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# *Office of Inspector General*

# *Audit Report*

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## **FTA MONITORED GRANTEES' CORRECTIVE ACTIONS, BUT LACKS POLICY AND GUIDANCE TO OVERSEE GRANTEES WITH RESTRICTED ACCESS TO FEDERAL FUNDS**

*Federal Transit Administration*

*Report Number: ST-2016-058*

*Date Issued: April 12, 2016*





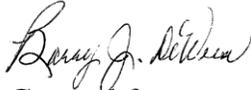
# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** FTA Monitored Grantees' Corrective  
Actions but Lacks Policy and Guidance To  
Oversee Grantees With Restricted Access To  
Federal Funds  
Federal Transit Administration  
Report Number ST-2016-058

Date: April 12, 2016

From: Barry J. DeWeese   
Assistant Inspector General for  
Surface Transportation Audits

Reply to  
Attn. of: JA-30

To: Federal Transit Administrator

In fiscal year 2015, Congress provided the Federal Transit Administration (FTA) with over \$10 billion for grant funding to State, local, and tribal governments; public and private transit operators; and other grantees to support public transit infrastructure and operations. More than 2,000 urban and rural transit operators receive FTA grants funds and technical assistance. After awarding a grant, FTA is responsible for ensuring grantees meet the terms of the grant agreements and conduct grant activities in accordance with Federal laws and regulations. If FTA becomes aware that a grantee has a significant internal control weakness or does not comply with Federal requirements, the Agency can temporarily restrict the grantee's access to Federal grant funds. From October 2010 through March 2014, FTA restricted access to Federal funds for 35 grantees for a variety of reasons, including unauthorized funding sources and inadequate competition for major procurements. In fiscal year 2013, these 35 grantees received over \$1.7 billion in FTA grant funding.<sup>1</sup>

Given the higher risks posed by grantees on Federal funding restrictions, we assessed whether FTA has effective oversight procedures to ensure that at-risk

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<sup>1</sup> According to FTA's National Transit Database (report year 2013), the most recent FTA-validated data available for the grantees in our universe.

transit agencies<sup>2</sup> take corrective actions to address internal control weaknesses identified in financial management reviews.

To conduct our audit work, we assessed FTA's policies and procedures for overseeing grantees, restricting at-risk grantees' access to Federal funding, monitoring and closing grantee corrective actions, and following up on grantees after FTA lifts their Federal funding restrictions. For our review, we selected 3 of the largest grantees—Chicago Metra, Miami-Dade Transit (MDT), and Washington Metropolitan Area Transit Authority (WMATA)—out of the universe of 35 grantees that FTA placed under Federal funding restriction between October 2010 and March 2014. We also interviewed FTA officials, FTA's oversight contractors, and the three selected grantees. We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A contains further information on our scope and methodology.

## **RESULTS IN BRIEF**

FTA monitored grantees' progress on corrective actions but lacks policies and guidance on the Federal funding restriction process. For the three grantees we reviewed (WMATA, MDT, and Metra), FTA regional offices took steps to protect Federal funds and monitored the grantees' progress in taking corrective actions. Specifically, when significant internal control weaknesses or other issues indicated the need to restrict a grantee's access to Federal funding, FTA issued letters to grantees to temporarily restrict their Federal funds, conducted oversight reviews of the grantees, and monitored grantees' progress in completing corrective actions. However, we found differences in FTA regional offices' approaches that, in some cases, led to inefficiencies in monitoring and unclear documentation of transit agencies' corrective actions. For example, all three FTA regional offices we examined enlisted contractors to review and approve invoices before allowing at-risk grantees access to Federal grant funds. One region's attempt to review invoices required manual transfer of data into FTA's grant management system, which created errors in drawdown amounts in the FTA system. To ensure all the errors were identified and corrected, the grantee had to perform additional reviews of its internal records. Further, two of the three regions we visited did not thoroughly document their oversight of corrective actions in FTA's system of record for program oversight reviews. These different approaches to documenting at-risk grantees' findings and corrective actions are attributable to FTA's lack of policies and guidance specifically geared toward grantees with restricted access to Federal funding. As a result, it is difficult for FTA Headquarters to track issues over time and across multiple transit agencies to gain assurance that its regional

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<sup>2</sup> In this audit, we use the term "at-risk transit agencies" to describe FTA grantees placed on restricted access to Federal funds for noncompliance with FTA grant requirements.

offices provide sufficient oversight of at-risk grantees and adequately protect millions of dollars in Federal grant funding.

We are making one recommendation to improve FTA's policies and guidance for grantees with restricted access to Federal funding.

## **BACKGROUND**

Over the last 3 years, Congress has appropriated over \$10 billion in Federal funds annually to FTA grant programs for more than 2,000 grantees. Grantees are responsible for managing their grant programs in accordance with Federal requirements. Each grantee signs the FTA Master Agreement that specifies the terms and conditions for receiving Federal funds. FTA is responsible for ensuring that grantees follow Federal mandates, and statutory and administrative requirements outlined in the Master Agreement.<sup>3</sup>

FTA evaluates grantee compliance through its oversight program, which involves self-certification by grantees, audits, site visits, and oversight reviews. FTA conducts a variety of oversight reviews including financial management oversight (FMO) reviews, procurement system reviews, triennial reviews, and State management reviews. FTA oversight contractors perform the vast majority of these oversight reviews to identify findings (such as material weaknesses and deficiencies in grantees' internal controls) and make recommendations to address those deficiencies. Grantees are required to take corrective actions to address those recommendations.

FTA can restrict a grantee's access to Federal funding if the grantee fails to comply with Federal statutes or regulations.<sup>4</sup> For example, FTA has previously restricted grantee access to Federal funding when a grantee lacked financial capacity,<sup>5</sup> allegedly misused or abused funds, or was the subject of a whistleblower complaint. To notify a grantee of Federal funding restriction, FTA's regional administrators send a letter that outlines the issues the grantee needs to address before the restriction can be lifted. FTA can also require grantees to complete corrective actions in response to oversight reviews before FTA will lift the restriction. FTA's notification letters require grantees with restricted Federal funding to provide justification and receive FTA approval before they can receive each payment of Federal funds. FTA also conducts invoice reviews for grantees with restricted Federal funding, primarily to ensure all costs charged to Federal grants are eligible. According to FTA officials, FTA will lift a grantee's Federal funding restriction once corrective actions are completed.

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<sup>3</sup> FTA's Master Agreement for awards of Federal assistance through grants or cooperative agreements, Oct. 1, 2014.

<sup>4</sup> 49 Code of Federal Regulations (CFR) 18.21(g)

<sup>5</sup> Financial capacity means a grantee's general financial condition, as well as its ability to fund current capital projects and operating needs.

## **FTA MONITORED GRANTEES' PROGRESS ON CORRECTIVE ACTIONS BUT LACKS POLICIES AND GUIDANCE ON FEDERAL FUNDING RESTRICTION**

For the three grantees we reviewed, FTA regional offices took steps to protect Federal funds and monitor the grantees' progress in implementing corrective actions to address internal control weaknesses. However, in some cases, differences in FTA regional offices' approaches to at-risk grantee oversight led to inefficiencies in monitoring and unclear documentation of transit agencies' corrective actions. FTA lacks policies and guidance specifically geared toward grantees with restricted access to Federal funding.

### **FTA Regions Monitored Corrective Actions at Selected Grantees**

Based on our review of FTA's oversight of three selected grantees placed on Federal funding restrictions (WMATA, MDT, and Metra), FTA regional offices took steps to protect Federal funds and track grantees' progress in addressing internal control weaknesses. Specifically, FTA issued letters to grantees to restrict access to Federal funding, conducted FMO reviews and other oversight reviews of the grantees, and monitored grantees' progress in completing corrective actions.

When significant internal control weaknesses or other issues indicated the need to restrict a grantee's access to Federal funding, FTA's regional administrators issued letters to the grantees to temporarily restrict their Federal funds. In these letters, FTA described the issues that led FTA to restrict the grantees' access to funding and identified issues that the grantee must address before funding restrictions could be lifted. Table 1 provides details on the events that led FTA to restrict Federal funding for the three grantees we reviewed.

**Table 1. Events Leading to Sample Grantees' Restricted Access to Federal Funding**

Grantee	Events Leading to Federal Funding Restriction	Status of Restriction
Washington Metropolitan Area Transit Authority (WMATA)	<ul style="list-style-type: none"> <li>FTA's 2014 FMO review of the grantee identified significant internal control weaknesses in areas including budget controls, reporting of Federal expenditures, and procurement controls.</li> <li>Because WMATA could not comply with all Federal requirements, it did not execute grant certifications and assurances,<sup>6</sup> which is a pre-condition of new FTA grant awards. Accordingly, FTA restricted WMATA's access to Federal funds.</li> </ul>	<p><b>Currently restricted.</b> FTA restricted WMATA's access to Federal funding in March 2014. WMATA is in the process of addressing corrective actions.</p>
Miami-Dade Transit (MDT)	<ul style="list-style-type: none"> <li>FTA's 2009 improper payments analysis found that MDT did not comply with Federal grant requirements, such as the Buy America Act.</li> <li>In 2010, FTA conducted an FMO review, which found serious internal control weaknesses including non-Federal expenditures paid for with Federal grant funds, noncompliant contracts, and excessive drawdowns.</li> <li>FTA restricted MDT's Federal funding due to the grantee's serious mismanagement of Federal funds. MDT officials also refused to confirm that they had provided accurate information during the 2010 FMO review and, as a result, FTA was unable to finalize the FMO report.</li> </ul>	<p><b>Restriction lifted.</b> FTA restricted MDT's access to Federal funding in November 2010. The restriction was lifted in April 2015.</p>
Chicago Metra	<ul style="list-style-type: none"> <li>Allegations surfaced in the media that a high-ranking Metra official had committed fraud. A Federal investigation confirmed the improper use of transit agency funds.</li> <li>Although Federal funds were not abused, FTA was concerned that fraud may indicate problems in the control environment and restricted Metra's access to Federal funds.</li> </ul>	<p><b>Restriction lifted.</b> FTA restricted Metra's access to Federal funding in May 2010. The restriction was lifted in May 2011.</p>

Source: OIG analysis

To gain insight on the problems at each grantee, FTA performed an FMO review at all three transit agencies just before, during, or immediately after the restriction of Federal funds. Specifically, FTA directed its contractors to conduct a full scope systems review, the most comprehensive type of FMO review. Through the FTA restriction letters and FMO reviews, FTA identified findings, recommendations, and corrective actions, which FTA then communicated to the grantee. Additionally, FTA regional officials directed oversight contractors to monitor grantees' progress in completing the corrective actions. FTA's actions to monitor the three selected grantees are listed below.

<sup>6</sup> Federal law and regulations require grantees to provide annual certifications and assurances covering topics such as procurement, acquisition of capital assets, and state of good repair.

**WMATA:** Because WMATA did not comply with Federal requirements, FTA restricted the grantee's access to Federal funds and recommended corrective actions to address the nine findings identified in the FMO review. For example, one corrective action to address procurement control weaknesses was to require additional training for WMATA procurement staff. FTA Region 3 is monitoring WMATA's progress on its corrective actions through extensive correspondence and meetings with the grantee. FTA verified that WMATA's procurement training met Federal requirements by reviewing documentation—including instructor credentials, curriculum, and proof of attendance—before closing the finding in OTrak (FTA system of record for program oversight reviews). Two of nine findings from the FMO review remain open, related to a lack of budget controls and insufficient controls over cash and grant management processes. FTA continues to monitor WMATA as it addresses the remaining corrective actions. In addition, FTA is carrying out a testing and validation plan related to each finding to ensure sufficient implementation of the corrective actions.

**MDT:** In response to serious internal control weaknesses identified in a draft FMO review conducted in 2010, FTA issued a letter to MDT restricting its access to Federal funds, followed by a separate letter identifying corrective actions. FTA issued additional corrective actions in a 2012 FMO review to address findings—such as personnel turnover and vacancies that compromised the control environment, and MDT's inability to reconcile drawdown amounts with the amounts reported to FTA's grant management system. FTA Region 4 monitored MDT's corrective actions to ensure full implementation before closing the recommendations. For example, FTA closed a personnel turnover finding after verifying documentation showing that MDT had filled critical positions, including the grants manager, controller, and the assistant controller. FTA closed all 10 findings for MDT and lifted the grantee's access to Federal funding in April 2015.

**Metra:** After allegations surfaced that a senior Chicago Metra official had committed fraud, FTA took action to protect Federal funds by restricting Metra's access to Federal grant funds and reviewing all invoices to ensure that Metra only used Federal funds to pay for eligible activities. After almost a year of invoice reviews, FTA determined that Metra had used Federal funds in accordance with grant requirements and lifted the Federal funding restriction. In September 2011, FTA conducted an FMO review to further assess Metra's internal control environment—identifying 12 findings that needed corrective actions. For example, the FMO review found that Metra did not have adequate payroll controls to ensure timekeepers entered information correctly. FTA tracked Metra's progress in completing corrective actions and closed the recommendation after Metra initiated policy changes to correct the payroll control weakness. As of the date of this report, all 12 findings are closed.

## **FTA Regions' Approaches to Monitoring Corrective Actions Varied**

Although FTA regional offices took steps to protect Federal funds and track grantees' progress in addressing corrective actions at all three selected grantees, our review determined that there were differences in the regions' approaches to oversight—particularly in the areas of invoice review and documentation for monitoring corrective actions. In some cases, these differences led to inefficient oversight of the grantee and unclear documentation of corrective actions.

To protect Federal funds, FTA enlisted Project Management Oversight Contractors (PMOC)<sup>7</sup> to review and approve invoices before allowing at-risk grantees access to Federal grant funds. However, each FTA region took a different approach to invoice review. For example, FTA Region 4 and Region 5 assigned PMOC contractors to perform on-site invoice reviews at MDT and Metra, respectively; on the other hand, Region 3 required WMATA to mail hard copies of its invoice packages to the PMOC contractor in North Carolina to review, which is a more time- and resource-intensive process. Additionally, the scheduling of the PMOCs' invoice reviews varied. According to transit agency officials, the PMOC assigned to WMATA reviewed hardcopy invoices at different intervals depending on the completeness of supporting documentation for the invoices, and the PMOC for MDT reviewed hardcopy invoices about once a month. FTA Region 5 officials confirmed that the PMOC for Metra reviewed invoices electronically every 2 weeks.

Moreover, Region 5 attempted to review Metra's invoices using MarkView, an automated invoice processing and data entry system used to review DOT contractor invoices. Although the invoices were appropriately reviewed and approved, errors occurred when FTA data from MarkView had to be manually transferred to FTA's grant management system. Specifically, 6 of 10 grants examined in the 2011 FMO review showed discrepancies between the drawdown amounts in FTA's grant management system and Metra's internal record of drawdowns. As a result, Metra had to perform additional reviews of its internal records to ensure all the errors in the FTA system were identified and corrected.

In addition, FTA regions used different approaches to document their oversight review findings and track the status of grantees' corrective actions from oversight reviews and restriction letters. One region maintained substantial records demonstrating that they reviewed supporting documentation, while others provided only limited documentation of these reviews.

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<sup>7</sup> PMOCs conduct project management oversight for major capital projects following FTA guidelines. They serve to supplement FTA's technical staff to evaluate grantee project management, technical capacity, and capability to successfully implement major transit projects. They also monitor the projects to determine whether they are progressing on time, within budget, and in accordance with FTA-approved grantee plans and specifications. While Metra, WMATA and MDT were on Federal funding restriction, PMOCs reviewed invoices before FTA approved drawdowns of Federal funds.

For example, FTA Region 3 thoroughly documented the status of its FMO findings for WMATA in OTrak and maintained an internal tracking spreadsheet to document the status of the grantee's corrective actions. FTA also provided us with additional documentation showing that it thoroughly assessed WMATA's FMO corrective actions, including requests for follow-up actions as needed. Moreover, FTA and WMATA held monthly status meetings to assess the grantee's progress in completing corrective actions. To date, FTA has closed seven out of the nine findings from WMATA's 2014 FMO review in OTrak. FTA is also carrying out a testing and validation plan related to each finding to ensure sufficient implementation of the corrective actions.

Like Region 3, Region 4 also used a spreadsheet to monitor MDT's corrective actions and maintained documentation to justify closing recommendations. However, FTA Headquarters could not track some of the grantee's issues in OTrak—in particular, the eight issues FTA identified in a letter sent to MDT concerning its Federal funding restriction. Examples of these issues include contracts that did not meet Federal requirements and procurement records that were not maintained in accordance with FTA guidance. Since the corrective actions in the letter were not associated with an oversight review, FTA Region 4 did not officially document these actions in OTrak until FTA issued a final FMO review, almost 2 years after MDT's funding restriction went into effect.

Region 5 used OTrak to track the status of Metra's FMO findings. However, six of the findings lacked clear documentation of the justification for closing them. For example, the OTrak entries made references to emails used to justify closing the findings but did not include records of the emails or descriptions of the actions the grantee took to address the findings.

FTA regional offices' different approaches to documenting at-risk grantees' findings and corrective actions make it difficult for FTA Headquarters to track issues over time and across multiple transit agencies. In fact, FTA Headquarters officials stated they do not compile any information on grantees' corrective actions to identify trends or common issues impacting transit agencies nationwide. Under the Office of Management and Budget's (OMB) Federal uniform grant regulations, FTA must collect information that will allow it to hold grantees accountable for meeting Federal requirements, as well as information that will assist in improving program outcomes, sharing lessons learned, and adopting best practices.<sup>8</sup> Without timely, clear, and accessible information for at-risk grantees nationwide, FTA will have difficulty determining the effectiveness of its oversight actions, identifying common risks, and providing proactive technical assistance to transit agencies to improve program outcomes.

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<sup>8</sup> 2 CFR 200.300-303, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

## **FTA Lacks Policies and Guidance for Overseeing Grantees on Federal Funding Restriction**

The regional offices' different approaches to at-risk grantee oversight are attributable to FTA's lack of policies and guidance specifically geared toward grantees with restricted access to Federal funding. Instead, FTA relies on existing grant management and oversight policy and guidance—specifically, FTA Circular 5010.1D and the FTA Grants A to Z Standard Operating Procedures.

FTA's Circular 5010.1D is the Agency's main policy on grants management requirements and provides guidance to grantees. However, the Circular does not include any information specifically related to the Federal funding restriction process, including how monitoring will occur, the roles and responsibilities of those involved in monitoring and oversight, and when a restriction should be lifted.

FTA's Grants A to Z Standard Operating Procedures—which provides internal guidance to FTA regional officials on grant oversight—also lacks information on monitoring grantees on Federal funding restriction, roles and responsibilities, and when to lift funding restrictions. Instead, these standard operating procedures offer only limited, high-level guidance on restricting grantees' Federal funding. For example, the guidance provides six examples of when it would be appropriate to restrict a grantee's access to Federal funding. The guidance also does not define a process to track corrective actions that are not related to an oversight review—such as those identified only in FTA's funding restriction letters. As a result, FTA does not track these issues centrally using OTrak, which was only intended to track findings and recommendations from oversight reviews. Instead, regional offices develop their own methods to track these findings.

According to OMB's Federal uniform grant regulations, agencies should have policies that deploy internal control activities to ensure compliance with Federal statutes, regulations, and the terms and conditions of the grant. Agencies should also establish procedures to put those policies into action. Without policies and guidance specifically geared toward grantees with restricted access to Federal funding, FTA lacks assurance that its regional offices will provide sufficient oversight of these at-risk grantees and adequately protect Federal funds.

## **CONCLUSION**

When FTA grantees have significant internal control weaknesses, millions of Federal grant dollars could be at risk for waste or misuse. Restricting at-risk grantees' access to Federal funding is FTA's primary tool to protect Federal dollars while grantees work to mitigate risks and correct internal control weaknesses. FTA regional offices have taken steps to monitor grantees' progress

in implementing corrective actions to address internal control weaknesses. However, because FTA has not developed policies and guidance for oversight of at-risk grantees, the Agency relies on its regional offices to develop their own methods, some of which are more efficient than others. Without policies and guidance specifically related to grantees with restricted access to Federal funding, FTA lacks assurance that its regional offices will provide sufficient oversight of at-risk grantees and adequately protect millions of dollars in Federal grant funding.

## **RECOMMENDATIONS**

We recommend that the Federal Transit Administrator:

- 1) Develop and issue policies and guidance for overseeing grantees under Federal funding restrictions. At a minimum, these policies and guidance should address:
  - a. reviewing grantee invoices;
  - b. tracking corrective actions for grantees who have been placed on Federal funding restriction, including roles and responsibilities of those involved in monitoring and oversight;
  - c. improving documentation of grantees' actions used to justify closure of recommendations; and
  - d. centrally documenting FTA's oversight of grantees under Federal funding restrictions in a manner that allows it to identify and address common problems and nationwide trends.

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

We provided FTA with our draft report on March 3, 2016 and received its response, which is included as an appendix to this report, on March 30, 2016. FTA concurred with our one recommendation and plans to complete all actions for this recommendation by December 31, 2016. Accordingly, we consider the recommendation resolved but open pending implementation of appropriate actions.

We appreciate the courtesies and cooperation of FTA representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5630 or Gary Middleton, Program Director at (202) 366-0625.

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cc: DOT Audit Liaison, M-1  
FTA Audit Liaison, TBP-30

## **EXHIBIT A. SCOPE AND METHODOLOGY**

We conducted our work from September 2014 through March 2016 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To evaluate FTA oversight procedures to ensure that at-risk transit agencies take corrective actions to address internal control weaknesses identified in oversight reviews, we analyzed (1) documentation provided by FTA Headquarters and 3 of FTA's 10 regional offices, (2) corrective action documentation provided by FTA regional offices and 3 selected grantees, and (3) OTrak data for the 3 selected grantees. The three FTA regional offices visited are responsible for the oversight of the three selected grantees in our audit. We focused on FTA's policies and guidance on at-risk grantee oversight; procedures for restricting at-risk grantees' access to Federal funding; procedures for monitoring, tracking, and closing grantees' corrective actions, and follow-up procedures for grantees after their Federal funding restrictions are lifted.

FTA provided us a list of 35 grantees with restricted access to Federal funding between October 2010 and March 2014. Of this list of 35 grantees, we selected 3 of the largest grantees with internal control weaknesses—Chicago Metra, Miami-Dade Transit, and Washington Metropolitan Area Transit Authority. These agencies were determined to be the largest based on the amount of funding received and annual unlinked passenger trips.<sup>9</sup>

We interviewed FTA officials at FTA Headquarters in Washington, DC; and FTA's regional offices in Washington, DC; Chicago, IL; Philadelphia, PA; and Atlanta, GA. We also interviewed FTA contractors who conducted FMO reviews for the three selected grantees. (See exhibit B for a complete list of the sample transit agencies and other organizations we visited.)

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<sup>9</sup> Unlinked passenger trips represent the number of passengers who board public transportation vehicles. Passengers are counted each time they board vehicles, no matter how many vehicles they use to travel from their origin to their destination.

**EXHIBIT B. ENTITIES VISITED OR CONTACTED**

FTA Headquarters, Washington, DC  
FTA Region 3, Washington, DC, Metropolitan Office and Philadelphia, PA  
FTA Region 4, Atlanta, GA  
FTA Region 5, Chicago, IL

**FTA Oversight Contractors**

Reid Consulting, Arlington, VA  
Milligan and Company Consulting, Philadelphia, PA  
McCoy Accounting and Consulting, Conshohocken, PA  
Holmes and Company, Cherry Hill, NJ  
Financial Business Solutions, Doylestown, PA

**Public Transit Agencies**

Washington Metropolitan Area Transit Authority (WMATA), Washington, DC  
Metra (Commuter Rail Division of the Regional Transportation Authority and the Northeast Commuter Railroad Corporation), Chicago, IL  
Regional Transportation Authority (RTA), Chicago, IL  
Miami-Dade Transit (MDT), Miami, FL

**Other Organizations**

American Public Transportation Association, Washington, DC  
WMATA Office of Inspector General, Washington, DC

**EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT**

<b>Name</b>	<b>Title</b>
Gary Middleton	Program Director
Krystal Patrick	Supervisory Auditor
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Alphonso Murray	Auditor
Brian Longin	Analyst
Christina Lee	Writer-Editor
Petra Swartzlander	Senior Statistician

## APPENDIX. AGENCY COMMENTS



U.S. Department  
of Transportation  
**Federal Transit  
Administration**

# Memorandum

Subject: INFORMATION: Management Comments – Office of Inspector General (OIG) Draft Report—FTA Monitored Grantees’ Corrective Actions, but Lacks Policy and Guidance to Oversee Grantees with Restricted Access to Federal Funds

Date: March 30, 2016

From: Therese W. McMillan   
Acting Administrator  
Federal Transit Administration

Reply to  
Attn. of: Natalie Wowk  
202-366-2514

To: Barry J. DeWeese  
Assistant Inspector General for Surface Transportation Audits

The Federal Transit Administration (FTA) provides financial and technical assistance to local public transit systems, oversees safety measures, and helps develop next-generation technology research. Each year, FTA as the steward of more than \$11 billion, provides funds to over a thousand transit agencies across the nation. We employ stringent monitoring and oversight standards to ensure that grantees meet the terms of grant agreements and conduct activities in accordance with Federal laws and regulations. The OIG mentioned in its draft report that FTA regional offices took steps to protect Federal funds and monitored the grantees’ progress in taking corrective actions. Specifically, you cited that when significant internal control weaknesses or other issues indicated the need to restrict a grantee’s access to Federal funding, FTA issued letters to grantees to temporarily restrict their Federal funds, conducted oversight reviews of the grantees, and monitored grantees’ progress in completing corrective actions.

Suspending a grantee’s electronic grant payment privileges is an important sanction that FTA is committed to applying in a consistent manner. The FTA’s Standard Operating Procedure (SOP) for FTA Grant Payment Rejection or Suspension provides uniform guidance to FTA staff on the procedures to follow when FTA rejects a grant payment drawdown request or when a decision is made to suspend electronic grant payment draw down privileges for a particular grant or grantee. For example, the SOP:

- identifies when suspension may be appropriate;
- requires FTA to notify the grantee in writing of the suspension and identify what needs rectifying to restore electronic grant payment privileges; and
- provides a process for implementing and lifting the suspension.

Based upon our review of the draft OIG report, we concur with the recommendation as written and plan to complete all actions for this recommendation by December 31, 2016. We appreciate this opportunity to comment on the OIG draft report. Please contact Natalie Wowk, Audit Liaison, at (202) 366-2514, with any questions.