**Subrecipient Compliance Oversight**

**Standard Operating Procedures**

**MoDOT – Multimodal – Transit Division**

MoDOT (Multimodal Division – Transit) is responsible for overseeing federal funds used by subrecipients through multiple FTA programs. MoDOT contracts with a consultant to oversee subrecipients who receive Federal Transit Administration (FTA) funds. These standard operation procedures are for the compliance oversight activities carried out by the consultant on behalf of the Missouri Department of Transportation (MoDOT).

# **Purpose**

 The purpose of an oversight program is to:

* Ensure that subrecipients comply with the associated program requirements.
* Verify subrecipients can account for the expenditures charged to their grant(s).
* Confirm subrecipients have the technical capacity to carry out their project(s).
* Provide subrecipients with technical assistance, and
* Safeguard federally funded assets.

Consultant provides the following services related to subrecipient oversight:

* Develops and updates compliance oversight materials.
* Develops and conducts oversight workshops.
* Prepares the subrecipient annual risk assessment summary worksheet.
* Conducts subrecipient compliance reviews.
* Provides one on one technical assistance to subrecipients.
* Develops and submits the annual monthly and annual compliance reports.
* Other tasks as requested by MoDOT.

# **Develops and Conducts Training Workshops**

The training workshops are hold on an annual basis at the beginning of each calendar year (normally in February) and the purpose is to provide training to subrecipients to assist them in complying with the requirements associated with receiving federal and state funds through MoDOT. Consultant conducts these compliance workshops on behalf of MoDOT - Transit.

MoDOT requires any subrecipient with new staff to attend the training as well as those scheduled for current year oversight reviews.

Annually, the following process is followed when training workshops are established and conducted by consultant:

* Discuss any processes or regulation changes.
* Recommend emphasis areas based on common findings and areas of concern from prior year site visits.
* Determine workshop preference (in person, virtual or combined workshops).
* Prepare the workshop announcement for approval and distribution to subrecipients.
	+ Coordinate the registration process –through Eventbrite.
		- Monitor participant registration and provide reports to MoDOT.
		- Make applicable changes to the presentation slides and send to MoDOT for review and printing.
	+ Conduct the presentation (MoDOT staff may present certain portions of the workshop).
	+ Provide a summary to MoDOT of the organizations that attended the training.
	+ Prepare and send workshops certificates to subrecipients.
* When the trainings are complete, update the master review list and current year risk assessment to identify the subrecipients who attended the training.

# **Gathering Information from MoDOT**

Timing – December-January

Consultant gathers the requested information from MoDOT on its state level requirements and subrecipients. This information is used to update the Master Review List to identify any specific documentation that may be selected during the reviews. Specific subrecipient data includes:

* Current inventory of grant funded vehicles and facilities.
* List of subrecipients new awards in addition to current awards for capital, equipment, mobility management and or operating.
* List of subrecipients who completed capital projects (ex. vehicles, facilities, other equipment) in the prior year.
* List of payments made to subrecipients covering the prior year.

# **Master Review List**

Timing – January

MoDOT will add or remove subrecipients from their programs throughout the year. This occurs when federal funds are awarded, vehicles are disposed, or other assistance has been paid out. Consultant validates the list of subrecipients based on the data gathered from MoDOT and updates prior master listing.

Note: 5311/5339 reviews performed every 2 years and 5310/ 5309 reviews are conducted every three years, unless subrecipient is determined to be as risk resulting in a review conducted earlier.

# **Risk Assessment Summary**

Timing – February

MoDOT is required to conduct a risk assessment of all subrecipients on annually. The risk assessment is used, in part, to identify high risk subrecipients and prioritize the reviews. Once the Master list is updated, use the data to compile the Master Risk Assessment Summary.

* Consultant creates new excel workbook for the current year risk assessment.
	+ - Adding the columns for the following fields:
			* A. Audits 1-10 points
			* B. Project Delivery Process 3-20 points
			* C. Financial 3-20 points
			* E. Stability 1-15 Points
			* F. Experience 3-20 points
			* Risk Total Max 100 points
			* MoDOT Comments FYXX
	+ Add worksheets for:
		- Risk Factors, Weights, Guidance
		- Monitoring Plan
* Send to MoDOT for concurrence – make any changes requested.

Once MoDOT approves the changes, Consultant finalizes the workbook and returns to MoDOT with a request to return the scores when their assessments are completed, Consultant updates the Master list with the scores.

# **Develop and Update Compliance Oversight Forms**

Timing – January-February

There are several forms used during the oversight process. The forms used include:

* Compliance review package
* Findings and Recommendations Report
* Post Site Visit Risk Assessment
* Review Closeout Transmittal

## **The Compliance Review Package**

Consultant uses a standard format for the review packets. The packet is updated based on changes to federal regulations and/or MoDOT’s State Management Plan. There are overarching requirements that apply to all FTA funded projects. However, there are some requirements that are program specific. The packages are tailored to the requirements associated with the federal program and/or project type.

### **Programs Included**

* 5310 – Enhanced Mobility of Seniors and Individuals with Disabilities:
* Rural Area Program
* Small Urban Program
* Large Urban Program (EWGW and OTO Capital Projects)
* 5311 – Formula Grants for Rural Areas:
* 5311 – General Public Transportation Services in Rural Areas
* 5311(f) – Intercity Bus
* 5311 Ferry – General Public Passenger Services
* 5339 – Bus and Bus Facilities (capital projects supporting public transportation):
	+ Rural and small urban areas
	+ Nationally Competitive funds

In addition to the standard/ongoing programs listed above, FTA also issued special funding in response to the COVID 19 pandemic. Those apportionments were added to the standard programs described above and must be used to offset the costs incurred for COVID 19 response measures.

Consultant employs a broad range of technical experts and reaches out to the experts to identify any important changes to the federal regulations that can impact the areas reviewed. The packet is divided into multiple sections. Those include:

* Overview of Review Process
* Review Schedule
* Requested Documents
* Background
	+ - Review Information
		- Organizational Structure
		- Service Description
		- Assets
		- Project Activity
* Review Area Questions
* Opportunity to Identify Needed Technical Assistance
* Review Attendance Sheet

Consultant sends the updated review package to MoDOT Transit’s Administrator for comments and update the package as needed based on the comments received to finalize the package.

# **Subrecipient Compliance Reviews**

Timing-February through December

There are several steps involved in coordinating and conducting oversight reviews.

* Developing review schedules.
* 5310 (No drug and alcohol)– one half day
* 5310 (with drug and alcohol) – one full day
* 5311 – one and a half days
* 5311 or 5310 Small urban transit – one half day (see notes)
* Confirm the dates/times for each subrecipient.
* Once all reviews dates and times are confirmed, send each subrecipient an email that contains:
	+ A confirmation of the date and time of the review.
	+ Send the tailored review package to the subrecipient with the due date for submitting the requested information.
	+ A link to upload the documents.
	+ Instruction for accessing the SharePoint link.
	+ Preparing for the review.
	+ A reminder to have appropriate staff available.
	+ Request a time to visit the collection site to conduct a mock collection (5311’s and 5310’s – with CDL vehicles).
* Tailoring the review package.
* Performing desk reviews.
* Conducting on-site reviews.
* Issuing findings and recommendations report(s).
* Send findings and recommendations to Administrator of Transit for review and comments.
* Closing Reviews.

Once MoDOT confirms the population of reviews for the current year, the Consultant updates the master list and generates a list of reviews to be conducted that year by geographic location of the subrecipient.

Note: Subrecipients that are small urban are also subject to direct reviews by the Federal Transit Administration. In those cases, a modified review approach is used that focus solely on the MoDOT funded projects and confirmation that any triennial review findings have been resolved.

### **Risk Based Reviews**

MoDOT adopted a risk-based approach to ensure compliance with subrecipients who retain MoDOT funded vehicles beyond the federal useful life (see FTA circular 5010 for the federal useful life). Even though a vehicle is beyond the federal useful life, MoDOT retains the title until the vehicle is disposed (sold) or released if the fair market value falls below $10,000. All risk based subrecipients receive an abbreviated review that focuses on:

* Satisfactory continuing control,
* Maintenance, and
* Safety (Including Drug and Alcohol if applicable)

The risk score identified by MoDOT, and the applicability of the Drug and Alcohol Program is used to determine if the review will be conducted onsite or through a virtual environment.

* Drug and Alcohol Program applies – conduct onsite review.
* High risk (score of 52 or higher on the annual assessment) – conduct an onsite review.
* Medium to low risk (score of 51 or lower on the annual assessment) with Drug and Alcohol – conduct virtual review unless time allows for onsite review during a site visit trip to that area.
* Medium to low risk (score of 51 or lower on the annual assessment) – conduct a virtual review.

## **Tailoring the Subrecipient Review Package**

Timing-6 to 8 weeks prior to the onsite review

As previously described, there are separate review packages for each type of funding and for the risk-based reviews. When a subrecipient receives both 5310 and 5311 funding, the 5311 requirements take precedence. However, Consultant verifies any vehicles or operating assistance funded through the 5310 program is used for services to the elderly and/or persons with disabilities.

The reviewer tailors the review package to be specific for each subrecipient and updates the Master list.

Note: If the subrecipient does not receive operating assistance, the financial section does not apply; if it’s a capital subrecipient that only received a vehicle from the MoDOT contract, the procurement section does not apply.

### **Special Considerations for Urban Transit agencies**

There are a small number of urban transit agencies that receive FTA funding through MoDOT as well as the funds they receive directly from FTA. As such, they are subject to a triennial review conducted by FTA. To avoid duplication of oversight measures, Consultant requests a copy of their triennial review report to ensure compliance with most of the cross-cutting requirements and scales back its review to include only requirements associated directly with the funds MoDOT provides to the transit. Typically, those include:

* Closure of findings listed in the triennial review report,
* Maintenance and use of vehicle funded through MoDOT, and
* Financial records associated with Section 5310 and/or 5311 operating assistance.

## **Perform Desk Reviews**

Timing-1 to 2 weeks prior to the onsite review (possibly sooner if documents are submitted early).

Subrecipients should return their documents 2-4 weeks prior to the onsite review. They are instructed to notify Consultant when documents have been uploaded to the share file.

Consultant reviews the subrecipient’s document submission, prepares responses to the questions, and addresses any associated policies reviewed or missing.

Consultant forwards the Annotated review package back to the subrecipient with instructions for them to review the document and be prepared to discuss your questions and provide any additional documentation at the time of the onsite review.

If the review is for a subrecipient who receives 5310 and or 5311 CDL vehicles through MoDOT, include a reminder to make arrangements with their collection site for a mock collection.

Note: Any additional documents needed, follow up questions, and potential findings noted in the review package should be highlighted prior to sending the annotated package to the subrecipient to ensure they can prepare for the onsite review.

## **Conduct On-site Reviews**

During the onsite review, Consultant covers any follow up questions and required/recommended actions identified during the desk review. Below is an overview of the process and additional guidance for portions of the review to be conducted onsite:

* Conduct the Entrance Conference.
* Review the list of documents requested in the review package.
* Identify any requested documents not received.
* Review each applicable compliance area
* Notes for Specific Review Areas, including, but not limited to:
	+ Financial review (operating and mobility management only)
		- Drug & Alcohol (5311 and 5310-with CDL vehicles)
		- Review required signage is posted in public areas of their facility.
		- Maintenance and Continuing Control
		- Vehicle Inspections
		- Conduct the Exit Conference discussing any required or recommended follow up actions and proposed timeline for completing/submitting any required follow up actions.
		- Upload all site visit documents and comments to the subrecipient’s SharePoint folder.

## Prepare and Issue Findings and Recommendations Report

Following the site visit, Consultant prepares and issues the Findings and Recommendations Report:

* Finalize comments in the Review Package
* For each required follow up action and or recommendation identified in the review package list:
	+ The compliance/program area
	+ Finding field – describe the problem to be corrected.
	+ Corrective Action/Recommendation – Describe the required or recommended action.
		- For required actions:
			* Identify the due date for submission (typically 45 days from issuance of the report).
			* If it was a repeat finding, make a note in the comment section.
		- If no recommendations, input “N/A”
* Make a copy of any sample documents available to assist the subrecipient.
* Forward a copy of the completed review package along with the findings and recommendations report and any samples, to MoDOT Transit’s Administrator for concurrence.
* Once Consultant receive concurrence from MoDOT, forward the report to the subrecipient.
* Update the site visit subrecipient’s record on the Master Review list:

## Resolving Findings and Closing Reviews

Following issuance of the report, subrecipients may begin submitting their follow-up documents shortly after receiving the report. Once all findings have been adequately addressed, it is time to close the review. This section covers:

* Review the follow up documents.
* Prepare the close out documents.
* Issue the close out documents to the subrecipient.

As stated above, subrecipients may begin uploading and/or sending in follow up documents once they receive their report to the share file for consultant review.

Consultant will:

* Review each document and compare it to:
	+ The finding it is meant to address.
	+ The follow up action that was required.
	+ What they were required to submit.
* If the documentation adequately addressed the finding, indicate the date, and accepted.
* If the documentation did not adequately address the finding:
	+ Make a note of what was received and clarify the action(s) needed to close the finding (highlight the text to better identify it for the subrecipient).
	+ Send the updated Findings and Recommendations Report to the Subrecipient.
* File the documents received in SharePoint to the subrecipient’s closeout subfolder titled.
* Update the subrecipient’s record on the Master Review file to identify the Number of findings closed.
* After all findings are closed, prepare the closeout documents.

### **Preparing the Closeout Documents**

Once the subrecipients have adequately addressed all the findings, issue the closeout documents. Those documents include:

* Final Findings and Recommendations Report.
* Review Closeout Transmittal.
* Post Site Visit Risk Assessment.

The final Findings and Recommendations report identifies the status of all findings as of the date the review was closed. This includes information about each finding that was issued and how it was resolved. The information will be useful to MoDOT and the Subrecipient, it is also used during the next review to identify areas that may need to be re-examined to ensure the required actions were implemented. To finalize the report, making sure all the information is correct and that it reflects the date each finding was closed.

#### **Review Closeout Transmittal**

MoDOT provides the organization with a standard template to be used for closing all reviews, the consultant updates the document with:

* The date, subrecipient’s contact and address information.
* Program (i.e., 5310, 5311, etc.).
* Number of findings and/or recommendations.
* The date all findings were closed.

#### **Post Site Visit Risk Assessment**

* Prepare the Post Site Visit Risk Assessment using the template provided by MoDOT.
	+ Program area – 5310, 5311, etc.
	+ Reason – Post Site Visit
* Input scores and comments for each assessment area. Referring to the notes to complete the assessment. Below are things to be considered during the scoring process.
	+ Audits
		- What was the scope and severity of any findings identified during review?
		- If the subrecipient received operating or mobility management assistance,
			* Did the subrecipient meet the single audit threshold? If yes,
				+ Was single audit performed?
				+ Were there any findings?

Did the finding involve MoDOT funds?

Have the findings been resolved?

Could the condition that caused the finding affect the subrecipient’s ability to carry out the MoDOT project?

Were any of the findings repeated from the prior review?

* + Project Delivery Process
		- Does the subrecipient have well defined policies and procedures?
		- Were there any findings during the review that required the development of new policies and/or procedures?
		- Have they shown success with implementation of the policies and procedures?
	+ Financial
		- Were there any discrepancies between the financial documentation reviewed and the associated reimbursement request?
		- Did the financial documentation onsite support the invoice submitted to MoDOT?
		- Does their financial system comply with GAAP?
		- Are required financial policies and procedures in place?
		- Any other issues identified?
	+ Communication and Responsiveness
		- How many times did Consultant need to call during the scheduling process?
			* Did they submit their desk review documents timely and were they complete?
			* Were the staff receptive to potential improvements to their program?
			* If there were any follow ups, were the corrective actions submitted timely and complete?
		- Stability
			* Has there been recent turn over in key staff. Key staff include:
				+ Executive Director
				+ Transportation Program Manager,
				+ Finance Manager (operating and mobility management only)
				+ Drug and Alcohol Program Manager (5311 or 5310-with CDL vehicles)
			* How long have the current project manager(s) been with the organization and/or in their current position?
		- Experience
			* How knowledgeable did the staff appear to be about the program requirements?
			* Did the program staff attend the most recent MoDOT annual training?
* Save the file to the subrecipient’s close out folder on SharePoint.

#### **Closeout**

After all findings have been closed, prepared the close out documents.

* Forward the close out documents to MoDOT with a request to close the review.
* Once concurrence is received:
	+ Forward the Closeout report and the final Findings and Recommendations Report to the subrecipient.
	+ Update the site visit status field to “Review Closed” and enter the date closed.

# **Provide One on One Technical Assistance to Subrecipients**

The Consultant will provide technical assistance to subrecipients throughout the review process. Subrecipients may reach out with questions about various compliance areas. On occasion, a subrecipient may need more in-depth technical assistance in specific compliance areas. The Consultant will reach out to MoDOT to obtain their concurrence with spending the extra time in that area. Consultant may reach out to other internal experts that are knowable in the specific area.

# **Status Reports**

MoDOT requires that the Consultant provides an update of the review status during each monthly report. The report includes prior year reviews that are still open and current year reviews in chronological order.

The monthly report consists of three elements documents:

* A copy of the review work plan for the current year that contains a list of all the reviews.
* A table that summarizes the status of each review.
* Comments on specific reviews

On occasion there are specific subrecipients that may have additional issues which either require in depth technical assistance, have substantial compliance issues, or the Consultant is having difficulty in getting responses or documentation, this is identified to discuss with MoDOT.

Throughout the year, MoDOT may request the Consultant to assist~~ance~~ with special projects to maintain compliance. Examples of special projects may include:

* Technical assistance for construction projects.
* Title VI Plan reviews.
* Assistance in preparing for and responding to FTA oversight reviews.
* Analysis of data associated with service development planning studies.