



**Moving Public Transportation  
Into the Future**

# **Financial Management for Transit Providers**

**December 12 – 13, 2023**

*Sponsored by:*

**Oregon DOT/Public Transportation Division**

*Presented by*

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RLS & Associates, Inc.**

# Day 1 Workshop Content



**Role of OMB in Grants Management**



**FTA Requirements**



**Cost Allowability Principles**



**Direct and Indirect Costs**



**Matching Requirements**

# Day 2 Workshop Content



**Contributions, Donations, and Program Income**



**Monitoring of Subrecipients**



**Identifying Financial Risk at the Transit Agency**



**Recent Changes – Financial Management**



**Proposed Changes in the Regulatory Landscape**



# Objectives

- ◆ **Identify Resource Documents and Governing Directives**
- ◆ **Understand**
  - **Federal Financial Management Requirements Imposed on Subrecipients**
  - **What Elements FTA Expects State DOTs and Other Pass-Through Agencies to Monitor**



# Objectives

- ◆ **Special Circumstances**
  - **Donations and In-Kind**
  - **Program Income**
- ◆ **Identifying Financial Risk at Subrecipients**
- ◆ **Review Recent and Proposed Regulatory Updates**



# Resource Documents

- ◆ **2 CFR § 200**

- **Key Sections**

- **2 CFR § 200.302 – 200.307**
- **2 CFR § 200.400 – 200.476**

- ◆ **FTA Circular 5010.1E**

- **Key Sections**

- **Section VI, Financial Management**



# Resource Documents

- ◆ **National RTAP**

- **Fundamental Financial Management for Rural Transit Providers**

- ◆ **HHS**

- **Guide for State, Local, and Indian Tribal Governments: Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government**



# Resource Documents

- ◆ **PowerPoint Presentation Will Be Available on from Oregon DOT**



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Module 1

# **ROLE OF OMB IN GRANTS MANAGEMENT AND OVERVIEW OF THE UNIFORM GUIDANCE**

# OMB Role

- ◆ **Office of Management and Budget (OMB)**
  - **Predominant Mission Is to Assist the President in Overseeing the Preparation of the Federal Budget and to Supervise Its Administration in Executive Branch Agencies**





# OMB Role

- ◆ **OMB Has Management Role in Federal Grants**
- ◆ **Guidance in Three (3) Primary Areas**
  - **Cost Principles**
  - **Grant Management/Administrative Requirements**
  - **Audit**

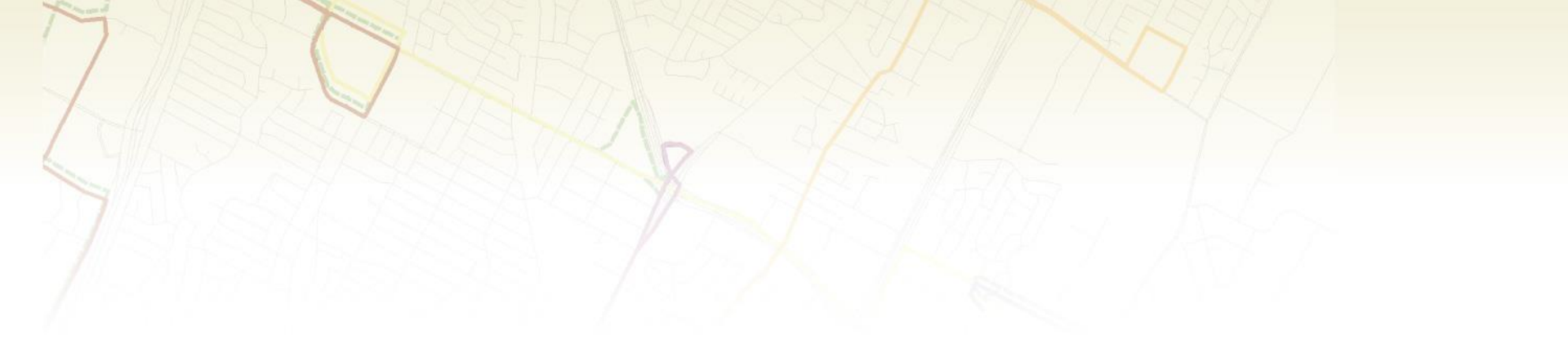
# OMB's Uniform Guidance

- ◆ **Impacts All Executive Branches of the Federal Government**
- ◆ **USDOT/FTA Included**
- ◆ **Estimated to Impact \$500+ Billion in Federal Grant Awards Annually**



# General Provisions

- ◆ **Supremacy (2 CFR § 200.105)**
  - **For Federal Awards, All Administrative Requirements, Program Manuals, Handbooks, and Other Non-Regulatory Materials That Are Inconsistent With the Requirements of 2 CFR § 200 Must Be Superseded Upon Implementation of This Part by the Federal Agency**
    - **Except When They Are Required by Statute or Authorized by OMB**



Module 2

# FTA REQUIREMENTS



# Financial Management Systems

- ◆ **Fundamental Element in Any Transit System's Financial Management Practices**
  - **Improve Accounting Efficiency**
  - **Reduce Delays in the Processing of Claims**
  - **Reduce Audit Exceptions**
  - **Eliminate Instances Where the Project Must Pay Back the Federal Government Previously Reimbursed Amounts**
  - **Reduce Federal and State Scrutiny**

# Financial Management Systems

- ◆ **Required Elements That Must be in Writing**
  - **There are Two Elements, One is Primarily Applicable to Subrecipients**
    - **Written Procedures for Determining the Allowability of Costs**
- ◆ **Other Items**
  - **Required Financial Reporting, Review, and Approval**
  - **Safeguarding of Funds**
  - **Record Retention**





# Financial Management Systems

- ◆ **Required Elements That Must be in Writing**
  - **Other Items (Continued)**
    - **Qualifications of Staff**
    - **Organizational Structure**
      - **Delegation of Authority, Access, and Segregation of Duties**



# FFATA Reporting

- ◆ **Federal Funding Accountability and Transparency Act (FFATA)**
  - **Requirement Since 2012**
    - **Executive Compensation Reporting Requirements**
  - **All Subawards Over \$25,000**
    - **If Subaward Issued After November 12, 2020 - \$30,000**



# Proper Claims for Indirect Costs

- ◆ **Ensure that Claims for Indirect Cost Are:**
  - **Consistent with Approved Indirect Cost Rate**
  - **Applied to the Appropriate Base**



# Single Audit

- ◆ **Ensure that a Single Audit is Conducted if Total Federal Expenditures Exceed \$750,000**
- ◆ **Proper Preparation of Financial Statements**
- ◆ **Proper Preparation of the Schedule of Expenditure of Federal Awards (SEFA)**
- ◆ **Appropriate Response to Audit Findings**



# Local Match

- ◆ **Proper Amount**
- ◆ **Properly Calculated**
- ◆ **Drawn From Allowable Source**

# Oversight of Subrecipients

- ◆ **There are Some Mandatory Responsibilities of the Subrecipient When They Pass Funds Through Funds to a Lower Tier Entity**
  - **Mandatory Data Concerning the Grant**
  - **Oversight**
  - **Assistance in Audit Finding Resolution**



Module 3

# **COST ALLOWABILITY PRINCIPLES**

# Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Necessary and Reasonable/Allocable**
  - **Conform to Any Limitations or Exclusions Set Forth in the Federal Cost Principles, Federal Laws, Terms and Conditions of the Federal Award**
  - **Be Consistent With Policies and Procedures That Apply Uniformly to Both Federal Awards and Other Activities of the Non-Federal Entity**



# Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Be Accorded Consistent Treatment**
  - **Be Determined in Accordance With Generally Accepted Accounting Principles (GAAP)**
  - **Not Be Included As a Cost or Used to Meet Cost Sharing or Matching Requirements of Any Other Federal Award**
  - **Must be Adequately Documented**

# Allowability – Basic Standards

## ◆ Allowability Standards (2 CFR § 200.403)

### ○ Necessary and Reasonable

#### ▪ Reasonable

- A Cost, in Its Nature and Amount, Does Not Exceed That Which Would Be Incurred by a Prudent Person Under the Circumstances
- Considerations
  - » Generally Recognized as Ordinary Expense
  - » Sound Business Practice
  - » Consistent with Market Prices
  - » Use of Standard Procurement Practices

# Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Necessary and Reasonable**
    - **Necessary**
      - **The Cost Claimed for a Good or Item Is Directly Related to the Administration, Operation, or Maintenance of a Public Transportation Program**
      - **The Cost Claimed Is Consistent With an Expense Category in a Standardized Transportation Chart of Accounts and Corresponding Account Definitions**
      - **The Type of Cost Is Incurred by Other Grantees**

# Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Allocable**
    - **A Cost Is Allocable to a Particular Cost Objective If the Goods or Services Involved Are Chargeable or Assignable to That Cost Objective According to the Relative Benefits Received**
    - **All Activities Which Benefit From the Governmental Unit's Indirect Costs, Including Unallowable Activities and Services Donated to the Governmental Unit by Third Parties, Will Receive an Appropriate Allocation of Indirect Costs**

# Allowability – Basic Standards

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Conform to Limitations**
    - **2 CFR § 200.420 through 200.475**
      - **Selected Items of Cost**
        - » **This List Defines What Can, and What Cannot, Be Charged to Federal Grant Awards**
    - **Federal Transit Act**
    - **FTA Program Circulars**
    - **State DOT Limitations**

# Allowability – Basic Standards

OMB – Uniform Guidance

FTA – Rules/Guidance

State DOT

Transit  
Agency



# Composition of Costs

- ◆ **Costs Must be Net of Applicable Credits**
  - **The Total Amount Eligible for Reimbursement Under a Federal Award:**

***Allowable Amount = (Direct Cost + Allocable Portion of Indirect Costs) – Applicable Credits***



# Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Consistent With Policies and Procedures That Apply Uniformly to Both Federal Awards and Other Activities of the Non-Federal Entity**
    - **Consistent Grants Management**
    - **Policies Used for FTA Grants Must be Consistent with the Entity's Policies for All Other Federal Grant Awards**





# Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Consistent Treatment**
    - **The Budgeting, Recording and Reporting of All Costs of a Particular Nature Must Be Done In the Same Manner Regardless of the Source of Funding (*i.e.*, Federal or Non-Federal) Associated With a Project or Activity**

# Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Determined in Accordance With Generally Accepted Accounting Principles (GAAP)**
    - **These Are Standards and Guidelines Promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standard Board, Depending Upon the Type of Organization Involved**
    - **These Principles Direct How and When They Should Recognize Costs on Accounting Records and Financial Statements**



# Allowability Details

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Cannot Be Included As a Cost or Used to Meet Cost Sharing or Matching Requirements of Any Other Federal Award**
    - **Any Cost Allocable To a Particular Contract, Award, or Other Cost Objective Under These Principles May Not Be Shifted to Other (Federal/State) Contracts to Overcome Funding Deficiencies, or to Avoid Restrictions Imposed By Law, or By the Terms of the Contract**
    - **No “Double Dipping”**



# Allowability Details

## ◆ Exceptions

- **Some Exceptions to this Standard Under Federal Transit Law**
  - **Permits Revenues Earned from a Purchase of Service Contract with a Human Service Agency, Even if Derived from Another Federal Program, May be Used as Match to Several FTA Grant Programs**
  - **Some Other Federal Programs (Most Notably Community Development Block Grants) That Have Specific Statutory Authority**
- **Note: USDOT Funds Cannot be Used to Match Other USDOT Grants**



# Documentation of Costs

- ◆ **Allowability Standards (2 CFR § 200.403)**
  - **Less Emphasis on Documentation Requirements**
  - **More Reliance on Non-Federal Entity Systems and Performance**
  - **However, ALL Costs Must be Adequately Documented**
    - **Failure to Maintain Documentation Should Result in the Cost Being Disallowed**



# Documentation Requirements

- ◆ **Documentation For Most Expenses Incurred Consists of Contemporaneous Vendor Receipts and Corresponding Evidence That the Vendor Has Been Paid**
  - **Receipts**
  - **Contracts**
  - **Leases**
  - **Vendor Invoices**

# Documentation Requirements

- ◆ **Some Changes to Personnel Documentation**
  - **Salaries and Wages Must Be Supported By a System of Internal Control Which Provides Reasonable Assurance That The Charges Are Accurate, Allowable, and Properly Allocated**
  - **Be Incorporated Into the Official Records of the Non-Federal Entity**

# Documentation Requirements

## ◆ Two Circumstances to Consider

### ○ Individual Who Works On:

- More Than One Federal Award
- A Federal Award and Non-Federal Award
- An Indirect Cost Activity and a Direct Cost Activity
- Two or More Indirect Activities Which Are Allocated Using Different Allocation Bases
- An Unallowable Activity and a Direct or Indirect Cost Activity

### ○ When Any of the Above Scenarios Apply, Special Documentation Must be Maintained



# Documentation Requirements

## ◆ Personnel Documentation

- Reasonably Reflect the Total Activity for Which the Employee Is Compensated by the Non-Federal Entity, Not Exceeding 100% of Compensated Activities
- In Other Words, the Individual Must Keep Documentation That Reflects:
  - What the Individual Did All 8 Hours of the Day
  - All 40 Hours of the Week
  - Records Must Correspond to Pay Periods

# Documentation Requirements

- ◆ **Applies Regardless of Whether the Individual is Salaried or Paid by the Hour**
- ◆ **Billing Time Based on Estimates or a Time Study Sample is NOT Permitted**
  - **Budget Estimates (*i.e.*, Estimates Determined Before the Services are Performed) Alone Do Not Qualify as Support for Charges to Federal Awards, But May Be Used For Interim Accounting Purposes (Grant Application Budgets)**



# Allowability Details

## ◆ Personnel

- **Substitute Processes or Systems For Allocating Salaries and Wages To Federal Awards May Be Used In Place of, or In Addition To, the Requirements Noted in the Previous Slide**
- **However, These Alternative System Must**
  - **Be Approved By The Cognizant Agency For Indirect Cost**
  - **Such Systems May Include**
    - Random Moment Sampling
    - “Rolling” Time Studies
    - Case Counts



Module 4

# **DIRECT AND INDIRECT COSTS**



# Principle

- ◆ **There Is No Universal Rule For Classifying Certain Costs as Either Direct or Indirect (F&A) Under Every Accounting System**
- ◆ **Each Item of Cost Incurred For the Same Purpose Be Treated Consistently In Like Circumstances Either as a Direct or An Indirect (F&A) Cost In Order To Avoid Possible Double-Charging of Federal Awards**



# Direct Costs

- ◆ **Those Expenses Incurred by the Transit Agency That Are Directly Related and Strictly Benefit Only the Public Transportation Program**



# Direct Costs

## ◆ Generic Examples:

- **Compensation of Employees for the Time Devoted and Identified Specifically to the Performance of the Grant**
- **Cost of Materials Acquired, Consumed, or Expended Specifically for the Purpose of Providing Public Transit Service**
- **Equipment and Other Approved Capital Expenditures Travel Expenses Incurred Specifically to Carry Out the Award**



# Direct Costs

- ◆ **Transit Examples:**
  - **Operator's Salaries & Wages**
  - **Dispatcher's Salaries & Wages**
  - **Contract Vehicle Maintenance**
  - **Fuel & Lubricants Consumed**
  - **Tires and Tubes Consumed**
  - **Purchased Transportation**





# Direct Costs

- ◆ **Classification of Direct Salaries May Present Challenges**
  - **Must Be Based on Actual, After-the-Fact Determinations**
    - **Specific Activity Performed/Benefitting Unit of Government**
      - **Transit – Direct Cost**
      - **Multiple Units (Transit and Others) – Indirect Cost**
- ◆ **Budget Estimates Should Not Be Used**



# Direct Costs

- ◆ **Difficult Classification of Direct Costs**
  - **Minor Items Normally Considered Direct Costs May be Treated as Indirect Costs**
    - **Accounting Treatment is Consistent Among All Federal Grant Programs**

A background map showing a street grid with several areas highlighted in different colors: red, green, yellow, and purple. The map is semi-transparent and serves as a decorative background for the slide.

# Indirect Costs (F&A)

- ◆ **Indirect Costs Are Those That Have Been Incurred For Common or Joint Purposes**
- ◆ **These Costs Benefit More Than One Cost Objective and Cannot Be Readily Identified With a Particular Final Cost Objective Without Effort Disproportionate To the Results Achieved**



# Indirect Costs (F&A)

## ◆ New Concepts

- Indirect Costs are Now Referred to as Indirect (F&A) Costs
  - F = Facilities
  - A = Administration
- Separate Designation
  - Cognizant Agency for Audit
  - Cognizant Agency for Indirect Costs
  - May Not Be the Same Agency



# Indirect Costs (F&A)

- ◆ **Facilities and Administration**
  - **Indirect Costs Must Be Pooled in These Two Categories for Institutions of Higher Education (IHEs) and Major Nonprofits**
  - **Not Required for State and Local Governments, Indian Tribal Organizations**
    - **May Use Own Indirect Cost Pools**



# Indirect Costs (F&A)

- ◆ **A Cost May Not Be Allocated To a Federal Award As An Indirect Cost If Any Other Cost Incurred For the Same Purpose, In Like Circumstances, Has Been Assigned To a Federal Award As A Direct Cost**



# Indirect Costs (F&A)

- ◆ **Facilities and Administration**
  - **Range of Circumstances at the Local Level Means that Federal Agencies Cannot Provide Prescriptive Guidance on What Costs Constitute Direct vs. Indirect**



# Indirect Costs (F&A)

## ◆ Facilities and Administration

### ○ Examples

- **Certain Central Service Costs**
- **General Administration of the Organization**
- **Accounting and Personnel Services Performed Within the Organization the Delivers Public Transit Services**
- **Costs of Operating and Maintaining Shared Facilities**



# Unallowable Costs

- ◆ **Accounting Systems Must Account For Unallowable Costs in Same Manner as Direct and Indirect Costs and Be Classified Accordingly**
- ◆ **Generally, Unallowable Labor Costs Must Allocated a Pro-Rata Share of Indirect Costs (F&A)**

# Allowability of Indirect Costs

- ◆ **Allowable, to the Extent the Charges Conform to an Approved Indirect Cost Rate**
- ◆ **Indirect Costs Are Normally Charged to Federal Awards By the Use of An Indirect Cost Rate**



# Indirect Costs

- ◆ **How Can We Tell if We Need An Indirect Cost Allocation Plan? If a Transit System Incurs Costs That Are:**
  - **Accumulated in the Accounts of Another Department or Division of the Organization**  
**...Likely that an Indirect Cost Plan is Required**



# Allowability of Indirect Costs

- ◆ **Will All Transit Agencies Incur Indirect Costs?**
  - **No**
    - **Independent Transit Districts**
    - **Other Units That Do Not Rely on Central Services**



# Indirect Costs

- ◆ **An Indirect Cost Rate Is a Device For Determining In a Reasonable Manner the Proportion of Indirect Costs Each Program Should Bear**
- ◆ **Usually Expressed as a Ratio of Indirect Costs To a Direct Cost Base**



# Submission

- ◆ **Submission Should be Made to the Cognizant Agency for Indirect Costs**
  - **This is the Entity Responsible for the Following in Indirect Cost Rate Proposals:**
    - **Review**
    - **Negotiation**
    - **Approval**

# Cognizant Agency for Indirect Costs

- ◆ **Public Entities That Receive More Than \$35,000,000 Must Submit Its Indirect Cost Rate Proposal to the Cognizant Agency for Indirect Costs**
- ◆ **Other Public Entities Develop Indirect Cost Rate Proposals, Use the Rates, and Maintain All Proposal Documentation On File**
  - **Submit Upon Request**

# Cognizant Agency for Indirect Costs

- ◆ **KEY Element For Pass-Through Entity and Subrecipients**
  - **Where a Non-Federal Entity Only Receives Funds As a Subrecipient, the Pass-through Entity Will Be Responsible For Negotiating and/or Monitoring the Subrecipient's Indirect Costs**
    - **Oregon DOT = Pass-Through Entity**
    - **Transit Agency = Subrecipient**





# Implementation

- ◆ **Upon Approval, the Rate is Typically Applied for a One-Year Period Coinciding to the Entity's Fiscal Year**
- ◆ **2 CFR § 200 Provides Authority That Enables Indirect Cost Rates to Be Applied for Longer Than One Year**



# Implementation

- ◆ **Any Non-Federal Entity That Has a Federally Negotiated Indirect Cost Rate May Apply For a One-Time Extension of a Current Negotiated Indirect Cost Rates For a Period of Up To Four Years**

# ICRP Preparation

## ◆ Technical Guidance

- The Best Guidance, and the Document Most Recommended, Remains a Publication Produced by the U.S. Department of Health and Human Services Almost Two Decades Ago
- Still Available for Download at:

[https://www.dol.gov/sites/dolgov/files/OASAM/legacy/files/ASMB\\_C-10.pdf](https://www.dol.gov/sites/dolgov/files/OASAM/legacy/files/ASMB_C-10.pdf)

# ICRP Preparation

A GUIDE FOR  
STATE, LOCAL AND INDIAN TRIBAL  
GOVERNMENTS

COST PRINCIPLES AND PROCEDURES FOR  
DEVELOPING COST ALLOCATION PLANS AND  
INDIRECT COST RATES FOR AGREEMENTS  
WITH THE FEDERAL GOVERNMENT

IMPLEMENTATION GUIDE FOR  
OFFICE OF MANAGEMENT AND BUDGET  
CIRCULAR A-87

ASMB C-10

# ICRs and Pass-Through Relationships

- ◆ **Negotiated Rates with Pass-Through State Agency**
  - **If the Lower Tier Subrecipient Already Has a Negotiated Rate with the Federal Government, the Pass-Through Agency Must Accept That Rate**

# ICRs and Pass-Through Relationships

- ◆ **Pass-Through Arrangements from Multiple State Agencies**
  - **Each State Agency May Negotiate Independent Rates with the Lower Tier Subrecipient**
  - **Example**
    - **An NFE Has a Rate with the State Department of Human Services and this Entity Receives a Section 5311 Grant**
      - **State May Either**
        - » **Accept DHS Rate**
        - » **Negotiate Own Rate**



# Using the *de minimis* Rate

- ◆ **No ICRP Required**
- ◆ **The Entity (Either Public or Nonprofit) May Utilize the *de minimis* Rate, With One Condition**
  - **The Non-Federal Entity Must Not Previously Had a Negotiated Indirect Cost Rate with the Federal Government**

# Using the *de minimis* Rate

- ◆ **Previous or Expired Rates With the Federal Government**
  - ~~○ If, at any Time the NFE Had a Prior Rate with the Federal Government, the NFE is Prohibited from Using the *de minimis* Rate~~
  - **Amendments to 2 CFR § 200 Now Permit Use of the *de minimis* Rate Without Regard to Past ICRs**





# Using the *de minimis* Rate

- ◆ **Using the *de minimis* Rate as a Transitional Rate**
  - This Practice is Permitted
  - An NFE May Use the *de minimis* Rate, If Otherwise Qualified, Until Such Time as a Negotiated Rate is Developed, Submitted, and Approved



# Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
  - **MTDC Excludes:**
    - **Equipment**
    - **Capital Expenditures**
    - **Charges for Patient Care**
    - **Rental Costs**
    - **Tuition Remission, Scholarships and Fellowships**
    - **Participant Support Costs**
    - **Portion of Subawards/Subcontracts in Excess of \$25,000**



# Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
  - **The Cognizant Agency for Indirect Costs May Exclude Other Items from MTDC Avoid a Serious Inequity in the Distribution of Indirect Costs**

# Using the *de minimis* Rate

- ◆ **Modified Total Direct Costs**
  - **Subawards/Subcontracts**
    - **The First \$25,000 Allowable in MTDC is for the "Life of the Award"**
      - **Thus, A Transit System Awarding a Three-Year Contract to a Management Company for \$900,000 Would Only Be Allowed to Take A Single Allowance of \$25,000 in its Calculation of MTDC**
      - **Some Consideration May be Permitted if Renegotiated Within the Period of Performance of the Grant Award**

A background map showing a street grid with several colored overlays: a red outline, a green outline, and a yellow line. The text is overlaid on this map.

# Using the *de minimis* Rate

- ◆ **Best Practice**

- **Detail Total Allowable Costs, Exclusions, and MTCD in a Subsidiary Worksheet to Provide Documentation of Correct Calculation of MTDC**

# Using the *de minimis* Rate

- ◆ **Allowable Indirect Costs**
  - **Modified Total Direct Costs X 10%**
  - **This Amount is Added to Total Allowable Costs to Compute the Total Allowable Amount During the Billing Period**



# Best Practices

- ◆ **Ensure that the Recipient and Any Subrecipient Update ICRPs Annually**
- ◆ **Ensure Rates are Applied to the Correct Base**
- ◆ **Provide Guidance on the Use of the *de minimis* Rate**

A faded background image of a map showing a street grid. Several areas are highlighted with colored outlines: a red outline on the left, a yellow outline in the upper center, a purple outline in the center, and an orange outline on the right. The map is semi-transparent, allowing the text below to be clearly visible.

Module 5

# **MATCHING REQUIREMENTS FOR FTA GRANTS**





# General Provisions

## ◆ Matching FTA Grants

- Each FTA Typically Has Match Requirement
- Within Each Program, Various Functional Activities May Have Different Match Ratios
- Provision of Match **MUST** be Verifiable from the Non-Federal Entity's Financial Records



# Sources of Match

## ◆ Cash

- **State Government Appropriations and/or Grants**
- **Local Government Appropriation**
- **Dedicated Tax Revenues**
  - **Only a Few Section 5311-Funded Systems Have Such Revenues**
  - **Not Common in Rural Transit But Some Agencies Do Have a Dedicated Tax Source**



# Sources of Match

## ◆ Non-Governmental Sources

- **Cash From Nongovernmental Sources Other Than Revenues From Providing Public Transportation Services**
- **Non-Farebox Revenues From the Operation of Public Transportation Service, Such as the Sale of Advertising and Concession Revenues**
- **A Voluntary or Mandatory Fee That a College, University, or Similar Institution Imposes On All Its Students for Free or Discounted Transit Service**



# Sources of Match

## ◆ Non-Governmental Sources

- **Undistributed Cash Surpluses, Replacement or Depreciation Cash Funds, Reserves Available in Cash, or New Capital Transferred From the Organization's Fund Reserve to the Transit Program**
- **Transfers From The Organization's Fund Reserve ("Rainy Day Fund"), Depreciation Fund, or Other Surplus That is Moved to the Transit Account to Meet Federal Grant Matching Requirements**



# Sources of Match

- ◆ **Non-Governmental Sources – Less Traditional**
  - **Grants From Charitable Foundations or Agencies**
  - **Other Federal Grant Programs That Have Express Statutory Authority That Permits The Funds To Be Used As Match to Other Federal Awards**



# Sources of Match

## ◆ Critical Rule

- **USDOT Funds Generally Cannot be Used to Match Other USDOT Funds**
  - **Section 5310 Cannot be Used to Match Section 5311 and Vice Versa**
- ◆ **FTA Places Burden on Applicant to Verify Allowability When Other Federal Funds are Used as Match**



# Sources of Match

- ◆ **One Large Benefit for Transit Programs**
  - **Revenues Derived from the Provision of Service to Other Public or Nonprofit State or Local Human Services Can Be Used as Match, Even if the Source of Those Funds is Federal**
    - **Original to the Section 5311 Program in 1978**
    - **Expanded to all Other Major FTA Programs with SAFETEA-LU in 2005**
  - **Statutory Authority**
    - **49 U.S.C. § 5311(g)(3)(C)**



# Sources of Match

- ◆ **What are Some of These Sources?**
  - **Medicaid**
  - **Title III-B (Older Americans Act)**
  - **TANF**
  - **Veteran's Administration Funds**



# Sources of Match

Category	Scenario 1: Contract Revenues Counted as Fares	Scenario 2: Contract Revenues Counted as Local Match
<b>Total Operating Expense</b>	\$850,00	\$850,00
<b>Total Operating Revenues</b>		
Farebox and Related Revenues		
Fares	82,000	82,000
Contracts	165,000	
Organization Paid Fares		
<b>Net Cost of Service</b>	\$603,000	\$768,000
<b>Federal Share of Operations</b>	301,500	384,000
<b>Local Share of Operations</b>		
Non-Federal/Local/State Revenue	301,500	219,000
Contract Revenue		165,000



# Sources of Match

## ◆ Other

- **Contributions by the Non-Federal Entity of Services and/or Property**
- **Volunteer Services Furnished By Third-Parties**
  - **Professional and Technical Personnel**
  - **Consultants**
  - **Other Skilled and Unskilled Labor**

**...If, the Service is an Integral and Necessary Part of Transit Service Delivery**



# Sources of Match

- ◆ **FTA Requires Approval of In-Kind Match at the Time of Application**
  - **Valuation of the Contribution Critical**

# Sources of Match

## ◆ Matching Ratios Under FTA Programs

### ○ Section 5311

- **State Administration, Planning, and Technical Assistance - 100%**
- **Capital – 80%**
  - Includes Preventive Maintenance and Mobility Management Expenses (Typically Operating Expenses)
- **Operations – 50% of the Net Cost of Service**
  - Passenger Fare Must be Deducted from Total Operating Costs to Compute Net Cost of Service
- **Non-Operating (Project Administration) – 80%**



# Sources of Match

## ◆ Exceptions

- **The Federal Share May Exceed 80 Percent For Certain Projects Related To**
  - **ADA**
  - **Clean Air Act**
  - **Bicycle Projects**
- **Sliding Scale States**
  - **Will Have Higher Federal Participation Ratios**



**Moving Public Transportation  
Into the Future**

# **Financial Management for Transit Providers Day Two**

**December 12 – 13, 2023**

*Sponsored by:*

**Oregon DOT/Public Transportation Division**

*Presented by*

**Richard Garrity  
RLS & Associates, Inc.**



Module 6

# **CONTRIBUTIONS, DONATIONS, AND PROGRAM INCOME**

# Donations/Contributions

- ◆ **Donations & Contributions (2 CFR § 200.434)**
  - **Definitions**
    - **In-Kind Contributions**
      - **Value of Non-Cash Contributions (Property or Services)**
        - » **Benefit a Federally Assisted Project or Program**
        - » **Contributed By Non-Federal Third Parties, Without Charge, To a Non-Federal Entity Under a Federal Award**
      - **May be Provided by the Non-Federal Entity or From Third Parties**



# Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
  - **The Costs of Donations and Contributions From a Non-Federal Entity are Unallowable**
  - **Value of Services, Equipment, or Property Donated To the Non-Federal Entity May Not be Charged to the Federal Award as Either a Direct or Indirect (F&A) Cost**
    - **You Cannot Receive Grant Compensation for Donations**



# Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
  - **The Value of Donated Services and Property May Be Used To Meet Cost Sharing or Matching Requirements**

# Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
  - **Must be Recorded in the NFE's Accounts**
    - Expense
    - Revenue
  - **Recordkeeping is Essential to Ensuring the Allowability of Such Donations as Match**

# Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
  - **Allowability**
    - **Donations/Contributions Must Meet the All of the Following Conditions to Be Permitted as Match**
      - **Verifiable**
      - **Cannot be Included As a Contribution for Any Other Federal Awards**
      - **Necessary and Reasonable**
      - **Meet Allowability Standards**
      - **Not Paid As a Cost Under Any Other Federal Award**
      - **Documented in the Approved Project Budget**
      - **Conform to Other Provisions of 2 CFR § 200**



# Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
  - **Valuation of Contributions**
    - **Employees of a Third-Party Organization**
      - Use Employee's Regular Salary Rate (and Fringe) If Work Performed is Consistent With Those Job Duties
    - **Equipment and Supplies**
      - Fair Market Value at the Time of the Donation

# Donations/Contributions

- ◆ **Contributions & Donations (2 CFR § 200.434)**
  - **Valuation of Contributions**
    - **Method of Valuating Donations**
      - **If Title Passes From the Third Party to the Non-Federal Entity, Valuation May Vary Based on Grant Purpose**
        - » **Grant: Assist NFE in the Acquisition of Equipment, Building or Land**
          - **Aggregate Value of Donated Property May be Claimed**
        - » **Grant: Support Activities that Require Use of Equipment, Building or Land**
          - **Depreciation Only**

# Donations/Contributions

- ◆ **Valuation of Contributions:**
  - **Method of Valuating Donations – Conditions**
    - **Property**
      - **Value Must Not Exceed Fair Market Value (FMV)**
        - » **Established by Independent Appraisal**
        - » **Uniform Relocation Assistance and Real Property Acquisition Policies Act Apply**
    - **Equipment**
      - **Value Must Not Exceed FMV of Equipment of Same Age & Condition at the Time of the Donation**
    - **Space**
      - **Value Must Not Exceed Fair Rental Value of Comparable Space As Established by Independent Appraisal of Comparable Space in a Privately Owned Building in the Same Locality**



# Common In-Kind Audit Findings

- ◆ **Amount of In-Kind Unsupported by Adequate Documentation or Not Verifiable from Subrecipient's Records**
- ◆ **Donation Not Integral to Operation of a Public Transit System**
- ◆ **In-Kind Not Included in the Approved Project Budget**



# Program Income

- ◆ **Program Income Is Revenue Generated Directly or Indirectly From Grant-Supported Activities (*i.e.*, Income Generated by Grant Funds After They Have Been Applied to Authorized Grant Purposes)**





# Program Income

- ◆ **Program Income Is a Form of Transit Revenue, but Excludes:**
  - **Sales Proceeds**
  - **Interest Earned on Advances of Federal Funds**
  - **Revenues Generated by Activities That Are Not Grant Supported**



# Program Income

## ◆ Examples

- Fees for Services Performed
- Fees From the Use or Rental of Real or Personal Property Acquired With Grant Funds
- Proceeds From the Sale of Commodities or Items Fabricated Under a Grant Agreement



# Program Income

- ◆ **OMB Outlines the Following Uses for Program Income**
  - **Deduction**
    - **Program Income Must be Deducted from the Total Grant Award**
  - **Addition**
    - **With Grantor Agency Approval, Program Income is Added to the Award Amount**
  - **Cost Sharing or Matching**
    - **With Prior Approval, Program Income Can Be Used as Local Match**



# Program Income

- ◆ **FTA Permitted Uses of Program Income**
  - **Grantees May Retain Program Income So Long As It Is Used Only for Transit Purposes**
    - **Capital**
    - **Operating Expenses**
  - **Program Income May Not Be Used To Reduce the Local Share of the Grant From Which It Was Earned, But May Be Used In Future Grants**



# Program Income

- ◆ **FTA Permitted Uses of Program Income**
  - **Fares are Not Treated as Program Income in FTA Programs as They are Mandated by Congress to be Deducted From Total Operating Costs**
  - **Revenues Derived from the Provision of Service Under Contract to a Human Service Agency**
    - **As Stipulated by Congress, Such Revenues May be Used in the Deduction Method OR**
    - **May be Used as Local Match in the Year They Were Earned**

A background map showing a street grid with several colored overlays: a red outline, a green outline, and a yellow line. The title 'Program Income' is centered over the map in a dark red font.

# Program Income

- ◆ **Grantees Must Account for Program Income in Their Accounting System, Which Is Subject to Audit**
- ◆ **The Accounting System Must Be Capable of Identifying Program Income and the Purpose for Which It Was Used**



# Class Exercise – Allowable?

## Exercise 2: Determine if the Following Scenarios are Allowable In-Kind Contributions

A nonprofit community action agency that operates transit system receives the following donations. Determine if the donation is allowable in-kind and, if so, what is the valuation method and allowable amount?

Donation	Allowable (Yes or No?)	Choose One	Documentation	In-Kind Value (If Any)
1. Hewitt Packard donates six (6) desktop computers to the organization. As transit has the oldest computers in the agency, the Executive Director gives the machines to the public transit department.		<input type="checkbox"/>	The Transit Director recalls seeing an advertisement for the same, similarly equipped model in a newspaper ad for \$899 per unit.	
		<input type="checkbox"/>	The Transit Manager calls on the owner of a local computer shop to provide an appraisal of the machines. He supplies a written appraisal of \$850.	
		<input type="checkbox"/>	The Executive Director provides the transit department with a letter from Hewitt-Packard provided with the donation that the computers have a value of \$800 per unit.	
2. Hewitt Packard also provides a factory technician to travel to the transit agency to install and connect the computers. The technician spends 3 hours installing the hardware.		<input type="checkbox"/>	The agency has its own IT department so these costs cannot be claimed as in-kind.	
		<input type="checkbox"/>	The agency claims the costs as an in-kind expense and values the contribution based on the salary and fringe of a comparable employee of the IT department (\$35.00 per hour).	
		<input type="checkbox"/>	The agency claims the costs as an in-kind expense with a signed in-kind contribution letter sent from HP to the organization noting the value (salary and fringe) of the technician of \$85.00 per hour.	
3. A local artist finds a picture of a system bus from the 1950s and develops a painting of the bus. He frames the painting and presents the artwork to the system on the 50 <sup>th</sup> anniversary of the transit agency.		<input type="checkbox"/>	The transit manager obtains an appraisal of the painting \$400 and \$100 for the frame and claims this as in-kind.	
		<input type="checkbox"/>	The transit manager, recalling FTA's art in transit program, claims the painting based on the artist's statement that, if offered for sale, he would ask \$800 for the painting.	
		<input type="checkbox"/>	The transit system does not claim this gift as a contributed expense.	

Acknowledgement: Some of these scenarios are predicated on examples developed by the Corporation for National and Community Service.





Module 7

# **MONITORING LOWER TIER SUBRECIPIENTS**



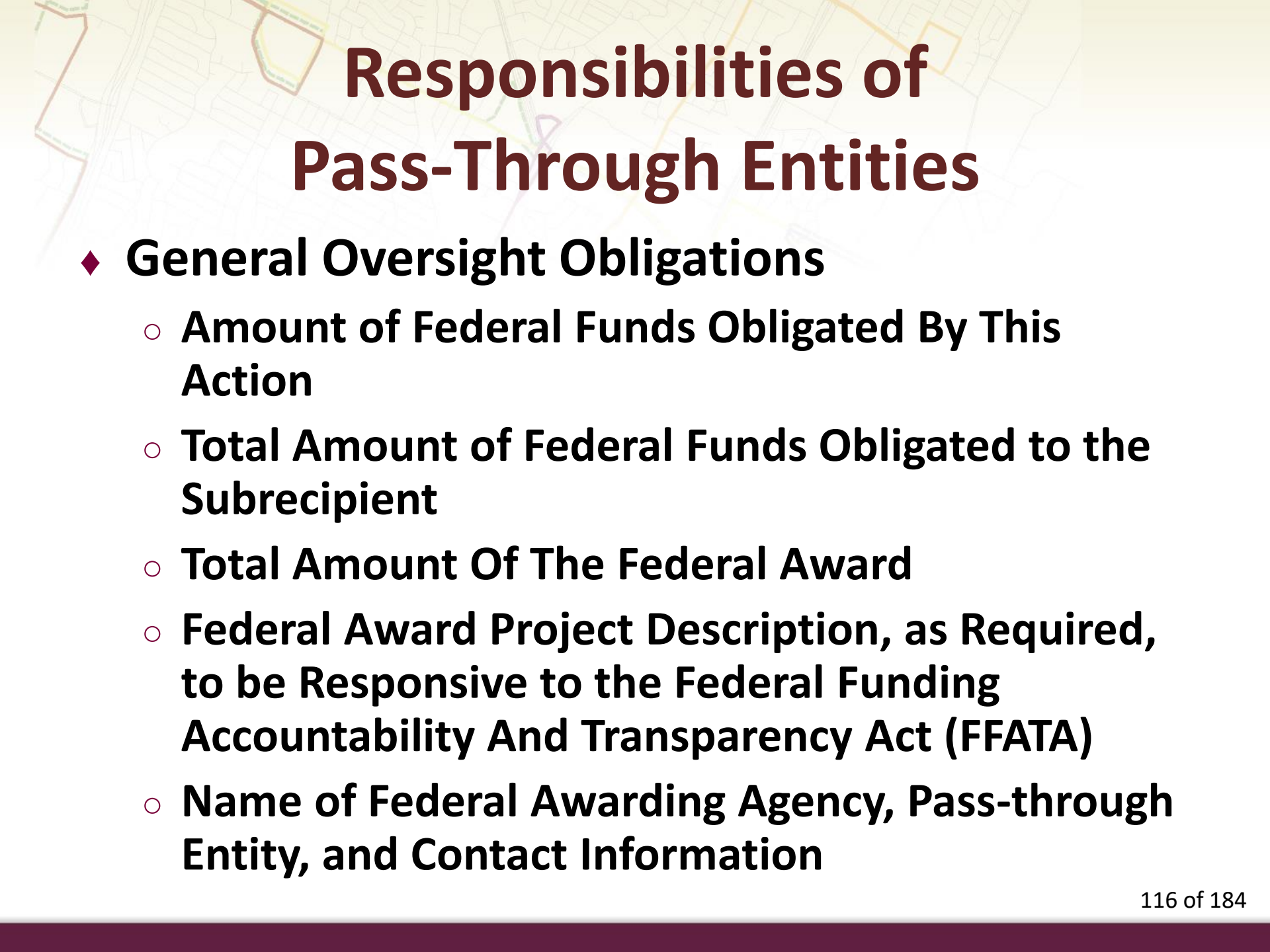
# Responsibilities of Pass-Through Entities

- ◆ **When a Non-Federal Entity Passes Funds Through to a Lower Tier Entity to Carry Out All or Part of the Project, the Entity Has Some Obligations Over the Lower Tier Organization**



# Responsibilities of Pass-Through Entities

- ◆ **General Oversight Obligations**
  - **Ensure That Every Subaward is Clearly Identified To The Subrecipient as a Subaward and Includes Required Information That Informs the Subrecipient That The Award Is Federally Funded**
  - **Required Federal Award Identification Data Include:**
    - **Subrecipient name (Which Must Match Registered Name as the UEI)**
    - **Federal Award Identification Number (FAIN)**
    - **Federal Award Date**

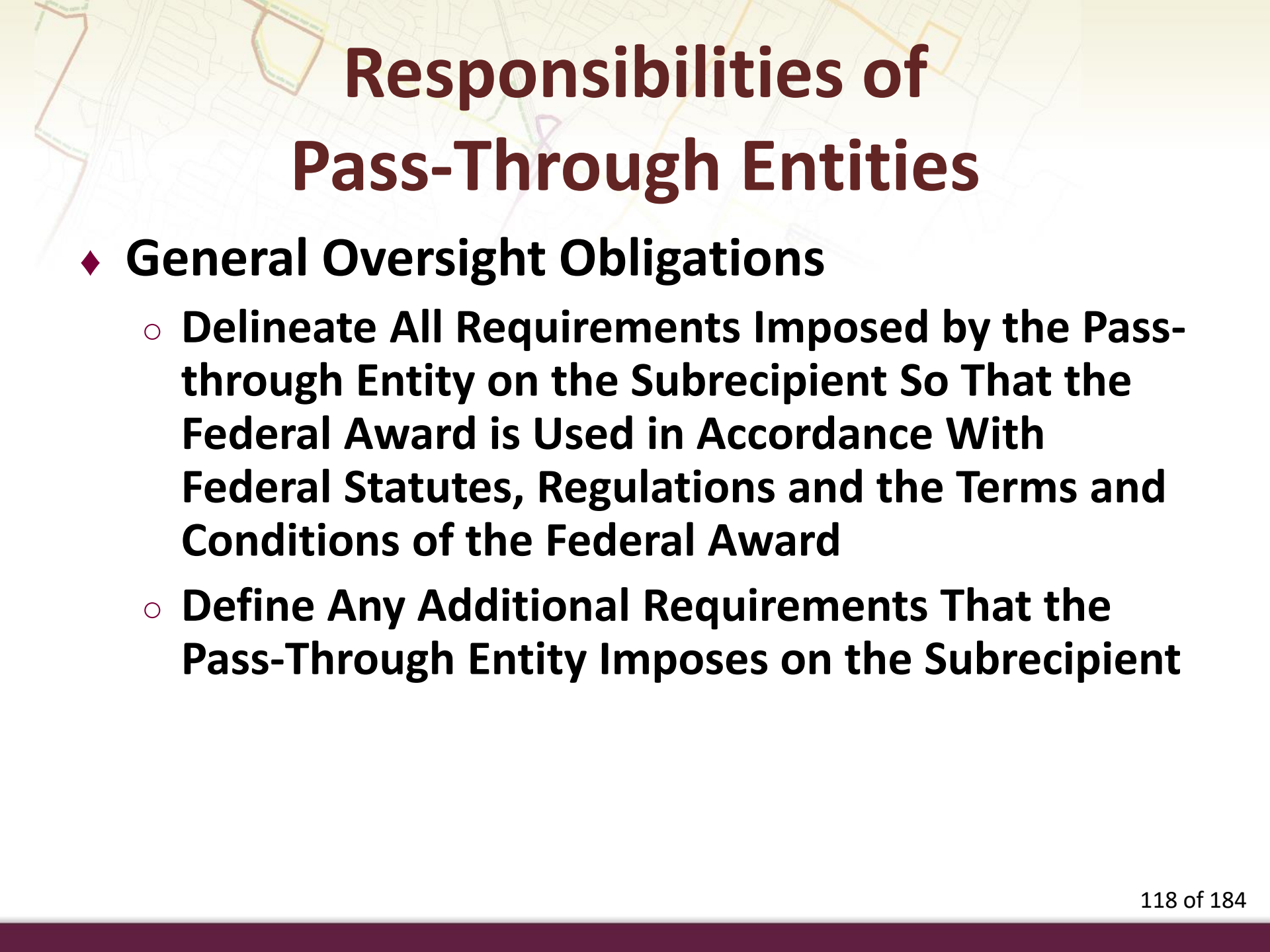


# Responsibilities of Pass-Through Entities

- ◆ **General Oversight Obligations**
  - **Amount of Federal Funds Obligated By This Action**
  - **Total Amount of Federal Funds Obligated to the Subrecipient**
  - **Total Amount Of The Federal Award**
  - **Federal Award Project Description, as Required, to be Responsive to the Federal Funding Accountability And Transparency Act (FFATA)**
  - **Name of Federal Awarding Agency, Pass-through Entity, and Contact Information**

# Responsibilities of Pass-Through Entities

- ◆ **General Oversight Obligations**
  - **Catalog of Federal Domestic Assistance (CFDA) Number and Name;**
    - **The Pass-Through Entity Must Identify the Dollar Amount Made Available Under Each Federal Award and the CFDA Number at Time of Disbursement**
  - **Indirect Cost Rate for the Federal Award (Including if the *de minimis* Rate Is Charged)**



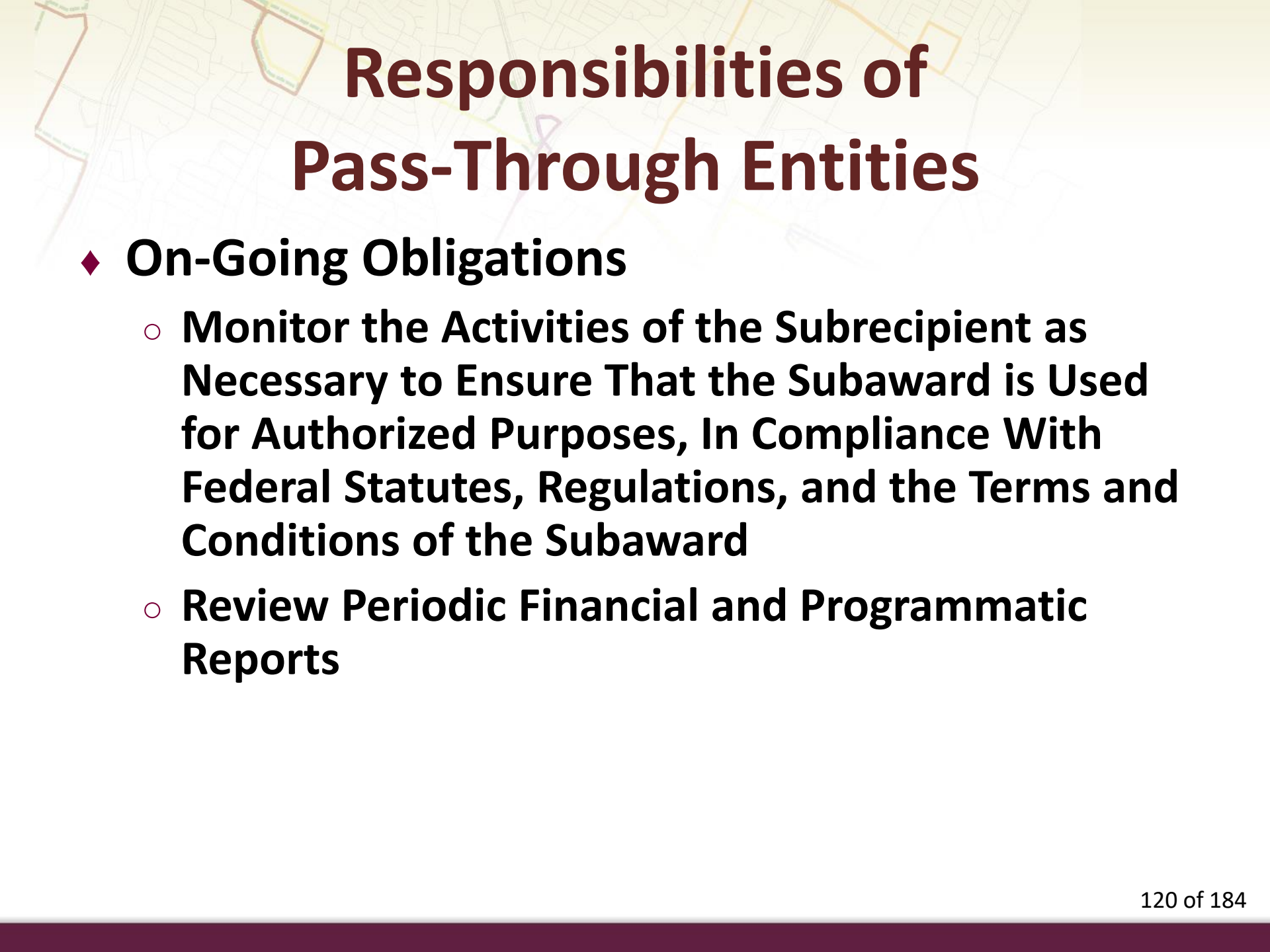
# **Responsibilities of Pass-Through Entities**

- ◆ **General Oversight Obligations**
  - **Delineate All Requirements Imposed by the Pass-through Entity on the Subrecipient So That the Federal Award is Used in Accordance With Federal Statutes, Regulations and the Terms and Conditions of the Federal Award**
  - **Define Any Additional Requirements That the Pass-Through Entity Imposes on the Subrecipient**



# **Responsibilities of Pass-Through Entities**

- ◆ **General Oversight Obligations**
  - **Establish Whether the Subrecipient Has an Approved Federally Recognized Indirect Cost Rate**
  - **A Requirement That the Subrecipient Permit the Pass-Through Entity and Auditors to Have Access to the Subrecipient's Records and Financial Statements as Necessary**
  - **Appropriate Terms and Conditions Concerning Close of the Subaward**

The background of the slide is a light-colored map with various colored overlays in red, green, and yellow, suggesting a geographical or planning context. The title is centered at the top in a large, bold, dark red font.

# **Responsibilities of Pass-Through Entities**

- ◆ **On-Going Obligations**
  - **Monitor the Activities of the Subrecipient as Necessary to Ensure That the Subaward is Used for Authorized Purposes, In Compliance With Federal Statutes, Regulations, and the Terms and Conditions of the Subaward**
  - **Review Periodic Financial and Programmatic Reports**





# **Responsibilities of Pass-Through Entities**

- ◆ **On-Going Obligations**
  - **Follow-Up and Ensure That the Lower Tier Subrecipient Takes Timely and Appropriate Action on All Deficiencies Pertaining to the Federal Award Provided to the Subrecipient From the Pass-through Entity Detected Through Audits, On-Site Reviews**
  - **Issue Management Decisions for Audit Findings Pertaining to the Federal Award Provided to the Lower Tier Subrecipient From the Pass-through Entity**



# Responsibilities of Pass-Through Entities

- ◆ **Optional Obligations**
  - **Provide Lower-tier Subrecipients With Training and Technical Assistance on Program-Related Matters**
  - **Perform On-Site Reviews of the Lower-Tier Subrecipient's Program Operations**
  - **Arrange For Agreed-Upon Procedures**



Module 8

# **IDENTIFICATION OF FINANCIAL HEALTH ISSUES AT SUBRECIPIENTS**



# Identification of Risk

## ◆ Disclaimer

- **Even the Most Rigorous Program of Subrecipient Oversight May Not Disclose Potential Problems**
- **No Silver Bullet**



# Identification of Risk

## ◆ Some Indicators

### ○ Financial

- Typically Drawn from
  - Audit Reports
  - Periodic Financial Statements
- Recommend Multiyear Examination
  - Declines in a Single Year May be Due to Unique or External Conditions Beyond Control of the Subrecipient

### ○ Non-Financial

- Direct Observation
- Monitoring of Organizational Activities



# Identification of Risk

## ◆ Some Indicators

### ○ Financial

- Liquidity
- Liabilities to Assets
- Administration Ratio
- Change in Net Position



# Identification of Risk

## ◆ Some Indicators

### ○ Non-Financial

- **Uncharacteristic and Persistent Inquiries on Grant Payments**
- **Staff Turnover in CFO Position**
- **Late Payments**
- **Short-Term Interest for Loans**
- **Management Interactions With the Governing Board**
- **Disengaged Governing Board or Lack of Financial Expertise**
- **New Financial Management Software\***



# Identification of Risk

## ◆ Audit Findings

### ○ Liquidity

- Cash-On-Hand  $\div$  Average Monthly Expenses
- Months of Expenses That Can be Cover with Available Unrestricted Cash-On-Hand
- Look for
  - “Cash-on-Hand”
  - “Cash and Cash Equivalents”
  - “Unrestricted Cash”



# Identification of Risk

- ◆ Audit Findings
  - 2022 Audit, Statement of Net Position

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2022**

	General	Property Management	NW Rides	Nonmajor Enterprise Funds	Totals
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 521,484	\$ 44,827	\$ 973,049	\$ 1,848,147	\$ 3,387,507
Receivables, net	1,074,776	20,855	-	15,570	1,111,201
Due from other funds	20,848	2,727	-	41,178	64,753
Prepaid items	114,870	-	-	-	114,870
<b>Total current assets</b>	<b>1,731,978</b>	<b>68,409</b>	<b>973,049</b>	<b>1,904,895</b>	<b>4,678,331</b>
<b>Capital assets</b>					
Land and construction in progress	175,996	622,000	-	-	797,996
Other capital assets, net	2,133,727	3,875,856	12,941	-	6,022,524
<b>Total capital assets</b>	<b>2,309,723</b>	<b>4,497,856</b>	<b>12,941</b>	<b>-</b>	<b>6,820,520</b>
<b>Total assets</b>	<b>4,041,701</b>	<b>4,566,265</b>	<b>985,990</b>	<b>1,904,895</b>	<b>11,498,851</b>
<b>Deferred outflows of resources</b>					
Other postemployment benefit related items	2,045	-	-	-	2,045

# Identification of Risk

## ◆ Audit Findings

### ○ 2022 Audit, Statement of Revenues, Expenses

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2022**

	General	Property Management	NW Rides	Nonmajor Enterprise Funds	Totals
<b>Operating revenues</b>					
Charges for services	\$ 1,129,661	\$ 35,470	\$ -	\$ -	\$ 1,165,131
Operating grants and contributions	750,696	-	4,364,943	520,218	5,635,857
	<u>1,880,357</u>	<u>35,470</u>	<u>4,364,943</u>	<u>520,218</u>	<u>6,800,988</u>
<b>Operating expenses</b>					
Personnel services	2,353,807	-	489,923	-	2,843,730
Materials and services	1,380,534	62,012	3,791,632	250,378	5,484,556
Depreciation	276,433	141,808	8,218	-	426,459
Total operating expenses	<u>4,010,774</u>	<u>203,820</u>	<u>4,289,773</u>	<u>250,378</u>	<u>8,754,745</u>

# Identification of Risk

## ◆ Audit Findings

### ○ Liquidity

- Cash-On-Hand  $\div$  Average Monthly Expenses
- \$3,387,507 = Cash-On-Hand
- Average Monthly Expenses =  $8,328,286 \div 12$ 
  - Note: We Typically Exclude Depreciation
    - » Non-Cash Expense That Does Not Require Cash Outflow
- Average Monthly Expenses = \$694,024
- Liquidity
  - $\$3,387,507 \div \$694,024 = 4.88$  Months



# Identification of Risk

## ◆ Audit Findings

### ○ Liquidity

- 4.88 Months
- Typical Goal = 3 Months or More
- In This Case, This Agency Passes the Test of Liquidity



# Identification of Risk

## ◆ Audit Findings

### ○ Liabilities to Assets (L/A)

- A Ratio of Debt Relative to What the Organization Owns

- $\text{Liabilities} \div \text{Assets}$

- Goal <50%

### ○ Recommend Modification to this Standard Measure

- Many Assets in Transit Have FTA Interest

- Better Measure

- $\text{Liabilities} \div \text{Assets (No Federal Interest)}$

# Identification of Risk

- ◆ Audit Findings
  - Assets to Liabilities

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2022**

	General	Property Management	NW Water	Nonmajor Enterprise Funds	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 521,484	\$ 44,827	\$ 873,549	\$ 1,848,147	\$ 3,387,507
Receivables, net	1,074,776	20,805	-	15,370	1,111,201
Due from other funds	20,848	2,727	-	41,178	64,753
Prepaid items	114,870	-	-	-	114,870
<b>Total current assets</b>	<b>1,731,978</b>	<b>68,439</b>	<b>873,549</b>	<b>1,904,695</b>	<b>4,678,511</b>
<b>Capital assets</b>					
Land and construction in progress	176,006	822,000	-	-	797,996
Other capital assets, net	2,133,727	3,875,856	12,341	-	6,022,524
<b>Total capital assets</b>	<b>2,309,733</b>	<b>4,697,856</b>	<b>12,341</b>	<b>-</b>	<b>8,020,530</b>
<b>Total assets</b>	<b>4,041,711</b>	<b>4,566,295</b>	<b>885,890</b>	<b>1,904,695</b>	<b>11,498,591</b>
<b>Deferred outflow of resources</b>					
Other postemployment benefit related items	2,045	-	-	-	2,045
<b>Total deferred outflow of resources</b>	<b>2,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,045</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	63,734	1,370	377,354	34,144	476,602
Accrued payroll	8,500	-	-	-	8,500
Due to other funds	-	-	64,753	-	64,753
Long-term obligations due within one year	70,870	31,480	-	-	102,350
<b>Total current liabilities</b>	<b>143,104</b>	<b>32,850</b>	<b>441,907</b>	<b>34,144</b>	<b>651,995</b>
Long-term obligations due in more than one year	12,519	280,170	-	-	292,689
<b>Total liabilities</b>	<b>155,623</b>	<b>313,020</b>	<b>441,907</b>	<b>34,144</b>	<b>944,724</b>

# Identification of Risk

## ◆ Audit Findings

### ○ Liabilities to Assets

- Total Liabilities = \$947,274
- Total Assets = \$11,498,1841
- Assets to Liabilities =  $\$947,274 \div \$11,498,1841$
- Assets to Liabilities = 8.24%

### ○ Goal

- <50%

# Identification of Risk

- ◆ Audit Findings
  - Liabilities to Current Assets

**TILLAMOOK COUNTY TRANSPORTATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2022**

	General	Property Management	NW Rides	Nonmajor Enterprise Funds	Totals
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 521,484	\$ 44,827	\$ 973,049	\$ 1,848,147	\$ 3,387,507
Receivables, net	1,074,776	20,855	-	15,570	1,111,201
Due from other funds	20,848	2,727	-	41,178	64,753
Prepaid items	114,870	-	-	-	114,870
<b>Total current assets</b>	<b>1,731,978</b>	<b>68,409</b>	<b>973,049</b>	<b>1,904,895</b>	<b>4,678,331</b>
<b>Capital assets</b>					
Land and construction in progress	175,996	622,000	-	-	797,996
Other capital assets, net	2,133,727	3,875,856	12,941	-	6,022,524
<b>Total capital assets</b>	<b>2,309,723</b>	<b>4,497,856</b>	<b>12,941</b>	<b>-</b>	<b>6,820,520</b>
<b>Total assets</b>	<b>4,041,701</b>	<b>4,566,265</b>	<b>985,990</b>	<b>1,904,895</b>	<b>11,498,851</b>
<b>Deferred outflows of resources</b>					
Other postemployment benefit related items	2,045	-	-	-	2,045
<b>Total deferred outflows of resources</b>	<b>2,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,045</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	63,734	1,370	377,154	34,144	476,402
Accrued payroll	8,500	-	-	-	8,500
Due to other funds	-	-	64,753	-	64,753
Long-term obligations due within one year	70,870	31,460	-	-	102,330
<b>Total current liabilities</b>	<b>143,104</b>	<b>32,830</b>	<b>441,907</b>	<b>34,144</b>	<b>651,985</b>
Long-term obligations due in more than one year	13,119	282,170	-	-	295,289
<b>Total liabilities</b>	<b>156,223</b>	<b>315,000</b>	<b>441,907</b>	<b>34,144</b>	<b>947,274</b>



# Identification of Risk

## ◆ Audit Findings

### ○ Liabilities to Current Assets

- Total Liabilities = \$947,274
- Total Current Assets = \$4,678,331
- Assets to Liabilities =  $\$947,274 \div \$4,678,331$
- Assets to Liabilities = 20.25%

### ○ Goal

- <50%

# Identification of Risk

## ◆ Audit Findings

### ○ Administration Ratio\*

- **Varies by Scale of Operation**
  - <\$1,000,000
  - >\$1,000,000
- **Administration Expenses ÷ Total Operating Expenses**
- **Goal**
  - <\$1,000,000: <35%
  - >\$1,000,000: <30%
- **Goals May Need Adjustment Depending on State Policies on the Classification of Administration Expenses**

# Identification of Risk

- ◆ **Audit Findings**
  - **Administration Ratio**

**GENERAL FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2022**

	Budget	Actual	Variance
<b>Revenues</b>			
Charges for services	\$ 951,500	\$ 1,129,061	\$ 178,161
Property taxes	1,056,380	1,109,963	53,583
Intergovernmental	3,262,529	2,124,522	(1,158,007)
Miscellaneous taxes	410,000	341,312	(68,688)
Interest	17,500	6,907	(10,593)
Miscellaneous	11,500	171,739	160,239
Total revenues	<u>5,729,409</u>	<u>4,884,104</u>	<u>(845,305)</u>
<b>Expenditures</b>			
Administration	853,000	1,096,437	(243,437)
Operations	2,565,708	1,898,823	666,885
Maintenance	785,420	729,428	55,992
Capital outlay	2,276,099	982,505	1,293,594
Debt service	4,800	4,800	-
Contingency	350,000	-	350,000
Total expenditures	<u>6,835,027</u>	<u>4,707,193</u>	<u>2,127,834</u>
Excess (deficiency) of revenues over expenditures	<u>(1,105,618)</u>	<u>176,911</u>	<u>1,282,529</u>

# Identification of Risk

## ◆ Audit Findings

### ○ Administration Ratio

- Total Administrative Expenses = \$1,096,437
- Total Operating Expenses = \$2,628,251
- Assets to Liabilities =  $\$1,096,437 \div \$2,628,251$
- Administration Ratio = 41.72%
- Goal
- <30%



# Identification of Risk

## ◆ Audit Findings

- **Change in Net Position**
  - **Similar in Concept to Private Sector Balance Sheet**
- **Total Assets + Deferred Inflows – Total Liabilities and Deferred Outflows**
- **Best Examined on a Multiyear Basis**
  - **Sound Policy Decisions to Reduce Debt May Adversely Impact Changes in Net Position**



# Identification of Risk

## ◆ Audit Findings

### ○ What to Look For

- **Decreases in Net Position Over a Multiyear Period Typically Means the Organization's Spending Exceeds Revenues**

### ○ Goal

- **Increases in Net Position Over the Previous Year or Positive Change in Net Position Over a Multiyear Period**

# Identification of Risk

- ◆ **Audit Findings**
  - **Change in Net Position**
  - **Look for Change in Net Position from Past Fiscal Year to Current Fiscal Year**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2022**

	General	Property Management	NW Rides	Nonmajor Enterprise Funds	Totals
<b>Operating revenues</b>					
Charges for services	\$ 1,129,661	\$ 35,470	\$ -	\$ -	\$ 1,165,131
Operating grants and contributions	750,690	-	4,364,943	520,218	5,635,857
	<u>1,880,357</u>	<u>35,470</u>	<u>4,364,943</u>	<u>520,218</u>	<u>6,800,988</u>
<b>Operating expenses</b>					
Personnel services	2,353,807	-	489,923	-	2,843,730
Materials and services	1,380,534	62,012	3,791,632	250,378	5,484,556
Depreciation	276,433	141,808	8,218	-	426,459
	<u>4,010,774</u>	<u>203,820</u>	<u>4,289,773</u>	<u>250,378</u>	<u>8,754,745</u>
Operating income (loss)	<u>(2,130,417)</u>	<u>(168,350)</u>	<u>75,170</u>	<u>269,840</u>	<u>(1,953,757)</u>
<b>Nonoperating revenues (expenses)</b>					
Interest income	6,907	534	-	6,573	14,014
Property taxes	1,107,666	-	-	-	1,107,666
Other taxes	341,312	-	-	-	341,312
Other intergovernmental subsidies	938,837	-	-	-	938,837
Miscellaneous	121,739	-	206,000	-	327,739
Gain on sale of capital assets	6,500	-	-	-	6,500
Payments to STF recipients	-	-	-	(17,661)	(17,661)
Interest expense	-	(9,210)	-	-	(9,210)
	<u>2,522,061</u>	<u>(8,676)</u>	<u>206,000</u>	<u>(11,088)</u>	<u>2,709,197</u>
Capital contributions	434,989	-	-	-	434,989
Income (loss) before transfers	827,533	(177,026)	281,170	258,752	1,190,429
Transfers in	345,879	393,640	10,000	572,629	1,322,148
Transfers out	(905,871)	-	-	(356,277)	(1,322,148)
Change in net position	<u>207,541</u>	<u>216,614</u>	<u>291,170</u>	<u>475,104</u>	<u>1,190,429</u>
Net position – beginning	<u>3,676,759</u>	<u>4,017,398</u>	<u>252,913</u>	<u>1,395,64</u>	<u>9,342,717</u>
<b>Net position – ending</b>	<b>\$ 3,884,300</b>	<b>\$ 4,234,012</b>	<b>\$ 544,083</b>	<b>\$ 1,870,754</b>	<b>\$ 10,533,146</b>



# Identification of Risk

## ◆ Audit Findings

### ○ Change in Net Position

- Prior Year End = \$9,342,717
- Current Year End = \$10,533,146
- Net Change = \$1,190,429

### ○ Goal

- Positive Change





# Identification of Risk

## ◆ Audit Findings

### ○ Change in Net Position

#### ▪ Caution

- Net Change Will be Influenced by Capital Acquisitions
- Not Always a Meaningful Metric



# Identification of Risk

## ◆ Audit Findings

- **Insufficient Segregation of Duties**
  - **Lack of Internal Controls**
    - **Presents Risk of Theft or Loss of Project Assets**
- **Untimely Preparation of Financial Statements**
  - **Demonstrates a Lack of Financial Management Capacity**
  - **Will Result in Audit Finding**
- **Failure to Address Audit Findings**
- **Repeat Audit Findings**



# Identification of Risk

## ◆ Cash Flow Issues

### ○ Less Obvious Signs

- System Personnel Are Making Frequent Inquiries to ODOT on the Status of Grant Requests for Payment

### ○ If ODOT is Behind in Processing Grant Payments, This Should be Taken as a Legitimate Inquiry

### ○ However, If ODOT Has Been Prompt

- This is Generally a First Sign that the Agency is Experiencing Liquidity Issues

# Identification of Risk

- ◆ **Staff Turnover in the CFO Position**
  - **In Smaller Organizations, This is a Critical Position**
  - **Government Accounting is Rarely the Subject Matter in Accounting Education**
  - **If the New CFO Has Little**
    - **Grants Management Experience**
    - **Governmental Accounting Experience**
    - **Experience with the Agency's Accounting Software**
  - **This Can Create Interim Issues in Financial Management**



# Identification of Risk

- ◆ **Staff Turnover in the CFO Position**
  - **Generally, the New CFO Can Overcome These Obstacles**
    - **Software Use, Governmental Accounting Principles Can be Learned**
    - **If the New CFO is Empowered to Reach Out to Funding Sources, Issues with the Organization is Likely to be Temporary**
  - **Organizations in this Position Should be Monitored More Closely**



# Identification of Risk

## ◆ Staff Turnover in the CFO Position

### ○ Best Practice

- **Cannot Overstate the Importance of the Organization Having Well Developed Written Processes and Procedures**
  - **If These Documents are Lacking, the Departing CFO Should Focus on the Creation of these Documents Before Departure (If Possible)**
- **This Will Greatly Facilitate Personnel Transition**
- **Cross-Training**



# Identification of Risk

- ◆ **New Financial Management Software**
  - **This Scenario is Not Necessarily Indicative of Financial Difficulty,**
    - **Can Introduce Periods Where Financial Reports are**
      - **Untimely**
      - **Inaccurate**
  - **Any Software System Transition is Difficult**
    - **These Difficulties Can Be Offset if System Personnel Have Prior Experience with the New Application**



# Identification of Risk

- ◆ **New Financial Management Software**
  - **If No Prior Experience in the Application**
    - **In Funding Software Acquisitions, Budgets Should Take Care to Ensure that Sufficient Funding is Provided for Training and Consulting Assistance in Implementation**





# Identification of Risk

## ◆ Late Payments

- **Conduct of Spot Checks of Financial Transactions to Verify Proper Documentation**
- **During Spot Checks on Documentation, Note Payment Cycles**
  - **Should be 30 Days or Less**
  - **If Longer, This is a Likely Indicator of Cash Flow or Liquidity Issues**



# Identification of Risk

- ◆ **Short-Term Interest Budget Items**
  - **FTA Circular 9040.1G**
    - **Interest on Short-Term Loans for Operating Assistance is Eligible as Project Administration If the State Approves It**
  - **This is Generally an Indication the Transit Agency is Planning or Has Taken Out a Loan to Cover Operating Expenses**
  - **This is a Likely Indicator of Cash Flow or Liquidity Issues**
  - **Can Be Very Difficult to Repay**



# Identification of Risk

- ◆ **Communications With the Governing Board**
  - **Watch Behaviors at Board Meetings and Other Presentations**
    - **Finance Personnel Should be Speaking on Financial Matters**
    - **When These Duties Are Usurped or Re-Assigned to Others It Could Be an Indication That Management is Not Fully Disclosing Financial Status to the Governing Board**



# Identification of Risk

- ◆ **Disengaged Governing Board or Lack of Financial Expertise**
  - **Governing Board Has a Fiduciary Responsibility for the Efficient Management of the Organization**
  - **Boards That Merely “Rubber Stamp” Management Reports Can Lead to Financial Issues**



# Identification of Risk

- ◆ **Disengaged Governing Board or Lack of Financial Expertise**
  - **Best Practices**
    - **Adopt Board Member Recruitment Practices that Include Financial Acumen/Experience (If Non-Elected)**
    - **Create Finance Subcommittee of the Board for the Specific Purpose of Financial Oversight**
    - **Provide Periodic Dashboard Reports that Provide Key Metrics Relating to Financial Health of the Organization**

A faded, light-colored map of a residential or commercial area is visible in the upper portion of the slide. The map shows street grids, property lines, and several areas highlighted with colored outlines in shades of red, orange, yellow, and purple. The map is semi-transparent and serves as a background for the text.

Module 9

# **2 CFR § 200 CHANGES – NOVEMBER 12, 2020**



# Key Changes

- ◆ **Reformatted Definitions, Removing Section Numbers**
- ◆ **Use of “CFDA” Replaced with “Assistance Listing Program Title”**
- ◆ **“Improper Payment” and “Questioned Cost” Definitions Revised to Clarify that Questioned Costs are Not Improper Until Confirmed**
- ◆ **Power of Federal Awarding Agencies to Terminate Grants Strengthened**



# Key Changes

- ◆ **Micro-Purchase Threshold Increased to \$10,000 for Some Nonprofits and Research Organizations**
  - **Note: Other Action Raised Both the Micro-Purchase and Small Acquisition Threshold for All Non-Federal Agencies**
- ◆ **Clarified that Pass-Through Entities Only Responsible for Resolving Audit Findings Related to the Award**
  - **Not All Subrecipient Audit Findings**





# Key Changes

- ◆ **Changed Conditions on the Allowability of the Use of the De Minimis Indirect Cost Rate**
  - **Any Non-Federal Entity Now Permitted to Use this Rate**
    - **Previously, Only Those NFEs that Had Never Had a Negotiated ICR With the Federal Government Could Use the De Minimis Rate**
- ◆ **Stipulated that NFEs Using the De Minimis Rate Was Not Required to Prove 10% Indirect Costs**



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# Key Changes

- ◆ **Banned Acquisition or Contract Extension of Any Existing Contract From Certain Telecommunications Vendors**
  - Huawei
  - ZTE Corporation
  - Any Subsidiary or Affiliates



# Key Changes

- ◆ **Public Security Projects**
  - **Hytera Communications Corporation**
  - **Hangzhou Hikvision Digital Technology Company**
  - **Dahua Technology Company**
    - **Their Subsidiaries and Affiliates**



# Key Changes

- ◆ **Required Publication of Indirect Cost Rates on an Federal (OMB) Website**
  - Rate
  - Base
  - Type
- ◆ **Required Grant Close-Out Within One Year After the End of the Period of Performance**



# Key Changes

- ◆ **Never Contract With the Enemy**
  - **Applicable to Awards Over \$50,000**
  - **Work is Performed Overseas**
  - **Prohibits Recipients from Providing Funds to Subrecipients or Contractors Actively Opposing the U.S. or Coalitions Forces Engaged in Contingency Operations**



Module 10

# **2 CFR § 200 CHANGES – PROPOSED (10/22/2023)**



# Proposed Changes

- ◆ **While Only Proposed, History Suggests the Vast Majority of These Proposed Changes Will Go Into Effect**
- ◆ **Will Have Some Significance in Grant Administration Practices**





# Proposed Changes

- ◆ **Published on October 5, 2023 (83 Fed. Reg. 69,390)**
- ◆ **Changes Multiple Federal Cross-Cutting Rules**
  - **2 CFR § 25 (Universal Identifier and SAM)**
  - **2 CFR § 170 (Reporting Subaward and Executive Compensation)**
  - **2 CFR § 175 (Trafficking in Persons)**
  - **2 CFR § 180 (Governmentwide Debarment/Suspension)**



# Proposed Changes

- ◆ **Changes Multiple Federal Cross-Cutting Rules**
  - **2 CFR § 183 (Never Contract with the Enemy)**
  - **2 CFR § 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements)**



# Proposed Changes

- ◆ **Goals in this Proposed Rule**
  - **Incorporation of New Statutory Requirements**
  - **Reduction in Agency and Recipient Administrative Burden**
  - **Clarification of Differing Agency Interpretations**
  - **Incorporation of More “Plain Language” in Terms and Conditions**
  - **Improve Federal Financial Assistance Management, Transparency, and Oversight**



# Proposed Changes

- ◆ **Key Proposed Guidance Changes**
  - **Increase Single Audit Threshold to \$1,000,000 from Current \$750,000**
  - **Modify Computation of Modified Total Direct Costs (MTDC) to Increase Amounts of Subawards to \$50,000 from Current \$25,000**
  - **Increase the De Minimis Indirect Cost Rate to 15%**



# Proposed Changes

- ◆ **Definition Changes**
  - **Improper Payment**
  - **New Definitions**
    - **For-Profit Organization**
    - **Key Personnel**
    - **Participant**
    - **Prior Approval**



# Proposed Changes

- ◆ **Federal Financial Assistance**
  - **Attempt to Provide Clarity**
    - **Funds Administered by Recipients and Subrecipients, as Compared to Non-Federal Entities**
      - **Facilitates Application of 2 CFR § 200 When Grantee is a For-Profit Entity (Federal agency discretion)**



# Proposed Changes

## ◆ Definition Changes

### ○ Equipment

- Now Defined as Having a Useful Life of Greater Than One Year and a Unit Cost Greater Than \$5,000

### ○ Proposed

- Raise Threshold to \$10,000 for Definition of Equipment



# Proposed Changes

## ◆ Procurement

- **Tribal Governments May Use Their Own Policies and Procedures**
  - **Sounds Similar to Provisions Provided to States**
    - **FTA Still Imposes Statutory Requirements on States**
    - **Will a Similar Approach be Imposed on Tribes?**
      - » **Unknown**





# Proposed Changes

## ◆ Procurement

- **Removal on the Prohibition Against Geographic Preference**
  - **No Prohibition, However, for NFEs from Including in Scoring Mechanisms for Bidders Committing to Specific Jobs, Compensation, and Benefits**
    - **Must be Consistent with Practices and Legal Requirements of the Recipient or Subrecipient**



# Proposed Changes

## ◆ Procurement

- **Addition to Existing Section on Contracting with Small and Minority Businesses, WBEs, and Labor Surplus Area Firms**
  - **OMB Proposed to Add Veteran's Owned Business to this Section**



# Proposed Changes

## ◆ Clarification

- Always Embedded in FTA's Oversight Approach
- Proposed Inclusion in Written Guidance
  - The Federal Awarding Agency Has No Direct Legal Relationship with Subrecipients and Contractors of Pass-Through Agencies
- Subrecipient vs. Contractor Determinations Not Limited to Only Those Factors in 2 CFR § 200.331



# Proposed Changes

## ◆ Clarification

- **Emphasizes that Pass-Through Entities Must Confirm that Subrecipients are Not Suspended, Debarred, or Otherwise Excluded from Receiving Federal Funds**
- ◆ **Some Reduction in the Need for “Prior Approval” for Some of the Selected Items of Cost in 2 CFR § 200.420 – 200.476**



# Proposed Changes

## ◆ Major Change

- **De Minimis Rate Proposed to Increase to 15% from Current 10%**
  - **OMB Cites a More “Reasonable and Realistic” Recovery of Indirect Costs**
  - **Entities May Propose Rates Lower Than 15%**
- **Removal of Requirement to Post on a Public Website the Indirect Cost Rates of NFEs**
  - **OMB Reserves the Right to Revisit This Requirement**



# Proposed Changes

## ◆ Allowable Costs

- **Selected Items of Cost in 2 CFR § 200.420 – 200.476 Not Meant to be Exhaustive**
  - **If Cost is Not Specifically Listed, Does Not Necessarily Mean a Cost is Not Allowable**

# Proposed Changes

## ◆ **Single Audit Threshold**

- **OMB Proposes to Raise the Threshold to \$1,000,000**
- **OMB May Revisit This Threshold Every Two Years**

## ◆ **SEFA**

- **New Requirement For Federal Awards Received as a Subrecipient, the Name of the Pass-Through Entity and Identifying Number Assigned by the Pass-Through Entity Must Be Included**



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