



Metropolitan Government of Nashville and Davidson County

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◆ Monitoring Report of ◆

Regional Transportation Authority

Issued by



**Office of Support Services
Division of Grants Monitoring**

March 27, 2002

Fred Adom, CPA
Director

Kevin Brown,
Lead Auditor

Rhonda Pope,
Assistant Auditor

Our Vision: To be excellent and proficient in monitoring and management services.

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
222 THIRD AVENUE NORTH, SUITE 650
NASHVILLE, TENNESSEE 37201

March 27, 2002

Nancy Allen
Regional Transportation Authority
501 Union Street, 6th Floor
Nashville, TN 37219-1705

Dear Board Chair:

Please find attached the Monitoring Report of Regional Transportation Authority relating to the contracts it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2002. The Division of Grants Monitoring (DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations, which receives appropriations from the Metropolitan Nashville and Davidson County government. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the DGM conducted the review on February 12, 2002.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6170.

Sincerely,

Fred Adom
Director

cc: Eric Beyer, Executive Director
Mary Ann Sparksman, Regional Transportation Authority
David Manning, Director of Finance
Nancy Whittemore, Assistant Director of Finance
Joe Holzmer, Division of Accounts
Kim McDoniel, Internal Audit
Kevin Brown, Division of Grants Monitoring
Rhonda Pope, Division of Grants Monitoring

**Monitoring Report
For
REGIONAL TRANSPORTATION AUTHORITY**

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OBJECTIVES, SCOPE AND METHODOLOGY

The Division of Grants Monitoring (herein after referred to as DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations, which receive appropriations from the Metropolitan Nashville and Davidson County government. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We have completed a monitoring review of the Metropolitan Nashville Government grants to Regional Transportation Authority for the year ended June 30, 2002. A monitoring review is substantially less in scope than an audit. DGM did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of Regional Transportation Authority. Our objectives were for this review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds
- 2) To test if costs and service are allowable and eligible
- 3) To verify that program objectives are being met
- 4) To test the reliability of the financial and programmatic reporting
- 5) To test the reliability of internal controls
- 6) To verify contractual compliance
- 7) To verify that civil rights requirements are being met

RESULTS OF MONITORING

The results of the monitoring tests includes conclusions regarding the key objectives, recommendations for improvement and an action plan for implementing the conclusions:

1. Possess necessary resources and capacity to administer the grant funds

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicate that the Regional Transportation Authority possesses the necessary resources and expertise to administer the grants funds. The staff at Regional Transportation Authority has several years of accounting experience. The agency follows the state of Tennessee's accounting policies and uses System II---Accounting Systems software. The Regional Transportation Authority has a very active board of Directors that meets every third Wednesday of the month. During the meetings, they are given updates about the Relax and Ride program. The updates include the number of riders and the percentage increase or decrease from the prior month.

2. Allowable and Eligible costs and services

DGM normally reviews for the agency's compliance with any specific requirements outlined in the grant contract. The contracts between Metropolitan Government of Nashville and Davidson County and Regional Transportation Authority, is for the Regional Transportation Authority to "operate a regularly scheduled transit service between Nashville/Davidson County and Murfreesboro". Also the contract states that the Regional Transportation Authority should submit a copy of their annual audited financial statements. Our review determined that Regional Transportation Authority was in compliance with this requirement.

Also the contracts did not specify for the separate accounting of the Metropolitan Nashville Government grant funds or prohibit co-mingling of the Metro Funds with other sources of funding. While doing testing we noticed that Regional Transportation Authority's accounting system keeps the grant funds from various activities separated. As a result, we could segregate and account for the expenditures separately funded with Metro dollars. Our review covered all of the core areas compliance areas identified by OMB Circular 133 Audits of States, Local Governments, and Non-Profit Organizations.

3. Program objectives being met

The contracts between Metropolitan Nashville Government and Regional Transportation Authority for the year ended June 30, 2002, is for the Regional Transportation Authority "to operate and cause to be operated a regularly scheduled transit service between Nashville and Murfreesboro". Our review determined that the Regional Transportation Authority was in compliance with the program objectives.

4. Reliability of financial and programmatic reporting

There were no financial and/or programmatic reporting requirements placed on Regional Transportation Authority. The contracts only called for submission of an annual audit report performed by a Certified Public Accountant. There was no monthly, quarterly or annual reporting of the funds back to Metro Government or any reports of the program outcome. Nothing came to our attention to indicate the funds were used for any unintended purposes or any thing that would indicate non-compliance with OMB Circular 122, Cost Principles for Non Profit Organizations.

5. Reliability of internal controls

Our review of the internal controls of Regional Transportation Authority did not reveal anything to indicate any weaknesses in their internal controls. When reviewing the FY 01 audit report, Regional

Transportation received an unqualified opinion and there was nothing unusual reported. The solvency test revealed that Regional Transportation Authority had a positive cash flow and a quick ratio of 1.45.

6. Contractual compliance

The contract between Metropolitan Government of Nashville and Davidson County and Regional Transportation Authority is for “a regularly scheduled transit service between Nashville and Murfreesboro”. Test revealed that the agency is in compliance with the terms of the grant.

7. Civil rights requirements

Regional Transportation Authority had posted the required Non Discrimination Posters in the recommended common areas assessable and visible to clients and employees alike. Also the agency had a non-discrimination policy and an identified compliance officer for any complaints. Our review did not reveal anything to indicate that Regional Transportation Authority was not in compliance with civil rights requirements.

RECOMMENDATIONS

- 1) Metropolitan Government of Nashville and Davidson County should revise the provisions of the contract with Regional Transportation Authority to include, but not limited to the following:
 - a) Specific provisions for program outcomes
 - b) Specific financial reporting requirements, including format, frequency and type of cost.
 - c) Specific programmatic reporting requirements, including format, frequency and type of information
 - d) Reference to compliance requirements that Regional Transportation Authority will be subject to.

- 2) Metropolitan Government of Nashville and Davidson County should develop a Grants Manual that will outline the minimum and general expectations and requirements of all grant recipients of Metro Funds. This manual should address allowable and unallowable costs and cost principles to be followed by all nonprofit recipients of Metro funds.

- 3) Metropolitan Government of Nashville and Davidson County should develop a consistent process by which Regional Transportation Authority and other Nonprofits appropriated request f funds to administer their programs.