



# Department of Transportation

## Financial Management Oversight





# Agenda Day Two

8:30 – 9:45	Cost Allocation Plans
9:45 – 10:00	BREAK
10:00 – 11:15	FMS Controls
11:15 – 11:45	Self-Assessment Form
12:00 – 1:00	LUNCH
1:00 – 2:30	Self-Assessment Form -- continued
2:30 – 2:45	BREAK
2:45 – 3:30	Financial Capacity
3:30	End of Seminar

A vintage mechanical calculator, possibly a desk calculator, is shown in a close-up, angled view. The device is primarily black with a prominent, large, light-colored hand crank on the right side. It features various mechanical components, including gears and a carriage, typical of early electronic or mechanical calculators. The background is a soft, out-of-focus light green or yellowish hue, creating a sense of depth and highlighting the calculator as the central subject.

# **COST ALLOCATION PLANS**

# Objectives for this Section:

- Cost Allocation Plan requirements per FTA Circular 5010.1C
- Cost allocation plan definitions, methods and applications
- Common weaknesses in transit industry Cost Allocation Plans

# Purpose/Benefit of Cost Allocation Plans/Indirect Cost Proposals

- Compute indirect cost rate(s)
- More accurate cost information
  - Identifies activities conducted by entity and associated costs
  - Identifies common support activities and functions they support
  - Identifies the costs of those activities/functions
  - Relates these costs to those other activities/functions which they benefit
- More informed decision making

# Cost Allocation Plans

## Who Needs One?

Transit agencies that wish to claim indirect cost reimbursement under federal grants and contracts

### Exceptions:

- Transit agencies that are capable of directly charging administrative costs to direct cost objectives
- Must be able to document direct allocations in all cost categories
- Must be consistent

# FTA Circular 5010.1C

## Indirect Cost Requirements

- Claims must be supported by indirect cost proposal
- Proposal must be updated annually
- Proposal must be approved by FTA, if:
  - First project or proposal
  - Accounting system changes
  - Proposed rate exceeds previous year's rate by more than 10%
- Proposal must conform with A-87
- Subject to Single Audit review

# Cost Allocation Plans

Two Types:

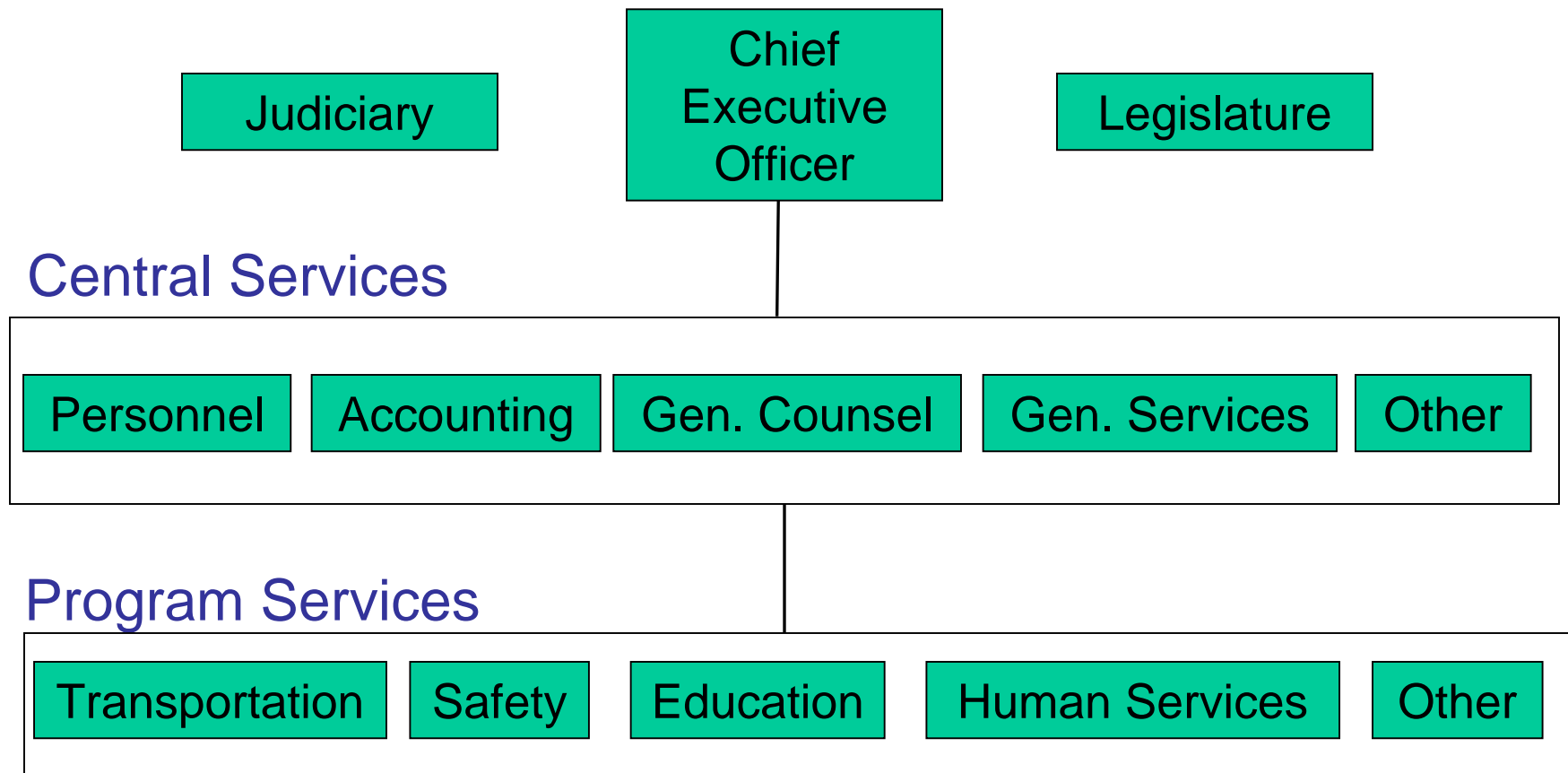
- State/local-wide central services cost allocation plans
- Indirect cost proposals – a cost allocation plan that results in indirect cost rates



# State/Local Cost Allocation Plan

- A higher tiered allocation plan that identifies cost of supporting service units and allocates them to benefiting departments and agencies on an equitable basis
- Approved by the Division of Cost Allocation, DHHS

# State/Local-Wide Central Service Cost Allocation Plan



# Charging for Central Service Costs

- Billed central service costs (section II)
  - ADP services
  - safety
  - telecommunications
- Allocated central service costs (section I)
  - accounting
  - budgeting
  - payroll
  - procurement

# Indirect Cost Proposal

A cost allocation plan that results in an indirect cost rate



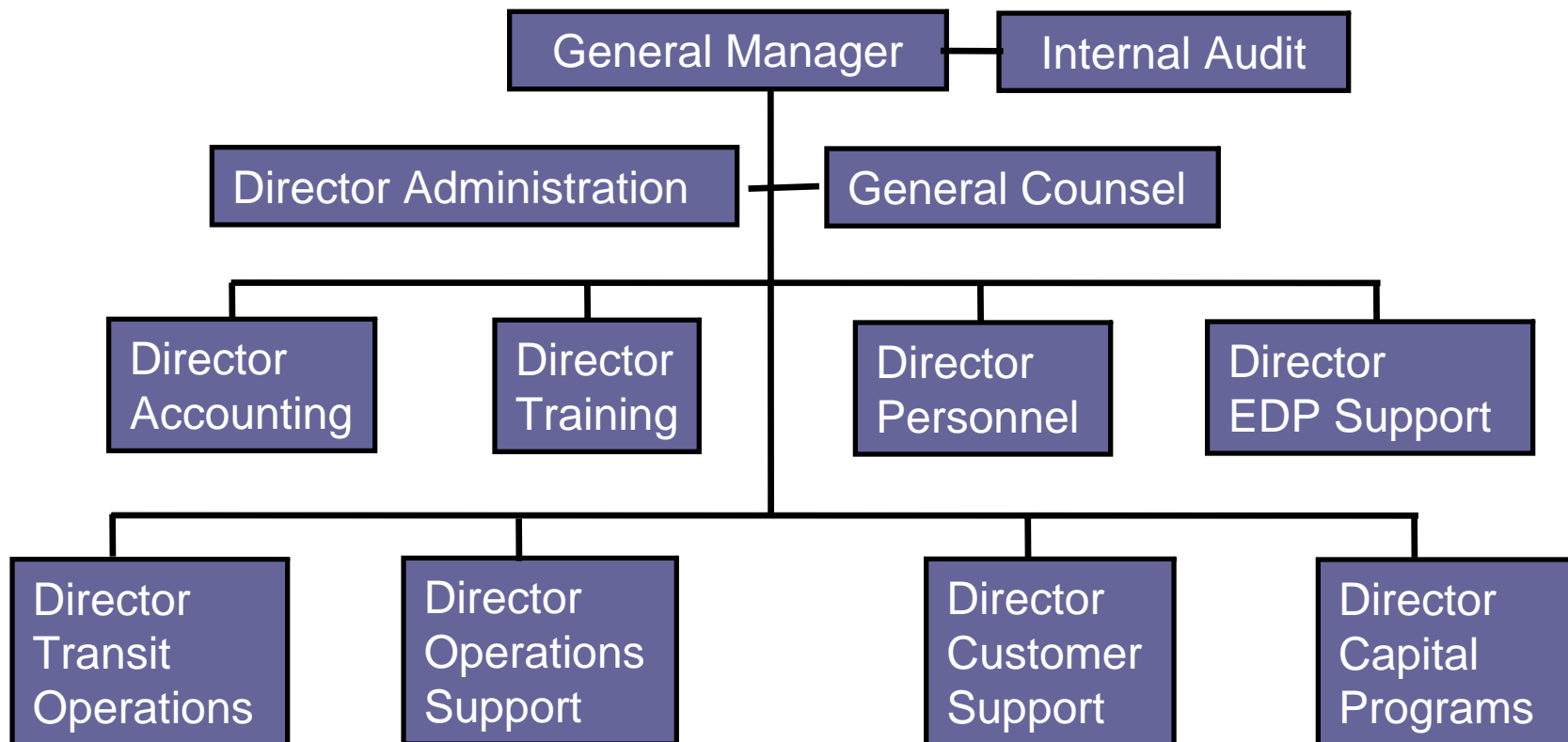
# What is an indirect cost rate?

- The ratio expressed as a percentage of an indirect cost pool and some direct cost base

$$\frac{\text{Allowable Indirect costs}}{\text{Direct cost base}} = \text{Indirect rate \%}$$

- Direct bases may be:
  - Direct salaries and wages or a modification thereof
  - Modified total direct costs (MTDC)
  - i.e. Total costs less distorting costs

# Transit Agency Organization Chart



# Four Methods for CAPs

Simplified (Short Form)  
Multiple Allocation Base

Alternate Simplified Method I  
Alternate Simplified Method II

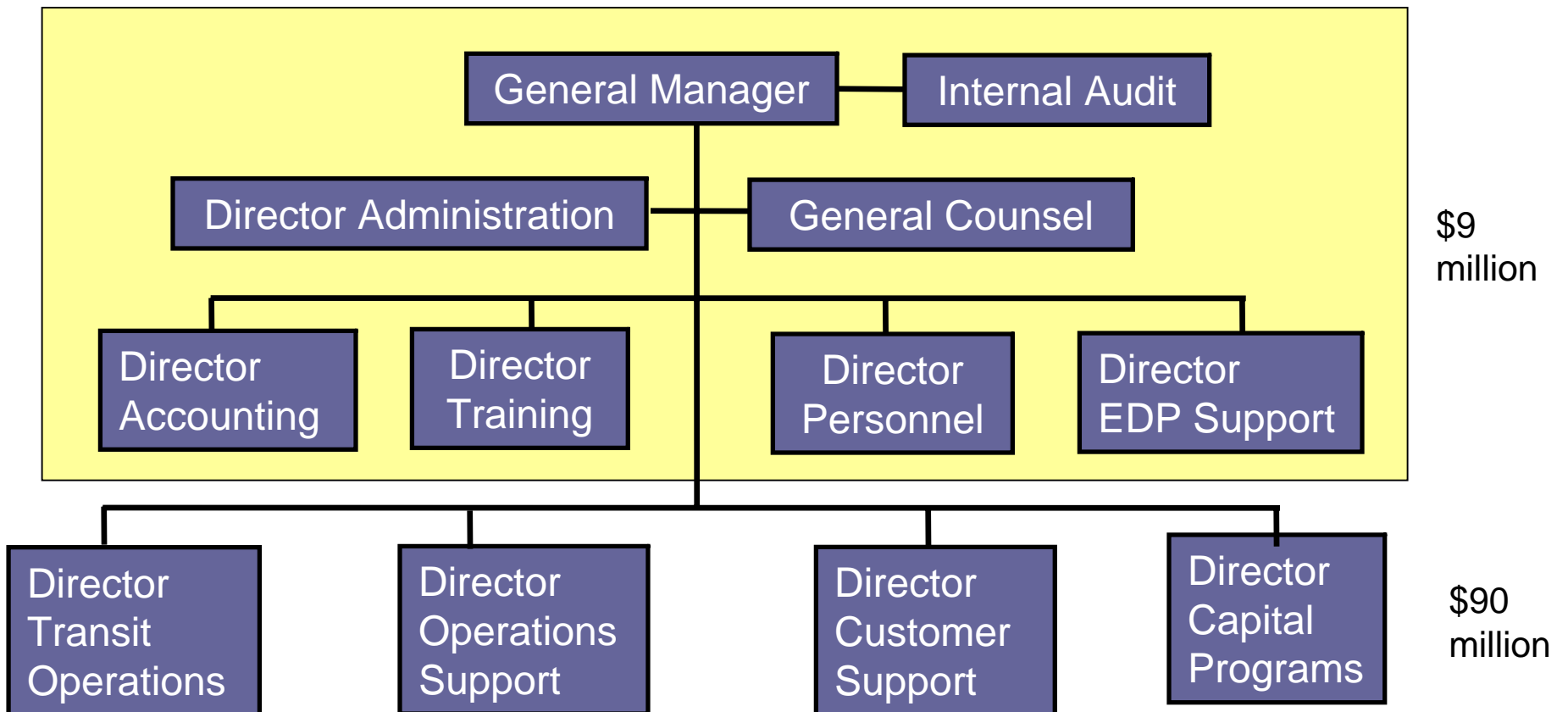
# Simplified (Short Form) Method

- Pros: The least complex method
- Cons: Will result in a low rate because of the large base



# Organization Chart

## Simplified (Short Form) Method



# Simplified (Short Form) Method

<u>Allowable TA Administrative Costs</u>	<u>\$9,000,000</u>
TA Direct Cost Base	\$90,000,000

Agency Indirect Cost Rate = 10.0%

\*plus Central Service Allocations (if any)

# The Multiple Allocation Base Method

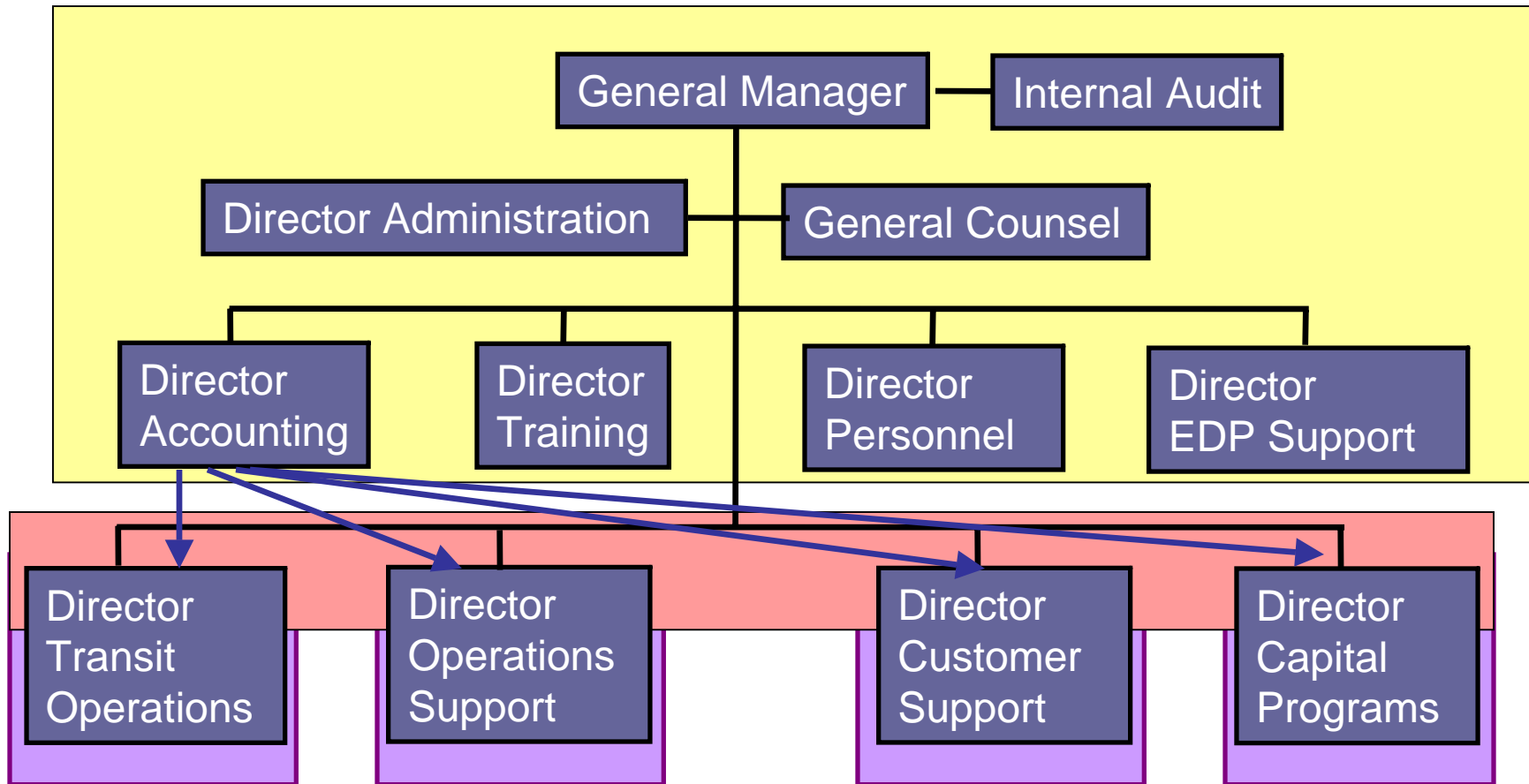
- Used when divisions do not use indirect costs to the same degree
- Allocates indirect costs to each division using multiple rate
- Result can be used as a management tool in determining costs of programs or divisions

# Multiple Allocation Base Method

- Pros:
  - Theoretically most accurate
  - May result in higher rate(s)
- Cons:
  - Most complex
  - Requires much more data
  - May Result in Lower Rate

# Organization Chart

## Multiple Allocation Base Method



# Suggested Bases for Cost

<b>Type of Service</b>	<b>Possible Allocation Base</b>
Accounting	Number of transactions
Auditing	Audit hours
Budgeting services	Employee hours identifiable
Building lease management	Number of leases
Data processing	System usage (time)
Cash disbursements	Checks issued

# Multiple Allocation Base Method

Support Department	Allowable TA Indirect Costs	Agency Level Support Costs						General Counsel	Internal Audit	Allocation Base
		Admin	Accounting	Training	Personnel	EDP Support				
General admin	1,545	(1,545)								Labor \$
Equal opportunity	395	(395)								No. of empl.
Financial account	1,635		(1,635)							Labor \$
Procurement	167		(167)							Labor \$
Budget and analy	989		(989)							Labor \$
Accounts payable	158		(158)							Labor \$
Safety & health	614			(614)						Labor \$
Staff development	723			(723)						Labor \$
Personnel	552				(552)					No. of empl.
EDP support	1,877					(1,877)				System use
General counsel	246						(246)			No. of empl.
Internal audit	565							(565)		audit hours
Agency-wide Indirect cost	9,466	(1,940)	(2,949)	(1,337)	(552)	(1,877)	(246)	(565)		
Allocation of Support Department's Indirect Costs to Operating Divisions										
Operating Division		Admin	Accounting	Training	Personnel	EDP Support	General Counsel	Internal Audit		
Transit Operation		1,141	1,735	787	325	1,105	145	360		
Operations Support		571	867	393	162	552	72	125		
Customer Service		137	208	94	39	132	17	22		
Capital Programs		91	139	63	26	88	12	58		
		1,940	2,949	1,337	552	1,877	246	565		

This is a sample only and is not intended to proscribe methods of charging costs nor is it necessarily illustrative of actual rates.

# Multiple Allocation Method Rate Calculation

	Total	Transit	Operations	Customer Service	Capital Programs
Administration	1,940	1,141	571	137	91
Accounting	2,949	1,735	867	208	139
Training	1,337	787	393	94	63
Personnel	552	325	162	39	26
EDP Support	1,877	1,105	552	132	88
General Counsel	246	145	72	17	12
Internal Audit	565	360	125	22	58
	<u>9,466</u>	<u>5,598</u>	<u>2,742</u>	<u>649</u>	<u>477</u>
Division IDC	<u>31,470</u>	<u>15,210</u>	<u>13,680</u>	<u>1,080</u>	<u>1,500</u>
	<u><u>40,936</u></u>	<u><u>20,808</u></u>	<u><u>16,422</u></u>	<u><u>1,729</u></u>	<u><u>1,977</u></u>
Total Direct Labor		<u>50,000</u>	<u>25,000</u>	<u>6,000</u>	<u>4,000</u>
IDC Rate		<u><u>41.6%</u></u>	<u><u>65.7%</u></u>	<u><u>28.8%</u></u>	<u><u>49.4%</u></u>



# Alternate Simplified Method I

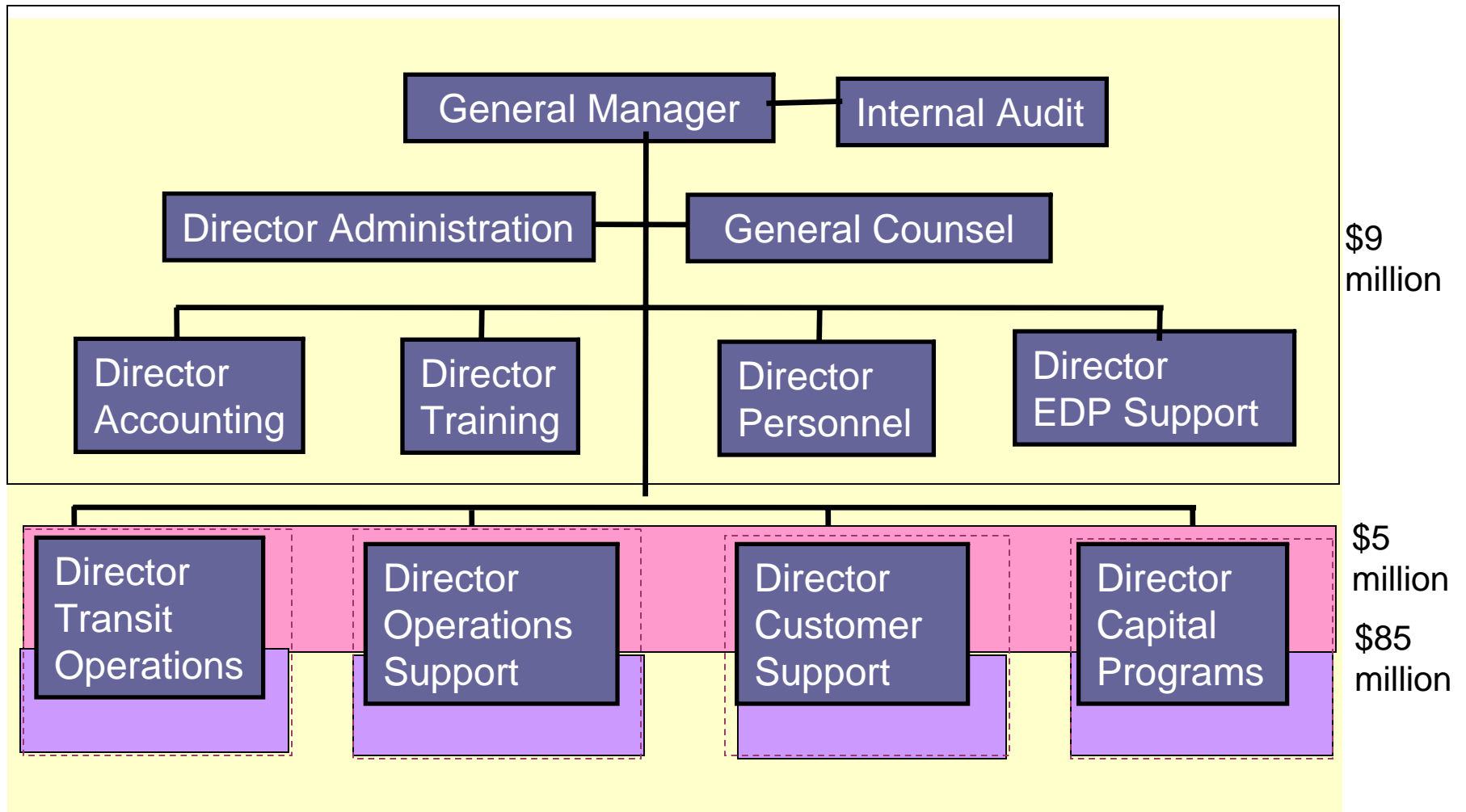
- Method recognizes departmental indirect costs
- Can be used:
  - If ratio of indirect costs to the base approximates ratio at sister departments
  - If not inequitable to the federal government

# Alternate Simplified Method I

- Pros:
  - Recognizes administrative costs of operating departments
  - May recover more agency costs than other methods
- Cons:
  - More difficult to prepare
  - May result in less recovery than other methods

# Organization Chart

## Alternate Simplified Method I



# Alternate Simplified Method I

Allowable TA Level Administrative Costs	\$ 9,000,000 +
Division Level Administrative Costs	<u>\$ 5,000,000</u>
Total	\$14,000,000*
TA Direct Cost Base	\$85,000,000
Agency Indirect Cost Rate	16.5%

\* Plus Central Service  
Allocations (if any)

# Alternate Simplified Method II

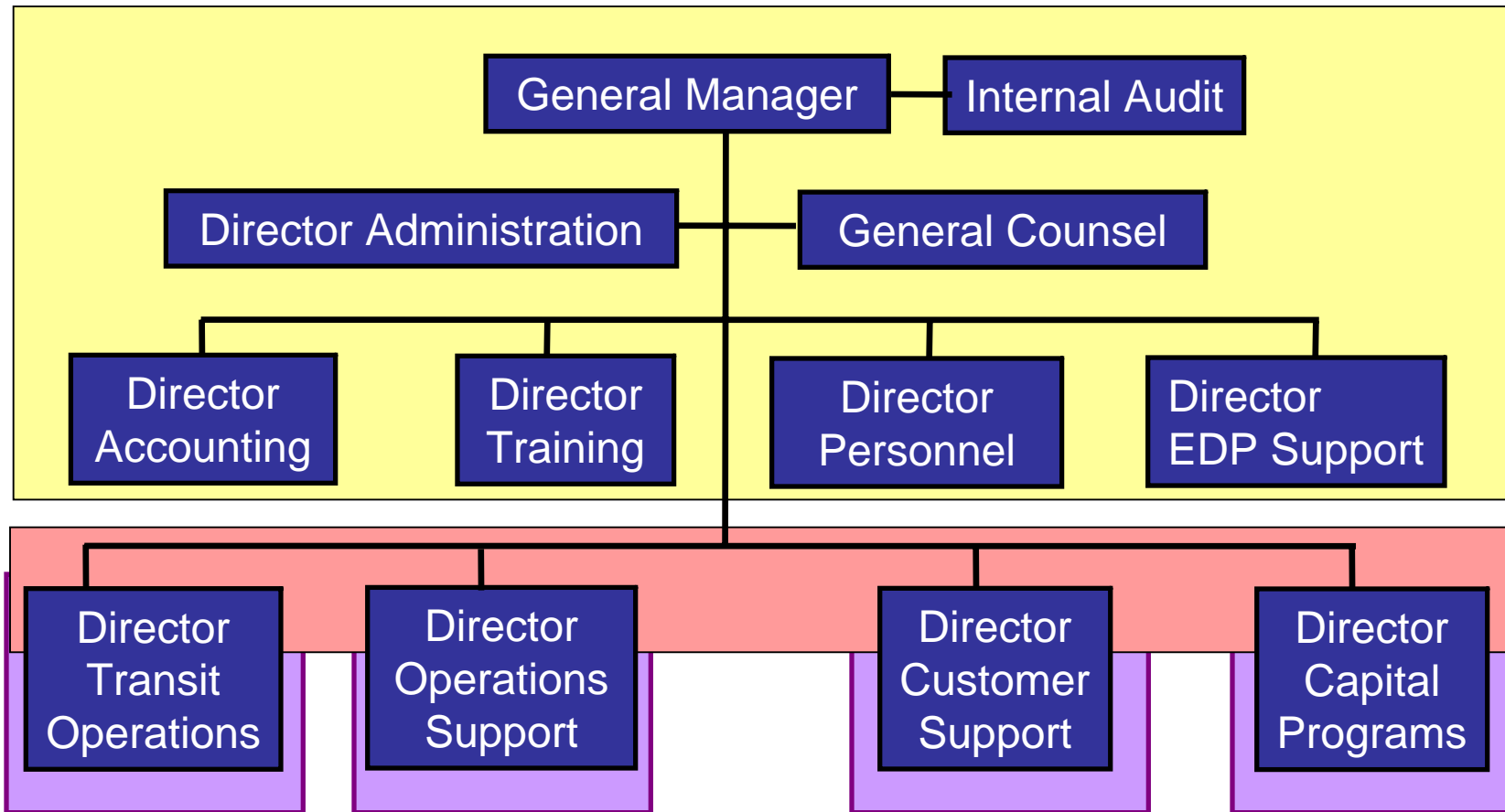
- Provides for divisional indirect cost rates
- Used when indirect effort at division level is significant and differs from sister divisions
- All agency and central service costs are allocated to the division on one allocation base
- Total indirect costs for a division will include agency indirects, division indirects and central services furnished to the agency

# Alternate Simplified Method II

- Pros:
  - Reflects administrative costs of individual operating divisions
  - May recover more division level costs
- Cons:
  - More difficult to prepare
  - May result in lower recovery than other methods

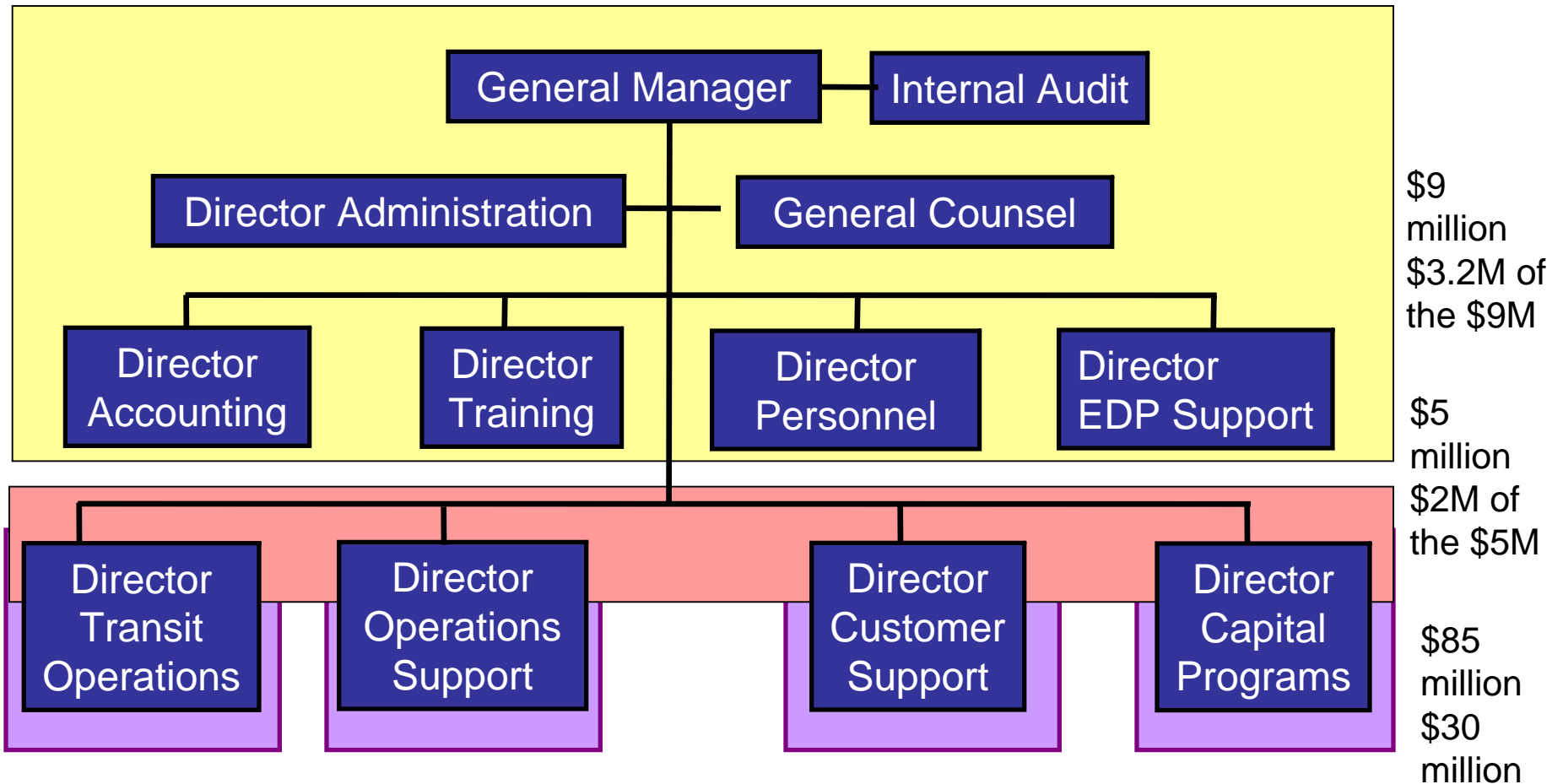
# Organization Chart

## Alternate Simplified Method II



# Organization Chart

## Alternate Simplified Method II





# Alternate Simplified Method II

Allocable Portion of TA Level	\$ 3,200,000
Allowable Administrative Costs	+
Allowable Division Administrative Costs	<u>2,000,000</u>
Total	\$ 5,200,000
Division Direct Cost Base	\$30,000,000
Division Indirect Cost Rate	17.3%

# Alternate Simplified Method II

## Calculation of Agency Level

Admin. Costs applicable to capital programs Division:

1. Total Agency Level	
Allowable Admin. Costs	\$ 9 Million
Total Agency Direct Costs	90 Million
Agency Admin. Rate	10%
2. Capital Programs Division Costs:	
Direct Cost	\$ 30 Million
Division Allowable Admin. Cost	\$ <u>2</u> Million
Total Division Costs	\$ 32 Million
Agency Admin. Rate	10%
Agency Admin. Costs Applicable to Division	\$ 3.2 Million

# Indirect Cost Proposal Documentation

- Organization chart
- Financial statements
  - Official approved budget
  - Audited statements
- Rate proposal with subsidiary worksheets and other relevant information
  - Description of each service/project and allocation base
  - Identification of units rendering and receiving service items of expense in cost distributions
  - Summary allocation schedule for each service/project

# Indirect Cost Proposal Documentation

- Proposal reconciliation with financial statements
  - Reclassifications
  - Unallowable costs
- Federal award direct cost base - salaries/fringes
- Certification of conformance with A-87
  - Cost are allocable, allowable, and consistency treated

# The Indirect Cost Rates Types

- Provisional/final
- Predetermined (i.e...., fixed)
- Fixed with carry forward

# Indirect Cost Rates Proposals

## Timing and Support

- Assume
  - FY ends June 30
  - It is August 2007 (FY 08)
- If need rate for FY 2008
  - Use 2007 costs with financial statements possibly with projections
- If need rate for FY 2009
  - Use 2009 costs with official budget

# Problems Found in Transit Agency Cost Allocation Plans

- Not reconciled to official budget or audited financial statements
- Non-federal and unallowable direct cost activities excluded from allocation bases
- Distorting direct costs not removed from bases
- Cost sharing not treated properly
- Unallowable costs not removed from indirect cost pools
- Inconsistent costing

# Problems Found in Transit Agency Cost Allocation Plans

- Incorrect calculation and carry forward of variances
- Arithmetic errors
- Applicable rates not used in claims



# Summary

## Cost Allocation Plans

- Provide better information
- Can improve cash flows
- Guidance found in OMB Circular A-87 and FTA Circular 5010.1C
- Four basic methods

**AM BREAK**





# FINANCIAL MANAGEMENT CONTROLS – REVIEW OF KEY CONCEPTS

# Objectives for this Session:

- Briefly review some basic internal control concepts, definitions, and ideas to build upon a common understanding.
- Introduce and understand the components of internal control and discuss the benefits and limitations of an internal control system.

# Public View on Internal Control

- Cascade effect of Sarbanes–Oxley Act of 2002
- Revisions to OMB Circular A–123
- State Legislative Actions

# What is Internal Control?

“Internal control” is broadly defined as a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

# The COSO Internal Control Framework

- The Committee of Sponsoring Organizations (COSO) of the Treadway Commission has published Internal Control-Integrated Framework
- It emerged as the framework that management and auditors use to evaluate internal controls
- Recognized control framework established by a body of experts

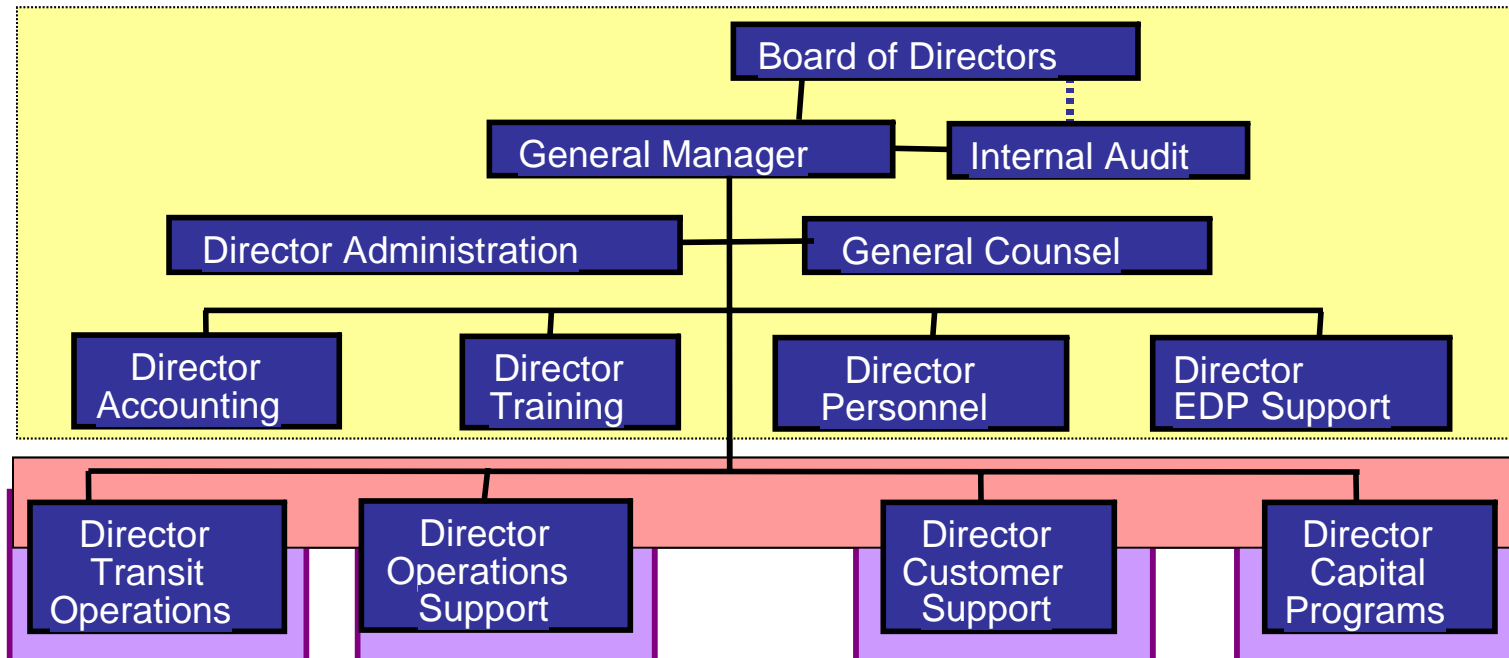
# Five Elements of Internal Control

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communications
5. Monitoring



# 1. Control Environment

- Sets the tone of an organization and is done through management
- Provides discipline and structure
- Based on the integrity, ethics and competence of management/employees
- Board should establish the foundation for overall direction



# 1. Control Environment

- Effective control environment
  - Board of Directors and audit committee participation
  - Assignment of authority and responsibilities
  - Commitment to competence
  - Integrity and ethical values
- Control environment can reduce effectiveness of other components
  - Management incentives could result in material misstatement of financial statements
  - Internal control can be affected by changes in management and developments in the industry, such as cuts in funding.

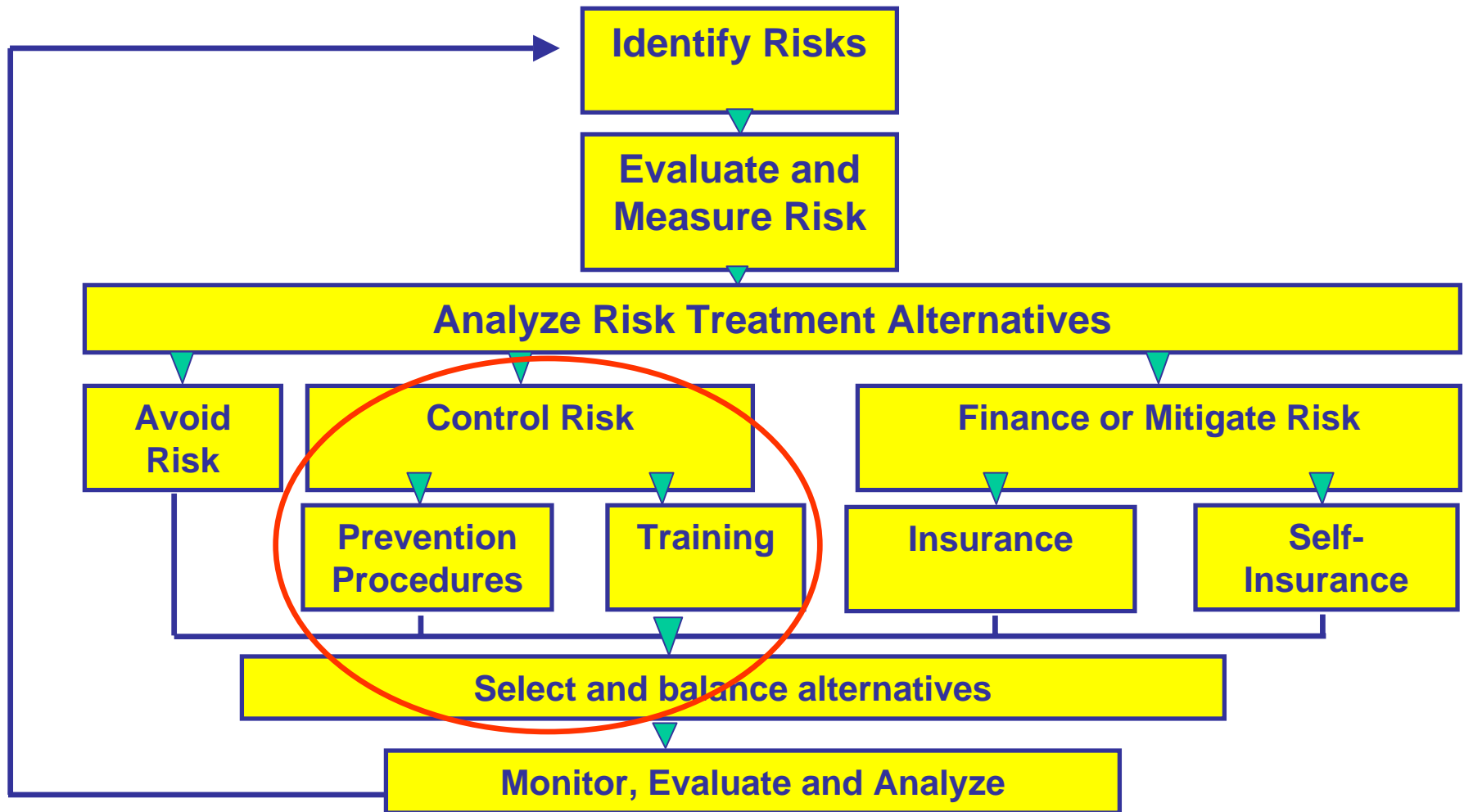
## 2. Risk Assessment

- Process for identification, analysis, and management of risks relevant to the preparation of financial information
- Risks arise due to change in circumstances such as:
  - New personnel
  - New or revamped information systems
  - Growth
  - New fare collection process or system
  - Organizational restructuring
  - New accounting pronouncements
  - Reduction in funding
  - Shifts in transit industry – rider demographics and spending patterns

# Risk Assessment Process

- Identify resources and critical factors necessary to achieve objectives such as:
  - Financing
  - Facilities
  - Technology
  - Personnel
  - Services
- Consider risk from external sources such as:
  - Creditor demands
  - Regulation
  - Public approval for funding increases
  - Natural events
  - Supply sources
- Prioritize risk identified for purposes of mitigating them

# The Risk Assessment Process



## 3. Control Activities

- Policies and procedures that ensure management directives are carried out
- Occur throughout the organization, all levels, functions, timely basis
- Include approvals, verifications, reconciliations, review of actual vs. budget reports, etc.
- Segregation of duties
- Safeguarding of assets
- Information processing

## 4. Information and Communication

- Pertinent information identified, captured, and communicated
- Timely
- Financial and operational
- Compliance related
- Internal and external
- Down, up and across agency

## 5. Monitoring

- Testing system periodically
- Continuously reassessing whole system
- Follow-up on audit findings
- Internal audit reports



# Applications to Small and Mid-sized Grantees

- Implementation of control environment factors is different
- Less formal structure, but emphasize culture of integrity through oral communication and management example
- Smaller entities rely more on compensating controls due to the low number of personnel

# Designing Good Controls

Good internal controls are designed to segregate these generally incompatible functions:

- Authorization to execute
- Recording of exchanges timely
- Safeguarding of assets
- Accountability and review of activities/accounts

# Limitations on Internal Control

- Human judgment in decision-making can be faulty
- Circumvented by collusion of two or more people
- Management override

# Internal Control Weakness

When weaknesses are found in control systems or specific controls, choices must be made among the following alternatives:

- Instituting new controls
- Improving existing controls
- Accepting the risk inherent in the weakness

# Cost/Benefit Analysis

- To quantify the risk of a control weakness, certain assessments must be made:
  - The likelihood of the error occurring:
    - Probability that it will occur at any point
    - Estimated frequency of occurring
  - Magnitude of the potential error
- Significance of the weakness in terms of potential loss must be compared to the cost of any new or revised control.

# Elimination of Obsolete Controls

- Systems change - controls should too
- Controls are often added to systems on top of other controls
- Eliminate redundant or cost-ineffective controls
- Too many controls slow system, waste resources, reduce customer service
- Consider laws and regulations before eliminating controls
- Build controls into processes

# What is the Future for Internal Controls?

- Greater emphasis on process controls over transaction controls (e.g., FMO Review)
- Paperless transactions
- More use of technology
- Focus on fraud risk factors
- Indirect impact of Sarbanes-Oxley



**INTERNAL CONTROL  
SELF-ASSESSMENT FORM  
FOR FTA GRANTEES**



# Key Accounts and Transaction Classes



- Cash Management
- Fixed Assets
- Procurement
- Accounts Payable
- Payroll
- Overhead
- Budget Controls
- Grants Management
- Project Management
- Information Technology

# Cash Management

- Cash Receipts: Are controls over cash received in the organization adequate to ensure that all receipts are deposited in accordance with company policy?
- Fare Revenues: Are fare revenue collection procedures controlled in a way that minimizes access to cash and exposure to theft?
- Cash Disbursements: Are cash disbursements controlled in a way that limits access to checks and other instruments that are easily convertible to cash?

# Cash Management

- Cash Receipts: Checks received by someone independent of accounts receivable accountant or other accounting personnel who initiate or post journal entries
- Fare Revenues: Cash counts reconciled to farebox reports
- Cash Account Reconciliation: Are cash accounts reconciled to ensure proper recording, timely identification and appropriate follow up of errors or irregularities?

# Fixed Assets

- Recording: Does the organization have written policies and procedures that ensure the completeness and accuracy of fixed assets information?
- Fixed Assets Inventory: Is a physical inventory performed in accordance with FTA regulations and reconciled to fixed assets records?
- Fixed Assets Disposals: Are disposal procedures adequate to ensure proper control of assets through disposition?

# Fixed Assets

- Fixed Assets Safeguards: Are assets adequately protected against loss or theft both physically and financially?
- Fixed Assets Maintenance: Do agency controls ensure that vehicles are maintained in serviceable condition throughout their useful life?
- Spare Parts: Are spare parts adequately safeguarded against loss?

# LUNCH BREAK



# Procurement

- Assessment of Need: Are controls in place to ensure that only reasonable and necessary goods and services are purchased?
- Procurement Structure: Are procurements structured to allow fair and open competition to the extent possible?
- Vendor Qualification: Does the organization perform procedures to ensure that vendors have the ability to perform in accordance with the contract?

# Procurement

- Procurement Structure: Are independent cost estimates developed before receiving bids or proposals?
- Vendor Qualification: Is there an approved vendors list that includes pre-qualified vendors?
- Vendor Selection: Are the written selection procedures used for each type of procurement?
- Civil Rights: Do the agency's procurement policies ensure that M/W/DBE's are used whenever possible?



# Procurement

- Contract Modifications: Are procedures in place to ensure that the need for modifications is properly evaluated?
- Dispute Resolution: Does the organization have adequate dispute resolution procedures?
- Conflicts of Interest: Does the agency have clear, written policies regarding conflicts of interest for employees representing the agency's interest?

# Grants Management

- Grant Records: Is the grants management system sufficiently controlled to ensure that:
  - Only allowable grant expenditures are charged?
  - The grants management system is reconciled to the general ledger and TEAM periodically?
- Encumbrances: Does the system allow for accurate tracking of encumbrances?

# Grants Management

- Grant Reporting: Are FSRs prepared on the accrual basis as required by FTA?
- Budget Revisions: Are there formal procedures to ensure revisions are made only when authorized and justified?
- Grant Close-Out: Are the agency's procedures sufficient to ensure timely close-out of grants in accordance with FTA regulations?

# Information Technology

Are controls over Information Technology sufficient to:

- Ensure that hardware and software are protected against loss or misuse?
- Ensure that access to sensitive data is restricted?
- Reduce the risk of unauthorized transactions occurring and not being detected?
- Ensure that critical data is protected in the event of emergency?

# Information Technology

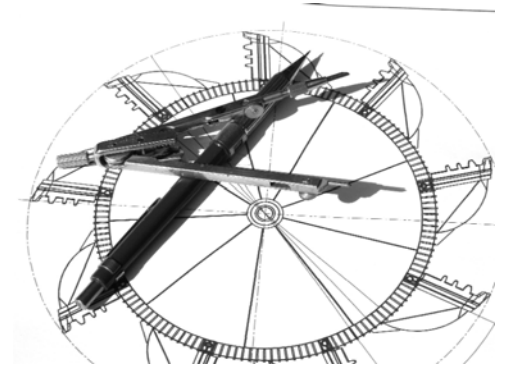


## Business Recovery Planning

### Goal:

- All systems will be replaced within the first 24 hours of a disaster with full system availability within 72 hours.
- Locate the employees/team members
- Obtain equipment and support
- Use job files and system backups to access data
- Put staff to work in an alternate work location.

# Information Technology

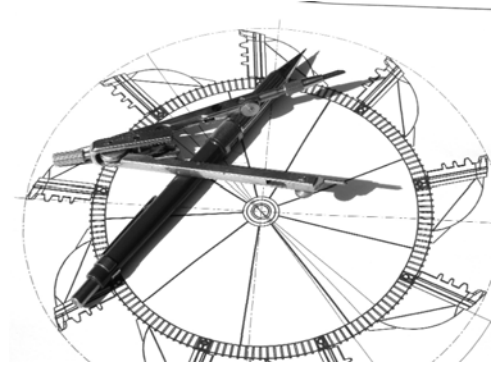


## Business Recovery Planning

A comprehensive plan should cover the following areas:

- Personnel Information: Including contact information, safety, and ability to resume work
- Systems: Orderly shutdown of equipment, resumption of mission-critical processing, and location of backups
- Processes: Documentation of critical business processes and process requirements

# Information Technology



## Business Recovery Planning

A comprehensive plan should cover the following areas:

- Communications: Protection of networks, telecommunications, and data services along with alternatives
- Vital Records (Data and Paper): Preservation of information security, and rapid restoration documentation
- Facilities: Safeguarding of facilities, and rapid re-entry or relocation
- Vital materials: May include spare parts



**PM BREAK**





# FINANCIAL CAPACITY

# Requirements for Financial Capacity

This section on Financial Capacity covers:

- Grantee requirements for financial capacity
- Financial Plan requirements
- Financial Capacity Assessment process

# Requirements for Financial Capacity

Sections 5307 and 5309 provide that a recipient may receive a grant in a fiscal year only if the recipient:

- Has or will have the legal, financial, and technical capacity to carry out the program
- Has or will have satisfactory continuing control over the use of equipment and facilities
- Will maintain equipment and facilities

# Requirements for Financial Capacity

Section 5309 goes further with respect to requirements for funding of New Starts projects:

“The Secretary of Transportation may approve a grant or loan . . . only if . . . the proposed project is . . . supported by an acceptable degree of local financial commitment, including evidence of stable and dependable financing sources to construct, maintain, and operate the system or extension.”

# Requirements for Financial Capacity

FTA has developed policies and guidelines relative to Financial Capacity, including:

- FTA Circular 7008.1A, January 2002 – “Financial Capacity Policy”
- FTA Circular 5200.1A, December 2002 – “Full Funding Grant Agreement Documents”
- Technical Guidance on Section 5309 New Starts Criteria, which is issued every Summer – “Local Financial Commitment”
- “Guidance for Transit Financial Plans” – June 2000

# FTA Oversight for Financial Capacity

- Triennial Reviews
- State Management Reviews
- Financial Capacity Assessments

# Financial Plan Requirements



Guidance for Transit Financial Plans – June 2000

# Motivation for New Guidance

- Financial plans prepared by project sponsors need improvement:
  - Inconsistent content
  - Missing key components
  - Unrealistic assumptions
- Increased scrutiny by Congress, OIG and OST
  - FTA directed to improve financial planning guidance and oversight of grantees

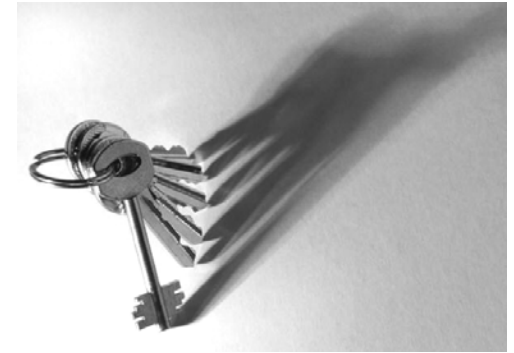


# Objectives

Improve guidance for project sponsors preparing financial plans:

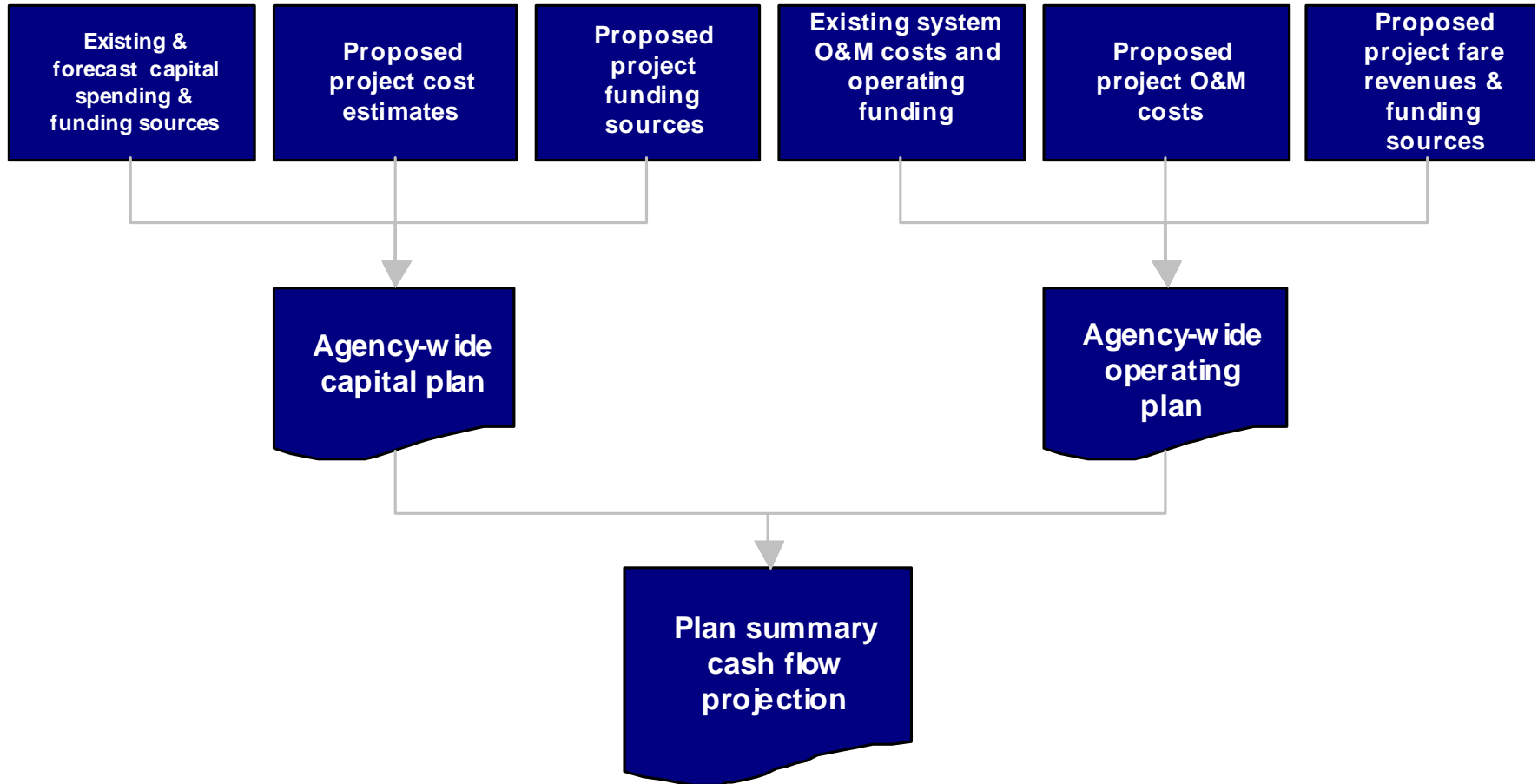
- Specify content of acceptable plan
- Provide examples of financial plan components
- Produce consistent guidance between the Office of Planning and the Office of Program Management

# Key Planning Principles



- Consistent regional planning framework
- Twenty-year planning horizon
- Document assumptions
  - Stable and committed funding sources
  - Inflation
  - Service plans
  - Fleet plans
  - Planned capital projects and rehabilitation
  - Ridership and revenue forecasts

# Content of Financial Plan



# Outline of Financial Plan

## Introduction and Description

- Capital plan
  - Project capital plan (capital funding requirements)
  - Agency-wide capital plan
- Operating plan
  - Project operating plan (operating subsidy requirements)
  - Agency-wide operating plan
- Cash flow analysis
  - Twenty-year cash flow projection
  - Financial evaluation

# Outline of Financial Plan

## Introduction and Description

- Description of project sponsor and funding partners
- Description and definition of proposed New Starts project
- Summary of the Financial Plan

# Outline of Financial Plan

## The Capital Plan

- Project capital plan
  - Capital cost estimates and schedule
  - Life-cycle capital expenses (major rehab, vehicle purchases, etc...)
  - Capital funding sources and commitments
  - Capital revenue forecasts
  - Debt plan and schedule
  - Cost contingencies
  - Allowance for federal funding shortfalls
- Agency-wide capital plan

# Outline of Financial Plan

## The Operating Plan

- Project operating plan
  - Service changes and realignments
  - Incremental project O&M costs
  - Incremental operating revenue forecasts
  - Funding sources and commitments
- Agency-wide operating plan

# Outline of Financial Plan

## The Cash Flow Analysis

- Twenty-year agency cash flow projection
- Financial evaluation
  - Secure committed non-federal funding sources
  - Adequate cash balance and reserve accounts
  - Acceptable debt service ratios
  - Sensitivity and risk analysis



# Outline of Financial Plan – Supporting Documentation

- Regional economic forecasts
- Fleet management plans
- Audited financial statements
- Documentation of funding commitments
- Bonding prospectus
- Agency strategic plans and budget
- Other relevant planning studies and documents



# FINANCIAL CAPACITY ASSESSMENT PROCESS

# Financial Capacity Assessments

Performed by:

- FTA Office of Planning & Environment
- FTA Office of Oversight

# Financial Capacity Assessment Process

Objectives: determine if grantee has capacity to:

- Deliver its non-Federal share of funding
- Operate and maintain its core transit services, including meeting capital replacement requirements
- Complete new Federally-funded construction according to terms and conditions of grant documents, including meeting revenue operation date

# Financial Capacity Assessment

FCAs performed by FTA Office of Planning for New Starts Projects:

- Prior to granting permission to enter preliminary engineering
- Annually for the New Starts Report to Congress
- Prior to granting permission to enter Final Design

# Financial Capacity Assessment Process

## Reports by Office of Program Management:

- Baseline reports . . . Required to be submitted by the FTA to Congress at least 60 days prior to the signing of FFGA
- Spot reports . . . Follow-up assessment report when deemed necessary by the FTA or to be submitted by the FTA to Congress at least 60 days prior to amending a FFGA

# Financial Capacity Assessment Baseline Reports – Process

- Preparation for review
- Gathering and organizing data
- Data analysis
- Site visits
- Communications and reporting

# Baseline Report

## Preparation for Review:

- Regional Office
  - Understand the project
  - Understand local funding base
  - Understand other grantee issues
  - Establish grantee contacts
  - Secure initial documents
- FTA Headquarters
  - High level concerns
  - Concerns from OIG or GAO
  - Coordination with Planning Office
- Project Management Oversight Consultant
  - FTA technical consultant on all FFGA projects
  - Ensures that grantee's capital programs are properly implemented and comply with Federal requirements
  - Tracks project costs and contingencies on progress (ROD)
  - Familiar with overall capital program



# Baseline Report

## Gathering and Organizing Data:

- Primary Data Sources
  - 20-year financial plan
  - Full Funding Grant Agreement
- Supporting Data Sources
  - Latest bond prospectus
  - Audited financial statements
  - FMO and Triennial Review reports
  - Fleet Management Plans
  - Summary of outstanding Federal grants
  - PMOC spot reports
  - Enabling legislation
- Supporting Data Sources – cont'd
  - Funding agreements
  - Five-year capital plan
  - Short-term capital lending
  - Long-term capital plan
  - Operating budget
  - TIP/STIP
  - FEIS

# Baseline Report

## Data Analysis:

- Data is analyzed
- List of questions and concerns developed
- Discussed with grantee and FTA
- List sent to grantee with request for additional data
- Additional data analyzed
- Supplemental questions list generated
- Site visit scheduled by region

# Baseline Report

## Site Visit:

- Scheduled by FTA regional office
- Entrance conference conducted
- Interviews conducted,, additional data gathered
- Exit conference conducted
- Duration: 1-3 days

# Baseline Report

## Interviews:

- Finance Director or Controller/Treasurer
- Project Manager for FFGA project
- Capital and Long Range Planning Director
- Budget Director
- Service Planning or Operations Director

# Baseline Report

## Exit Conference:

- Held at conclusion of site visit
- May be formal or informal
- Discuss concerns that may be cited in report
- Not prepared to discuss conclusions
- Request additional documents needed

# Baseline Report

## Reporting Phase:

- Draft Report
- Regional Office and FTA Headquarters review
- Draft presented to grantee
- Final Report

# Baseline Report

## Report Outline:

- Executive Summary
- Scope of Financial Capacity Assessment
- Project Overview
- Agency-wide Financial Capacity Assessment
- Conclusion
- Exhibits
  - Sensitivity analysis, etc.

# Spot Reports

- Follow-up on previously cited concerns
- Assess impact of new developments
- Performed prior to amendment to FFGA
- Performed annually for > \$1 billion projects





**END OF SEMINAR  
PRESENTATION**

**QUESTIONS  
COURSE EVALUATION**

**THANK YOU!**