(3) Internal Control states that, "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 Sub-grantees 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.	We recommend that TAPS update current bank reconciliation procedures to delegate the reconciliation to a subordinate staff person and be reviewed by the Finance Director and approved by the CFO.	This recommendation should be implemented within 30 days after issuance of the final report. FTA granted the Grantee additional time to complete the corrective action from 30 days to 60 days .
III.5	During our review, we noted that the Federal participation percentages for fixed asset purchases were not provided in the fixed asset records.		TAPS should update the fixed asset ledger to include the percentage of federal ownership.	This recommendation should be implemented within 30 days after issuance of the final report. FTA granted the Grantee additional time to complete the corrective action from 30 days to 120 days .

Advisory Comments			
FINDING REFERENCE	FINDING	RECOMMENDATION	CORRECTIVE ACTION IMPLEMENTATION DATE
IV.1	TAPS procurement policy does not contain required information per 4220.1F.	TAPS should include language regarding lease vs. buy and third party contracting in the procurement policy.	

**SECTION VI – 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 Sub-grantees 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 Sub-grantees 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 “Office of Management and Budget (OMB) Cost Principles 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 the 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.”

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 Sub-grantee’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 Sub-grantees 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.”

SECTION VII – GRANTEE’S RESPONSE TO FINDINGS (FULL TEXT)

FTA's Region VI Office furnished a draft of this report to TAPS on June 29, 2015 with a request for TAPS to respond to the findings and comments. TAPS responses were received on July 29, 2015. Summaries of TAPS responses are included with the related findings in previous sections of this report. The full text of TAPS responses is provided on the following pages. Attachments received as part of the grantee response are not included as part of this report.

TEXOMA AREA PARATRANSIT SYSTEM (TAPS)

FINANCIAL MANAGEMENT OVERSIGHT REVIEW
Full Scope Review

RESPONSE

Provided to:

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION

AND

DMS-RMW ASSOCIATES JV, LLC

Prepared by: TAPS Executive Team
Brad Underwood – CEO
Tim Patton – COO
Lori Cannon – Interim CFO



OVERVIEW

Texoma Area Paratransit System (TAPS) underwent the second Triennial review during its existence in the last quarter of 2014. The results of that examination were sent to management and discussed and replied to during the first quarter of 2015. As a result of the impact of the Triennial review, TAPS was recommended for a Financial Management Oversight Review – Full Scope Review (FMO) to occur in June 2015.

The following document outlines the responses from TAPS to the FMO. TAPS executive management fully understands the comments made in the FMO and desires nothing less than to correct any and all deficiencies and incorporate best practices into the agency.

This response is organized such that the level of the deficiency is noted, and the reference numbers referred to agree to the comments outlined in the draft report provided to TAPS dated June 16, 2015, with a draft report submission date of June 25, 2015. The reading of this document without reading the draft report submission first is not recommended. This is the reply as presented to those indicated on the cover and should not be interpreted to be anything else. This reply is incomplete without that document. The reviewers will take these replies, incorporate them into their document and evaluate these replies into their final report. Please refer to that final report when considering these replies.

SECTION II. MATERIAL WEAKNESSES

II.1 Lack of Supporting Documentation for Federal Financial Reports (FFR) and ECHO Drawdowns

TAPS is working diligently within the current accounting system to develop procedures that will include budget amounts within the system, coding of invoices to the correct grant contracts that the agency has, and proper fiscal management of the grants. Currently, TAPS is under the ECHO suspension process - providing copies of invoices and allocation justification to the FTA prior to drawing down amounts in the ECHO system. TAPS finance department will continue to process the ECHO draws in the same manner even once off suspension.

The following process is currently being implemented by the TAPS finance team to be effective from August 1, 2015 forward:

1. When notification of funding is received, a new grant contract is set up with the accounting software used by TAPS – Abila MIP. The amount of the grant budget is input into the software in respect to the income to be received, the match to be made for the grant and the expenditures in the categories that were in the grant award. Notification of the input of the grant is given to finance and a copy of the grant budget is sent to all senior and executive level management.

2. Grant expenditures for over \$100 are incurred through the initiation of a request for a purchase order number. The request for the purchase order is approved by the originating department's director or designee before it is sent further in the system.
3. The purchase request is sent through the workflow system which is an added module to the current Abila MIP software accounting system.
4. All requests for purchase orders are approved by the procurement officer. A PO number is given at the time of the purchase request. The procurement officer is educated about which grants are available for expenditure at any given time through an excel spreadsheet that is prepared and updated as needed by the Grant Administrator. The Procurement officer can approve any request up to \$2,999.99. Any requests between \$3,000.00 and \$24,999.99 require the additional approval in the workflow system of the Director of Finance. Any request greater than \$25,000.00 requires the approval of all three levels: the procurement officer, the Director of Finance, and the CFO.
5. The account coding for the expenditure is assigned when the expense is approved by the procurement officer. Denied requests are voided and are not processed any further through the system.
6. An email is sent to the originator of the request letting them know the request is approved. The procurement office or department designee then places the order with the vendor.
7. Upon receipt of the goods, the invoice is matched with PO within the work-flow portion of the accounting software. The PO is then moved from the work-flow system into the MIP Accounting system and the invoice number is attached to the PO.
8. The accounts payable staff matches what is in workflow to the invoice to make sure that the expenses are allocated properly as the invoice passes from the work flow system into the accounts payable system.
9. The accounts payable staff then indicate on the invoice what the coding of the invoice is for grant purposes. If the invoice involved more than one contract grant, both contract numbers and their amounts are written on the invoice.
10. Prior to payment, the invoices are presented back to the Director of Finance for final approval prior to payment.
11. Invoices are scanned and placed into the finance drive for later location and labeling for grant reimbursement.
12. Once the Director of Finance approves the check to be paid, the accounts payable staff are given the invoices again to write the check and match checks with the invoices being paid.

13. The checks, with all the supporting documentation, are presented to the CFO for signature. If the CFO is absent, the COO or the CEO are able to sign checks. The check is verified as to payee and amount and the checks are signed.
14. Checks are returned to a finance staff member that did not write the checks, where they are again agreed for payee and dollar amount before being separated from their support information and mailed to the vendor.
15. Any checks that do not go through the work flow system, such as checks for utilities, are coded by accounts payable staff based on grant contracts available and all coding is approved by the grant administrator or the finance director prior to being input in the accounts payable system for payment. The remaining part of the process for matching, check signature, and verification are followed just as they are for purchase orders.
16. Once a month, reports are run out of the accounting system comparing the budgeted expenditures to the actual expenditures. Appropriate levels of management are provided a copy of the monthly reports to show how much is left on each grant contract to spend. This also alerts executive management of the local match that is required on a monthly basis. If any line item is over budget, that line item is inspected for potential miscoding and corrections are made. If budget amendments are necessary, the CFO follows the amendment process with FTA.
17. Any budget amendments are input in the MIP accounting software as soon as the amendment is approved. The Director of Finance or the CFO are the only two with permissions to change grant contract budget amounts.
18. Anything processed after the monthly cutoff will be posted to the current month to provide the grant draw down process with a proper cutoff of expenditures.
19. RFR's for any grant are prepared based on the information provided from the detailed general ledger in the accounting system. If any errors are noted, they are corrected in the general ledger immediately. The Director of Finance is primarily responsible for the processing of all grant requests for reimbursement and uses only information provided in the detailed general ledger to prepare RFR's and ECHO drawdown requests.

The above are brief steps that will be incorporated into the fiscal policies and procedures manual that will be used to teach and train the Finance Department and support the processes used in the department.

As this process will begin on August 1, 2015, the implementation of this will be done prior to the 30 days of final issuance of the report.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

II.2 TAPS ECHO Drawdown Process is Inadequate

As was stated in II.1, the current environment within TAPS operates under ECHO suspension rules. The Fiscal Policy will be written such that the ECHO Suspension rules remain in place for the Agency. The following steps for an ECHO draw down will be implemented in the policy:

1. Once a month, a draw will be made using the ECHO drawdown system. The Director of Finance will prepare a trial balance, a detailed general ledger, and invoices all in a single folder in the finance drive to support the draw.
2. The amounts for the trial balance will be agreed to the detailed general ledger.
3. The detailed general ledger will be reviewed for applicability to the grant contract and any expenditure that needs to be investigated for coding will be done at that time. Any adjustments for any miscoding will be done at that time. As the process becomes more defined and policies adhered to, there should be fewer and fewer adjustments needed.
4. The Director of Finance, or designee, will then go into the invoices as scanned and filed in the finance drive, and pull over the invoices into the draw down file, labeling them appropriately to correspond to line numbers in the detailed general ledger.
5. The Director of Finance will then prepare the ECHO request form, sign it, and present the folder to the CFO for approval. The request form will detail the match revenue and where it comes from and agree that amount to the trial balance presented in the folder.
6. The CFO will review the invoices as attached, and agree the information provided on the ECHO request form.
7. Once everything is agreed and the CFO is satisfied that the request agrees to the general ledger and the expenditures are eligible to be requested on the grant contract, the CFO will go into the ECHO draw down system and request the draw. (Under ECHO Suspension, the file will first be sent to the appropriate personnel at the FTA Region VI office.)
8. Finance will be notified of the request for the draw down to record the receivable.
9. Upon receipt of the money to the bank, the receivable will be recorded to cash.

As this process will begin on August 1, 2015, the implementation of this will be done prior to the 30 days of final issuance of the report.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

II.3 FFR's were not completed and filed on a timely basis

TAPS staff went to FTA Region VI and obtained training on the TEAM System. The FFR's and milestone reports will be completed on a quarterly basis and will be filed timely from this point forward. The FFR's in the system will also agree to all drawdowns made during the quarter and will be supported by a summary of the requests made during the quarter. There will be a quarterly electronic file for each grant showing the totals as supported by the requests for reimbursements. Budget to actual amounts will be supported by reports from the accounting software showing that the system agreed to the quarterly report at the time the report was filed.

The above are brief steps that will be incorporated into the fiscal policies and procedures manual that will be used to teach and train the Finance Department and support the processes used in the department.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

The first drawdown done on an active FTA was done in July 2015, therefore the first set of quarterly reports will be due October 31, 2015. Every effort will be made to file these reports prior to the deadline. Therefore, to prove that this step was implemented will take longer than the 30 days of the final report, so TAPS respectfully asks for additional time to complete this step.

II.4 TAPS' Accounting and Reporting of Grants Accounting Information Does Not Meet Federal Standards

The Interim CFO has contacted Abila support and obtained several tools necessary to assist with using the Abila software more in line with its full potential. The Grants module within the software is a functional piece of software and assistance will be obtained to begin to teach TAPS staff how to use this piece of the package.

TAPS finance staff will be taught the functionality of the grants management software already in the system in a formal setting as soon as all aspects are learned and implemented by the Interim CFO. There is extensive training on the software and the modules mentioned in the FMO report in October 2015. In the meantime, the information provided by the consultant will be used and implemented.

TAPS is in full agreement that the use of excel spreadsheets that do not agree and support the detailed general ledger needs to cease. The detailed trial balances and general ledgers will be the source data for any supporting schedules prepared.

If adjustments are considered necessary during the review process, the Director of Finance will make the adjustments, and the CFO will post the adjustments to the general ledger in the system after reviewing the supporting documentation. Reports will be rerun as necessary and anything supporting the grant drawdown or revenue support will be supported in the system.

TAPS Interim CFO did inquire into the potential of the purchase of the additional grants software provided by Abila MIP and was advised against the purchase. If TAPS will learn to use the software they currently have, everything required by the FTA and other funding agencies will be satisfied without an additional purchase.

The recommendation was made to implement policies and procedures to ensure that proper adjustment are not to be made during a current period. The fiscal policies will include a monthly cutoff date be established. Anything after that date will be posted to the current month. The only exception to this will be year end, at which time, the accounts payable module will be left open for a longer period of time. Abila does allow the closing of various modules within the system such that postings cannot be done back to an improper period. The fiscal policies and procedures will require the closing of the periods by the Director of Finance to prevent timing errors from occurring.

The above are brief steps that will be incorporated into the fiscal policies and procedures manual that will be used to teach and train the Finance Department and support the processes used in the department.

TAPS appreciates the implementation period of 120 days for this step in order to obtain the proper training to completely use the Abila software package to its fullest potential and then train the other finance staff in areas necessary. Please note that some of the other areas already covered in the FMO will incorporate some of this training, so while the process is being refined to be completely contained within

the software, it is possible that excel spreadsheets will continue to be used, but will be supported by information that is in the accounting software at any given time. But budget to actual reports might have to be presented in excel, for example, until training is obtained to make this seamless in the software.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

SECTION III. SIGNIFICANT DEFICIENCIES

III.1 TAPS' Controls Over Fare Revenue Needs Improvement

TAPS Interim CFO and the Director of Safety and Security have started working on the fare revenue collection procedure. TAPS recognizes the need to make sure that the cash collection points are strong and controlled and that the risk for the loss of cash at these collection points is minimized. The current policy and procedure will be strengthened to include more than one camera overseeing and recording the counting of cash.

TAPS appreciates 60 days to investigate and strengthen the process in place. It is possible that the policy as changed will require Board approval. This policy will not be ready for the next Board meeting, which is August 12, 2015, but will be presented to the Audit/Finance Committee of the Board (discussed later in these responses) for its approval prior to the 60 day requirement and will be presented to the full Board of Directors through the Finance Committee at the next Board meeting.

TAPS recognizes the importance of internal control and appreciates suggestions made in this area to help strengthen those controls.

SECTION III. SIGNIFICANT DEFICIENCIES (continued)

III.2 TAPS' Processes Related to Accounts Payable are Not Adequate

As described in the procedures in Section II. Material Weaknesses II.1, a defined procedure of coding grants is being implemented by TAPS Finance Staff to be completely implemented beginning August 1, 2015. While many facets of this policy are already being implemented, certain sign offs and approvals are going to be indicated on the actual invoice. The work flow program in Abila will also show the approvals prior to an invoice even being generated by a vendor to show the layers of approval that exist within the system.

The grant administrator position will be used to define the grants in place, the local match required, and the expenditure types and line items. The Director of Finance will work with the CFO and the Directors/Managers involved to determine to line item budgets within the TAPS accounting framework that the budget needs to be allocated to. That will assist the departments in knowing what their budgets are and how to code their requests for expenditures in the work flow system for approval.

All levels of management will know the budget amounts available to them through the grant contract award process. Reports will be available and distributed on a regular basis to keep everyone informed and educated. The responsibility of spending the grants within the parameters defined by the grant agreement does not fall on the finance department alone, and TAPS management recognizes this.

As this process will begin on August 1, 2015, the implementation of this will be done prior to the 30 days of final issuance of the report.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

III.3 Several Audit Reports Were Not Submitted by the Respective Due Dates

TAPS executive management recognizes the importance of the A-133 audit from an independent third party certified accounting firm. At the August 12, 2015 Board meeting, an Audit/Finance Committee of the Board will be appointed. This committee will be charged with the oversight of the timing and performance of the external A-133 audit to ensure that staff are held accountable for timeliness of the audit and filing of form *SF-FAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*. This Committee will assist with revising fiscal policy and procedure, too.

The audit for the year ended September 30, 2014 is underway. An engagement letter has been signed and the first meeting the audit team has taken place with the Interim CFO. Fieldwork is expected to begin the week of July 27, 2015. At this time, a defined completion date has not been established. Every effort will be made to provide the auditors with the information they need to complete their audit as soon as possible.

It is going to be the future policy of the TAPS administration to have the audit completed by December 31 each year to meet all the filing requirements of the funding agencies of TAPS. This will be added to the fiscal policy and recommended by the audit/finance committee for Board approval.

The Board appointed committee will be in place after the August 12, 2015 Board meeting, so that will meet the 30 day guideline per the recommendation. However, the audit for the fiscal year ended September 30, 2015 may not be finalized within that time frame depending on the workload of the CPA firm that has been engaged. Every effort will be made to meet this date, however, a 60 day requirement on this particular item would be more likely for completion of the last fiscal year audit.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

III.4 Bank Reconciliations are not Prepared on a Timely Basis

TAPS finance team recognizes the need for timely bank reconciliations. The inexperience and untrained accounting team that was in place from October 2015 to March 2015 has made the bank reconciliation process difficult due to the coding processes used and the methods of recording revenue. Checks were written and voided in the incorrect periods also complicating the reconciliation process.

The only personnel that have the experience and the knowledge to perform these reconciliations are the current Director of Finance and the Interim CFO. There will be another staff member trained to reconcile the accounts once everything is reconciled through May 2015. At that time, procedures were put in place to make sure that items were being recorded in the general ledger in the same manner that they were being deposited into the bank. PayPal fees are now recorded as a part of the entire transaction and not in other totals, as an example. The simplification of the posting will enable the reconciliations to be performed by another staff member.

It would be appreciated if the bank reconciliation process would be given 60 days to complete so that training can occur. All the reconciliations for the year ended September 30, 2015 will be complete no later than October 31, 2015. From that point forward, the reconciliations will be completed by the Tuesday following the tenth day of the month by a junior staff member, approved by the Director and Finance, and reviewed and signed off on by the CFO. It should be noted that finance staff has gone through all of the bank statements and verified that material items (items greater than \$1,000) have been recorded in the general ledger. It is anticipated that only minor adjustments will result from the reconciliations.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

III.5 Fixed Asset Records Do Not Indicate Federal Participation Percentage

TAPS is in the process of implementing the Abila MIP fixed asset package. Scanners have been purchased and the process has started of identifying all assets of the Agency and giving them a barcode. All items that are to be capitalized will be assigned a grantor and a percentage of federal ownership of the capitalized item.

Every effort will be made to complete this process within the 30 day time frame of the date of the final report. However, older items previously purchased might take some time to research and determine the grant that purchased the items. From August 1, 2015 forward, every item will have that field in the software completed along with the other requirements that are required by 2 CFR 225. Additional time might be needed to backfill the information in the software once the research is done.

It is anticipated that this will be a follow up item for the September 30, 2015 A-133 audit, so the fixed asset schedule, as will be implemented in Abila, will need to be complete by November 15, 2015 for audit purposes. It is anticipated that this schedule will be complete by that time if this extension of the time requirement is granted.

TAPS acknowledges that the above procedures are necessary and required by the standards impacted as stated in the finding and wishes to be in compliance with the standards.

SECTION IV – ADVISORY COMMENTS

IV.1 TAPS Procurement Policy Is Not Compliant with FTARegulations

The TAPS Procurement Policy will be amended to include language regarding third party contracting and lease versus buy.

This policy amendment will not be presented at the August 12, 2015 Board meeting, but will instead be prepared to be present to the Audit/Finance Committee for recommendation at the next Board meeting.

CONCLUSION

The TAPS Executive Committee would like to thank the members of the review team of DMS-RMW Associates for their professionalism and assistance extended during the FMO process. Every effort will be made to comply with everything listed in the FMO report as issued. TAPS is in complete agreement that everything recommended needs to be done and every effort will be extended to make sure TAPS in in full compliance based on the timelines provided.

Extensions of time were requested in several areas. This is due mainly to the availability of knowledgeable accounting staff to complete these processes. TAPS asks that consideration be given to the requests to extend to prevent further errors and burn out of those staff members that do have the experience to complete the tasks. If the additional time is not granted, every effort will be made to comply.