

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 13, 2011

Mayor Jo Ann Graves, Board Chair
Regional Transportation Authority
130 Nestor Street
Nashville, TN 37210

Dear Mayor Graves:

Please find attached the Monitoring Report of the Regional Transportation Authority relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2011.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Direct Appropriations, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on December 12, 2011.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: Paul Ballard, Chief Executive Officer
Ed Oliphant, Chief Financial Officer
Richard M. Riebeling, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Gene Nolan, Deputy Director of Finance
Kim McDoniel, Chief of Accounts

Mark Swann, Internal Audit
Kevin Brown, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

REGIONAL TRANSPORTATION AUTHORITY

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

December 13, 2011

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION	5
OBJECTIVES, SCOPE AND METHODOLOGY	6
RESULTS OF REVIEW	7
FINDING AND RECOMMENDATION	11

INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Regional Transportation Authority. A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Regional Transportation Authority or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive appropriations and Community Enhancement Funds from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The purpose of this review was to assess the agency’s compliance with contractual requirements set forth in the following contract with Metro Government:

Contract	Type	Amount	Contact Term	
L-2429	Direct Appropriations	\$1,641,000	July 1, 2010	June 30, 2011

Agency Background

Regional Transportation Authority is an agency supported by member communities. Created in 1988, RTA provides ridesharing opportunities in order to promote the economic growth of its membership and improve the air quality of the community.

The agency is led by a board of city and county mayors and serves the following Middle Tennessee counties: Cheatham, Davidson, Dickson, Maury, Robertson, Rutherford, Sumner, Williamson and Wilson. RTA operates four regional bus routes traveling between downtown Nashville and Murfreesboro, Gallatin/Hendersonville, Franklin/Brentwood and Spring Hill/Thompson’s Station. RTA works closely with MTA in linking riders with 40 routes throughout Davidson County. In addition, RTA’s rideshare program organizes vanpools and carpools for commuters throughout Middle Tennessee.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were met.
- 4) To test the reliability of the financial and programmatic reporting.
- 5) To verify contractual compliance.

The scope of our review was limited to the contract term July 1, 2010 through June 30, 2011.

Audit procedures included meeting with agency management and staff, reviewing the design of internal controls as a basis for establishing our test work, reviewing board minutes and obtaining written representations from management. In addition, we examined certain financial records and supporting documentation necessary to ensure compliance with contractual requirements set forth in contract L-2429. Specific procedures included:

- Interviewing the employees responsible for grant management, financial reporting and accountability.
- Reviewing supporting documentation of expenditures for allowability, necessity and reasonableness.
- Reviewing the agency's general ledger and verifying the accuracy of all invoices submitted to Metro.
- Reviewing documentation to determine that funds were used for intended beneficiaries and expended in accordance with the spending plan of the contract.
- Reviewing documentation to support program activities for consistency with grant requirements.
- Assessing the financial stability of the agency and its ability to continue to administer the grant program funded by Metro.

RESULTS OF REVIEW

SUMMARY OF RESULTS

Criteria	Yes	No
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services Allowable and Eligible?	✓	
Program Objectives Met?		✓
Reporting Requirements Met?	✓	
Sufficient Internal Control Environment?	✓	
Compliance with Civil Rights Requirements?	✓	

RESULTS OF REVIEW

The overall results of the monitoring review are provided in this section. Results are based on test work performed and include conclusions regarding specific review objectives and, if applicable, recommendations for improvement and an action plan for implementation. Where applicable, the Findings and Recommendations section of this report provides more insight into any issues identified below.

1. Sufficient Resources and Capacity to Administer Grant Funds

Our review of the agency's accounting system and the qualifications of the individuals assigned to manage the accounting records indicate that the agency possesses the necessary resources and professional expertise to effectively administer the grant funds.

2. Allowable and Eligible Costs and Services

Our review covered all of the core compliance areas identified by OMB Circular A-133: *Audit of States, Local Government, and Non-Profit Organizations*. Costs incurred by the agency complied with applicable guidelines stated in OMB Circular A-122.

Additionally, the Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds to prevent co-mingling of Metro Funds with other sources of funding. The agency was in compliance with this requirement. Different revenue classes as well as expenditure classes have been established to separately track the sources and amounts of funding. Also, the agency can easily and accurately report their expenses supported by the Metro grant.

Based on our test work, costs and services during the period were allowable and eligible.

3. Program and Performance Objectives

The contract stipulates that the agency shall use the funds to provide the following outcomes:

RESULTS OF REVIEW

- Music City Star Regional Rail Train Service: 850 persons served daily; 6 peak trips per day, Mon-Fri with 1 off-peak Friday Night Trip
- Transit Voucher Support: Minimum of 225 vouchers, passes & tickets provided to low-income and unemployed clients of nonprofit social service agencies for transportation to career centers, job fairs and job interviews
- Contracted JARC Bus Service: Two daily mid-day bus runs of the #96X Nashville/Murfreesboro Relax & Ride
- Contracted Relax & Ride Bus Service: Providing five different service routes from downtown Metro Nashville to outlying areas, with annual ridership count of over 215,000. Four runs/trips per day to Springfield/Robertson County, Franklin, Gallatin and Spring Hill; 16 runs/trips per day to Murfreesboro.

Based on our review of program documentation and discussions with staff, program performance objectives were not met and the agency was not in full compliance with contractual program objectives.

4. Reliability of Financial and Programmatic Reporting

The contract requires submission of an annual audit report performed by a Certified Public Accountant. The contract also requires the agency to submit to Metro year end reports of the program outcome and a final expenditures report, no more than 45 days after the close of the contract.

We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency complied with all financial and programmatic reporting requirements.

5. Internal Control Environment

In order to determine the adequacy of the design of internal controls, we obtained and reviewed an independent auditor's report on internal control over financial reporting and/or a completed internal control questionnaire. This audit procedure was performed solely as a basis for determining our test work and to assist us in making suggestions for improvement to management. We did not evaluate the operating effectiveness of internal controls over financial reporting.

RESULTS OF REVIEW

Our review of the design of the agency's internal controls did not reveal any control deficiencies. Further, nothing came to our attention that would necessitate suggestions for improvement in internal control activities to management.

6. Civil Rights Requirements

Our review did not reveal anything to indicate that the agency was noncompliant with civil rights requirements. The agency also has necessary written policies and procedures relating to civil rights. The agency has not received any complaints regarding any form of discrimination. Further, civil rights and ADA postings are publicly displayed.

FINDINGS AND RECOMMENDATIONS

1. Program Performance Goals Not Met

Based on our testing and the review of the results of the program activities reveal that the agency failed to meet one program objective set forth in the grant contract. The agency's unmet contractual program objective was as follows:

- Contracted Relax & Ride Bus Service: Providing five different service routes from downtown Metro Nashville to outlying areas, with annual ridership count of over 215,000. Four runs/trips per day to Springfield/Robertson County, Franklin, Gallatin and Spring Hill; 16 runs/trips per day to Murfreesboro.

According to agency documentation provided, the annual ridership count was only 175,000. This is only 81% of the contractual obligation.

Recommendation:

Management should take all necessary measures to monitor and ensure the agency attains the performance objectives. Management should develop a plan to ensure program objectives will be attained in the future.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 30 days from the report date to the address below:

Ms. Brandie Haywood, Director
Division of Grants Coordination
PO Box 196300
Nashville, TN 37219