

FINANCIAL MANAGEMENT OVERSIGHT REVIEW

Full Scope Systems Review

of the

City of Charlotte

PERFORMED FOR

U.S. DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION

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Report Date: To Be Determined (TBD)

Draft Report Submission Date: March 6, 2024

Final Report Submission Date: TBD

CONTRACT NUMBER: 69319522D000011

ORDER NUMBER: 69319523F30020N

TASK ORDER NUMBER: 02

**U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION**

FINANCIAL MANAGEMENT OVERSIGHT REVIEW

CITY OF CHARLOTTE

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INDEPENDENT ACCOUNTANTS' REPORT

INDEPENDENT ACCOUNTANT'S REPORT

To the Regional Administrator

Federal Transit Administration Region IV:

We understand that the Federal Transit Administration (FTA) has awarded the **City of Charlotte** the grants listed in Section I of this report on behalf of its transit system the Charlotte Area Transit System (CATS). We have examined management's assertion, included in its letter dated December 11, 2023, that the City of Charlotte (including CATS) maintained effective internal control over its compliance with FTA financial management system requirements during the period July 1, 2021 through June 30, 2023, as set forth in Section VI of this report, based on the following:

- For grants awarded or modified on or after December 26, 2014, [2 CFR 200](#) “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”, [Section 200.302](#), Financial Management.

Management is responsible for maintaining effective internal control over the City of Charlotte's compliance with FTA financial management system requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the financial management system, testing, evaluating the design and operating effectiveness of the financial management system, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Charlotte's compliance with FTA financial management system requirements.

Because of inherent limitations in any internal control structure or financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

INDEPENDENT ACCOUNTANT'S REPORT

In our opinion, management's assertion that the City of Charlotte has maintained effective internal control over its compliance with FTA financial management system requirements during the period July 1, 2021 through June 30, 2023 is fairly stated, in all material respects, based on the criteria established by the FTA as set forth in Section VI of the report.

Certified Public Accountants

TBD

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SECTION I

BRIEF DESCRIPTION – CITY OF CHARLOTTE

BRIEF DESCRIPTION – CITY OF CHARLOTTE

Background

Established in 2000, the Charlotte Area Transit System (CATS) operates as a key division of the City of Charlotte, under the administration of the City's Public Transit Department. Recognized as the largest transit system spanning the region between Washington, D.C., and Atlanta, Georgia, CATS offers extensive services across Mecklenburg County. This includes not only the City of Charlotte but also the towns of Cornelius, Davidson, Huntersville, Matthews, Mint Hill, Pineville, as well as extending its reach to the City of Concord in Cabarrus County, the City of Gastonia in Gaston County, the City of Indian Trail in Union County and the Town of Rock Hill in York County, SC. Together, CATS serves a population of approximately 1,779,734 individuals, embodying our mission of 'Moving People Forward' by connecting communities and fostering mobility across the region.

Governance and oversight to CATS is provided by both the Charlotte City Council and Metropolitan Transit Commission (MTC). The Charlotte City Council approves final budget and contracting actions as well as develops and approves organizational policy. The MTC oversees long-range Countywide transit planning, provides input on and approves CATS budget as well as directs CATS operational and strategic policies.

CATS directly operates its light rail, streetcar, and paratransit services, in addition to a multi-county vanpool program. Due to the inability to negotiate collective bargaining agreements with unions per North Carolina State law, there is a subsidiary corporation, Transit Management of Charlotte (TMOC), that employs the CATS fixed route bus operators and revenue vehicle maintenance technicians. CATS contracts with National Express to manage and provide leadership to TMOC.

Board and Committees:

The Metropolitan Transit Commission (MTC) serves as the governing body for CATS, tasked with overseeing policy decisions. The MTC is responsible for reviewing and endorsing long-term public transportation strategies, approving the transit system's operational and capital initiatives, and making recommendations to the Charlotte City Council on relevant matters. The MTC is comprised of nine voting members from municipalities within Mecklenburg County's, including the Mayors of Charlotte, Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville, along with a Chairperson of the Mecklenburg County Board of Commissioners and a regional delegate from the North Carolina Board of Transportation. Additionally, the MTC includes five non-voting members from neighboring counties to ensure a broad regional collaboration, featuring representation from the South Carolina Department of Transportation among others.

BRIEF DESCRIPTION – CITY OF CHARLOTTE

Background (continued)

The MTC receives input from two citizen-led committees: the Citizens Transit Advisory Group (CTAG) and the Transit Services Advisory Committee (TSAC). CTAG focuses on evaluating long-term transit plans and proposed budgets for operations and infrastructure from the community's standpoint, offering recommendations to the MTC. TSAC, on the other hand, advises the MTC on matters of immediate interest and serves as a forum for citizen suggestions and complaints concerning fares, routes, and schedules. It also serves as an advocacy group for public transportation services and reviews staff recommendations on services provision and transit policies.

The MTC, CTAG and TSAC all provide opportunities for community members to contribute their perspectives through public comments at all public meetings.

Bus Operations:

CATS delivers its bus and revenue vehicle maintenance services through a partnership with an external contractor, Transit Management of Charlotte which is managed by National Express Transit. National Express Transit oversees the management of employees, including bus operators and revenue vehicle maintenance technicians. Importantly, these employees are not direct staff of CATS or the City of Charlotte.

Bus service operates across 69 varied routes, running Monday through Saturday from approximately 4:50 a.m. to 2:15 a.m., and on Sundays from 4:55 a.m. to 1:35 a.m. Included within these routes are 15 Commuter Bus services, designed for streamlined travel to and from center city of Charlotte. Additionally, three specialized routes, named the North Meck Village Rider, serve the northern communities of Davidson, Cornelius, and Huntersville within the CATS service area, offering slightly adjustable routes to accommodate local needs.

CATS buses are based at the Maintenance Facilities, located at 3145 S. Tryon Street in Charlotte, NC, and 900 North Davidson Street. Funded by the Federal Transit Administration (FTA), the South Tryon facility spans 338,000 square feet and is equipped to facilitate the daily operations of over 250 buses. It houses central services such as maintenance, body repair, painting, and warehousing, serving the comprehensive needs of the entire CATS fixed route bus fleets. The North Davidson Bus Operations Facility is located at 900 and 901 N. Davidson Street in Charlotte, NC, serves as a secondary fixed route bus services location. Spanning 194,000 square feet, this FTA-funded facility is equipped to support up to 200 buses, ensuring comprehensive and efficient service delivery.

BRIEF DESCRIPTION – CITY OF CHARLOTTE

Background (continued)

Paratransit Operations:

CATS' ADA Complementary Paratransit Service offers curb-to-curb paratransit within Charlotte's city boundaries, including portions of Matthews and Pineville, mirroring the fixed-route bus schedule. Tailored for individuals with disabilities, this demand-responsive service covers areas within $\frac{3}{4}$ miles of the fixed local and circulator routes and rail network.

The CATS Paratransit Fleet consists of 83 vehicles and is operated and maintained out of the North Davidson Street Bus Operations facility. The CATS Vanpool program is operated within the CATS Paratransit department. Currently has 27 active vans that service the Charlotte region.

Rail Operations:

The CATS Blue Line light rail stretches 18.9 miles, linking Interstate-485 just north of Pineville to the University of North Carolina at Charlotte's main campus, running alongside South Boulevard for its entire route. With 26 stops, it operates from 4:35 a.m. to 2:00 a.m. daily. The Gold Line streetcar offers four-mile route with 15 stops, connecting the West End, Center City Charlotte, and the Elizabeth neighborhood. The Gold Line runs from Monday to Friday, 6:00 a.m. to 11:26 p.m., on Saturdays from 8:00 a.m. to 11:26 p.m. and on Sundays from 8:00 a.m. to 10:36 p.m.

The Light Rail Maintenance Facility, essential for the upkeep of rail operations, is located at 3200 South Boulevard in Charlotte, NC. This facility, supported by FTA funds, spans approximately 110,000 square feet and accommodates maintenance areas, offices and a control center for rail and bus operations. A secondary rail facility can be found at 1911 North Brevard Street, further supporting the infrastructure. The North Brevard location is approximately 4,500 square feet and accommodates limited maintenance as well.

Fares:

Local Bus and Rail:

Local bus and rail services offer a one-way fare of \$2.20 for adults, with a reduced fare of \$1.10 for students K-12, seniors aged 62 or older and Medicare cardholders. Weekly unlimited ride passes are available for \$30.80, while monthly passes are priced at \$88.00 for adults and \$44.00 for eligible seniors and Medicare cardholders. A 10-ride pass costs \$22.00 for adults and \$9.35 for seniors and Medicare cardholders. The LYNX Gold Line streetcar service is currently offered fare-free. Transfers, which must be requested at the time of fare payment, are valid for 105 minutes; transferring from local bus or rail to express service incurs an additional cost of \$0.80, and to express plus service, \$2.20.

BRIEF DESCRIPTION – CITY OF CHARLOTTE

Background (continued)

Express Bus:

Express bus service charges a one-way fare of \$3.00 for adults and \$1.50 for students K-12, eligible seniors, and Medicare cardholders. A 10-ride pass is \$30.00 for all users, and a monthly unlimited ride pass is \$121.00 for adults and \$60.50 for seniors and Medicare cardholders. Transfers, also valid for 105 minutes, cost \$1.40 for express to express plus service.

Express Plus:

Express plus regional bus service costs \$4.40 for a one-way fare for adults and \$2.20 for eligible students K-12, seniors, and Medicare cardholders, with a 10-ride pass available for \$44.00 for all and monthly unlimited rides at \$176.00 for adults and \$88.00 for seniors and Medicare cardholders. Transfers are allowed within 105 minutes.

Paratransit:

Paratransit service offers a one-way fare of \$3.50, with a 10-ride pass priced at \$35.00 and a monthly unlimited ride pass at \$140.00.

Comprehensive details about CATS fares are available here:

<https://www.charlottenc.gov/CATS/Fares-Passes>

Transit Passenger Facilities:

CATS has multiple transit centers, notably the Charlotte Transportation Center (CTC) at 310 E. Trade Street in Charlotte. This center stands as the primary hub for CATS bus and rail services, facilitating seamless connections across the network. The bus component of the CTC emerged from a collaborative effort between the City of Charlotte and Bank of America, while the integration of rail services into the CTC received funding from the FTA. Additionally, the CTC offers a range of amenities, including customer service, transit pass sales, a lost and found office, transit security and spaces for private business tenants. In addition to the CTC, CATS has other facilities to support customers throughout the service area, these include three other transit community centers, 17 park-and-rides to support CATS express bus network and 11 light rail park-and-rides as well as 268 bus stops with shelters and 367 with benches.

BRIEF DESCRIPTION – CITY OF CHARLOTTE

Active FTA Grants

The following is a list of City of Charlotte’s active FTA grants as of June 30, 2023.

Grant Number	Description	Authorized Federal Share	Federal Share of Expenditures
NC-03-0082-08	FFGA-LYNX Blue Line Extension	\$ 577,347,248	\$526,176,577
NC-04-0006-03	FY07 Charlotte Gateway Station	11,326,917	8,277,139
NC-04-0018-00	FY08/09 Charlotte Gateway Station	10,557,344	7,238,538
NC-90-X541-00	FY13 Formula	17,193,080	16,444,386
NC-90-X569-00	FY14 Formula	16,779,047	16,607,370
NC-2016-001-00	CITY LYNX Gold Line Phase 2	73,087,380	64,199,143
NC-2016-043-00	FY15 Formula	18,205,206	17,495,256
NC-2017-009-00	FY15/16 Enhanced Mobility	3,312,077	2,164,092
NC-2017-019-00	FY16 Formula	17,254,083	13,140,900
NC-2017-030-00	FY15/16 Enhanced Mobility	1,606,722	1,386,575
NC-2018-049-00	FY18 Bus and Bus Facilities	1,176,479	--
NC-2018-068-00	FY17 Formula	17,508,348	15,344,597
NC-2019-004-00	FY17 (5310) Enhanced Mobility	857,040	709,943
NC-2019-050-00	Multi-source Funding, Bus and Bus Facilities	20,602,259	16,262,121
NC-2020-030-00	FY18 Enhanced Mobility	891,980	402,597
NC-2020-031-00	CARES Act Grant	56,935,286	52,823,307
NC-2020-060-00	FY21 Super Grant	31,982,606	16,448,734
NC-2021-006-00	Low No Electric Bus Grant	3,723,712	--
NC-2021-041-00	FY19 Enhanced Mobility	852,632	270,249
NC-2022-008-00	CRRSA Silverline and Vehicle Overhaul	51,090,454	17,746,144
NC-2022-010-00	ARP PM, Rail Vehicle Overhaul & Operating Assistance	82,696,619	--
NC-2022-040-00	FY22 Super Grant	29,704,822	3,075,875
NC-2022-061-00	FY20 Enhanced Mobility	962,098	--
Total		\$1,045,653,439	\$796,213,543

SECTION II

MATERIAL WEAKNESSES

MATERIAL WEAKNESSES

For purposes of this examination, a material weakness is defined as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that instances of material noncompliance with the FTA Financial Management System requirement may have occurred and were not prevented or detected and corrected on a timely basis.

None of the matters identified during the review were considered to be material weaknesses in the City of Charlotte's financial management system.

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SECTION III

SIGNIFICANT DEFICIENCIES

SIGNIFICANT DEFICIENCIES

For purposes of this review, a significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The findings considered to be significant deficiencies in the City of Charlotte's financial management system are summarized in this section, along with recommendations, notations of the specific provisions of the regulations affected, discussion of the significance of the findings, summary of the recipient's responses, and evaluation of the recipient's responses.

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SIGNIFICANT DEFICIENCIES

1. Inadequate System of Record Keeping

Finding

The City of Charlotte (primarily CATS) did not maintain an adequate system of record keeping. As a result, certain information needed to complete testing during the review was not available in a timely manner.

Standards Impacted

2 CFR §200.302(b) *Financial Management*. The financial management system of each non-Federal entity must provide for the following: (3) “Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

2 CFR §200.302(b) *Financial Management*. The financial management system of each non-Federal entity must provide for the following: (4) “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

2 CFR §200.303 *Internal Controls*. “The non-Federal entity must: (a) Establish and maintain effective control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

FTA Circular 5010.1E Chapter VI 2.f.(3)(b) *Accounting Records*. The financial management systems of each recipient or subrecipient other than a state must meet the following standards:

2. “Accounting Records. Recipients and subrecipients must maintain records that adequately identify the source and application of funds provided for Federally assisted activities. These records must contain information pertaining to the Award or subawards and authorizations, unobligated balances, assets, liabilities, outlays or expenditures, and income.”
3. “Internal control. Effective control and accountability must be maintained for all cash provided to support the Award or subaward, real and personal property, and other assets, recipients and subrecipients must adequately safeguard all such property and must ensure that it is used solely for authorized purposes.”

SIGNIFICANT DEFICIENCIES

1. Inadequate System of Record Keeping (continued)

Recommendation

The City of Charlotte should develop and implement written procedures to ensure that CATS' financial and other compliance-related information is readily available when needed, and assessable to CATS even when staff turnover occurs. The policy should also include access to CATS-related documentation maintained by other City departments.

This corrective action should be completed within 90 days from the date of receipt of this report.

Discussion

During this review, CATS was unable to provide certain requested information in a timely manner. As a result, information needed to complete our testing was not available by the cutoff date (January 26, 2024) established for this review.

This Financial Management Oversight (FMO) began in August 2023. FTA requested a cutoff date at the end of January be established for the receipt of documentation requested for the FMO Review. For that purpose, January 26, 2024, was established as the cutoff date and any documentation received after that date would be considered non-timely.

In the area of Project Management, Saggar and Rosenberg (S&R) had requested a copy of the status report for the Blue Line Extension project for the period ended June 30, 2023, in order to evaluate whether the types of information that were included in the report were adequate to describe the current status of the project.

In the area of Monitoring, S&R had requested a copy of the final report for the internal audit of Asset Management – Maintenance and Inspection Programs-Rail. That report was requested because S&R was performing the FMO Review in coordination with another contractor who was performing a Special Maintenance Review of CATS at the time.

However, the reports were not provided by our cutoff date.

In addition, there were similar instances of documentation not made available as described in Significant Deficiencies Number #2 and Number #3.

Recipient Response

To be provided.

SIGNIFICANT DEFICIENCIES

1. Inadequate System of Record Keeping (continued)

Evaluation of Recipient's Response

To be determined.

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SIGNIFICANT DEFICIENCIES

2. General Ledger Information Needed to Support Amounts in the NTD Report Not Provided in a Timely Manner

Finding

CATS was not able to provide general ledger information in a timely manner to support amounts reported in their National Transit Database (NTD) report for the period ended June 30, 2022.

Standards Impacted

2 CFR §200.302(b) *Financial Management.* The financial management system of each non-federal entity must provide for the following: (3) “Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.”

2 CFR §200.302(b) *Financial Management.* The financial management system of each non-Federal entity must provide for the following: (4) “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

2 CFR §200.303 *Internal Controls.* “The non-Federal entity must: (a) Establish and maintain effective control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Recommendations

CATS should provide documentation to FTA Region IV, including general ledger reports, to support amounts reported in the F-30 expense schedules for the 2022 NTD Report for both bus and rail.

In addition, CATS should implement procedures to maintain documentation to support amounts reported in future NTD reports so that the information is available when requested by FTA or FTA contractors.

These corrective actions should be completed within 90 days from the date of receipt of this report.

SIGNIFICANT DEFICIENCIES

2. General Ledger Information Needed to Support Amounts in the NTD Report Not Provided in a Timely Manner (continued)

Discussion

The 2022 NTD report was reviewed in order to determine whether reported amounts could be properly supported. S&R requested general ledger information to support expense amounts reported in schedules F-30 for bus (MB PT) and rail (LR DO) in order to determine whether the reported amounts agreed with the general ledger balances and to evaluate whether the amounts required a reasonable number of adjustments.

The Manager of Financial Reporting and Grant Accounting did indicate that the general ledger in the Munis financial management system was Uniform System of Accounts (USOA) compliant and that not many adjustments to general ledger amounts are needed to report the required information to NTD.

However, CATS was unable to provide general ledger information by the cutoff date as described in Significant Deficiency Number 1.

The Chief Financial Officer indicated that the NTD report had been prepared by an individual who was no longer at CATS and that another individual was working to provide the information; however, as recommended in Significant Deficiency Number 1, procedures should be established to ensure that the related data is adequately documented and accessible by other CATS financial staff to protect from data/knowledge loss in case of staff turnover.

Recipient Response

To be provided.

Evaluation of Recipient's Response

To be determined.

SIGNIFICANT DEFICIENCIES

3. Copy of General Ledger Reconciliation Not Provided in a Timely Manner

Finding

CATS was not able to provide a copy of its reconciliation of fixed assets balances to the general ledger for the period ended June 30, 2023, in a timely manner.

Standards Impacted

2 CFR §200.302(b) *Financial Management*. The financial management system of each non-Federal entity must provide for the following: (3) “Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

2 CFR §200.302(b) *Financial Management*. The financial management system of each non-Federal entity must provide for the following: (4) “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

2 CFR §200.303 *Internal Controls*. “The non-Federal entity must: (a) Establish and maintain effective control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Recommendation

CATS should provide documentation of the general ledger (G/L) reconciliations for fixed asset accounts for bus, light rail and streetcar as of June 30, 2023. Documentation for the reconciliations should be similar to that prepared for other monthly fixed asset reconciliations that were performed throughout the year.

This corrective action should be completed within 90 days from the date of receipt of this report.

Discussion

S&R had requested a copy of the reconciliations of fixed assets to the G/L as of June 30, 2023, in order to determine whether balances in the Munis fixed assets module were in balance with the G/L at that date and that documentation was adequate.

SIGNIFICANT DEFICIENCIES

3. Copy of General Ledger Reconciliation Not Provided in a Timely Manner (continued)

Discussion (continued)

The Munis financial management system is an integrated financial management system, so that the fixed asset balances should be in agreement with the G/L at all times, and any differences should appear on an exception report. So that, if formal general ledger reconciliations were not performed of fixed asset accounts at that date, then documentation from the Munis system showing that the fixed asset balances were in balance with the general ledger at that date would have been acceptable.

However, CATS was not able to provide the information by the cutoff date discussed in Significant Deficiency Number #1.

Recipient Response

To be provided.

Evaluation of Recipient's Response

To be determined.

SIGNIFICANT DEFICIENCIES

4. Fixed Asset Listing Did Not Indicate Holder of Title or Current Condition for Grant Funded Fixed Assets

Finding

The fixed asset listing did not indicate holder of title or current condition for any of the grant funded fixed assets.

Standards Impacted

2 CFR §200.302(b) *Financial Management*. The financial management system of each non-Federal entity must provide for the following: (3) “Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

2 CFR §200.302(b) *Financial Management*. The financial management system of each non-Federal entity must provide for the following: (4) “Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.”

2 CFR §200.303 *Internal Controls*. “The non-Federal entity must: (a) Establish and maintain effective control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

FTA Circular 5010.1E Chapter IV(4)(n) Management of Federally Assisted Property. “Rolling stock and equipment management procedures include the following minimum requirements: (1) Equipment records must be maintained by the recipient. Records must include the following: (a) A description of the asset; (b) The identification number or serial number; (c) The entity or individual that holds title to the asset; (d) The source of funding (the FAIN number under which it was procured); (e) The acquisition date; (f) The cost of the asset; (g) The percentage of federal participation in the cost; (h) The location; (i) The use and condition; (j) The useful life; and (k) The disposition data, including the date of disposal and sale price, or, where applicable, method used to determine its fair market value.”

Recommendations

CATS should research information for each of its grant funded fixed assets and update the fixed asset listing to reflect holder of title and current condition (i.e., new, good, fair, poor, damaged, etc.). Upon completion, CATS should submit a copy of the updated fixed asset listing to FTA Region IV as part of their response to this Finding.

SIGNIFICANT DEFICIENCIES

4. Fixed Asset Listing Did Not Indicate Holder of Title or Current Condition for Grant Funded Fixed Assets (continued)

Recommendations (continued)

In addition, CATS should implement a procedure to ensure that the fixed asset listing is updated as needed to reflect new fixed asset additions or changes in the current condition for their assets.

These corrective actions should be completed within 90 days of the date of receipt of this report.

Discussion

CATS provided a listing of grant funded fixed assets that were acquired during the period July 1, 2021 to June 30, 2023 that was generated from its fixed asset listing. The listing was reviewed for completeness and compliance with all criteria required by Circular 5010.1E for each fixed asset included in the listing.

The review noted that the fixed asset listing did not indicate holder of title or current condition for any of the grant funded fixed assets; however, all other FTA required information was included in the fixed asset listing. The Chief Financial Officer indicated that CATS was the holder of title for each of the grant funded assets.

Recipient Response

To be provided.

Evaluation of Recipient's Response

To be determined.

SECTION IV

ADVISORY COMMENTS

ADVISORY COMMENTS

For purposes of this review, an advisory comment represents a minor control deficiency in the design or operation of the financial management system that is not significant enough to adversely affect the City of Charlotte or CATS's ability to record, process, summarize, and report financial and related data consistent with the requirements of [2 CFR §200.302](#).

None of the matters identified during the review were considered to be advisory comments in the City of Charlotte's financial management system.

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SECTION V

SUMMARY OF FINDINGS

SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Material Weaknesses	None of the matters identified during the review were considered to be a material weakness in CATS's financial management system.			
Significant Deficiency 1	Inadequate System of Record Keeping	2 CFR §200.302(b)(3) Financial Management 2 CFR §200.302(b)(4) Financial Management 2 CFR §200.303 Internal Controls FTA Circular 5010.1E Chapter VI 2(f)(3)(b)(2) Accounting Records 2 Accounting Records 3 Internal Control	CATS should develop written procedures and implement them to ensure that financial and other information is available when needed, or when requested during audits and other reviews. That would include having access to CATS related information held in other City departments.	Within 90 days from the date of receipt of this report.
Significant Deficiency 2	General Ledger Information Needed to Support Amounts in NTD Report Not Provided in a Timely Manner	2 CFR §200.302(b)(3) Financial Management 2 CFR §200.302(b)(4) Financial Management 2 CFR §200.303 Internal Controls	CATS should provide documentation to FTA Region IV, including general ledger reports, to support amounts reported in the F-30 expense schedules for the 2022 NTD Report for both bus and rail. In addition, CATS should implement procedures to maintain documentation to support amounts reported in future NTD reports so that the information is available when requested by FTA or FTA contractors.	Within 90 days from the date of receipt of this report.
Significant Deficiency 3	Copy of General Ledger Reconciliation Not Provided in a Timely Manner	2 CFR §200.302(b)(3) Financial Management 2 CFR §200.302(b)(4) Financial Management 2 CFR §200.303 Internal Controls	CATS should provide copies of the general ledger reconciliations for the light rail and bus asset fixed asset accounts for bus, light rail and streetcar at June 30, 2023. Documentation for the reconciliation should be similar to that prepared for other monthly fixed asset reconciliations that were performed throughout the year.	Within 90 days from the date of receipt of this report.

SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Significant Deficiency 4	Fixed Asset Listing Did Not Indicate Holder of Title or Current Condition for Grant Funded Fixed Assets	2 CFR §200.302(b)(3) Financial Management 2 CFR §200.302(b)(4) Financial Management 2 CFR §200.303 Internal Controls FTA Circular 5010.1E Chapter IV (4)(n) Management of Federally Assisted Property	<p>CATS should research information for each of its grant funded fixed assets and update the fixed asset listing to reflect holder of title and current condition (i.e., new, good, fair, poor, damaged, etc.). Upon completion, CATS should submit a copy of the updated fixed asset listing to FTA Region IV as part of their response to this Finding.</p> <p>In addition, CATS should implement a procedure to ensure that the fixed asset listing is updated as needed to reflect new fixed asset additions or changes in the current condition for their assets.</p>	Within 90 days from the date of receipt of this report.
Advisory Comments	None of the matters identified during the review were considered to be an advisory comment in CATS' financial management system.			

SECTION VI

**CRITERIA ESTABLISHED BY THE FTA FOR
RECIPIENT FINANCIAL MANAGEMENT SYSTEMS**

CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENT FINANCIAL MANAGEMENT SYSTEMS

The following criteria have been set forth by the Federal Transit Administration (FTA) as standards for the financial management systems of FTA recipients. The criteria for grants awarded or modified on or after December 26, 2014, are located in [2 CFR Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Additional guidance for applying many of these criteria is provided in various circulars issued by the FTA, U.S. Department of Treasury, and the Office of Management of Budget (OMB).

For grants awarded or modified on or after December 26, 2014, the financial management standards of [2 CFR Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, apply. Specifically, the financial management standards of the Omnibus Circular, located at [2 CFR Part 200.302](#). Additional guidance for applying many of these criteria is provided in various circulars issued by the FTA and the U.S. Department of Treasury. The financial management criteria of [2 CFR Part 200](#) are as follows:

[2 CFR Part 200.302\(a\)](#). Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

[2 CFR Part 200.302\(b\)](#). The financial management system of each non-Federal entity must provide for the following (see also [§200.333](#) Retention requirements for records, [§200.334](#) Requests for transfer of records, [§200.335](#) Methods for collection, transmission and storage of information, [§200.336](#) Access to records, and [§200.337](#) Restrictions on public access to records):

- 1 Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
2. Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in [§200.327](#) Financial reporting and [§200.328](#) Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

**CRITERIA ESTABLISHED BY THE FTA FOR
RECIPIENT FINANCIAL MANAGEMENT SYSTEMS**

- 3 Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- 4 Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See [§200.303](#) Internal controls.
- 5 Comparison of expenditures with budget amounts for each Federal award.
- 6 Written procedures to implement the requirements of [§200.305](#) Payment.
- 7 Written procedures for determining the allowability of costs in accordance with Subpart E - Cost Principles of this Part and the terms and conditions of the Federal award.”

SECTION VII

RECIPIENT'S RESPONSE (FULL TEXT)

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