

2. FINANCIAL

BASIC REQUIREMENT

The grantee must demonstrate the ability to match and manage FTA grant funds, cover cost increases, cover operating deficits through long-term stable and reliable sources of revenue, maintain and operate federally funded facilities and equipment, and conduct an annual independent organization-wide audit in accordance with the provisions of OMB Circular A-133.

AREAS TO BE EXAMINED

1. *Financial Capacity*

The certification of financial capacity is included in the Annual List of Certifications and Assurances (Category 1 and 15).

- a. Documentation of Financial Condition
- b. Documentation of Financial Capacity
- c. Financial Plan in TIP
- d. Multi-year financial plan (three to five years), including income statements
- e. Current year's operating and capital budget

2. *Funds Management*

- a. ECHO Documentation
- b. Financial Status Reports
- c. Cost Allocation Plan
- d. Operating Budgets

3. *Audits/Oversight Reports*

- a. Annual Single Audit Reports (where applicable)
- b. Internal/State/Local Audits
- c. OIG/GAO Audits
- d. FMO Reports

Selection of ECHO Drawdowns for Review During the Site Visit – The reviewer will use the following systematic approach when selecting drawdowns (i.e., disbursement transactions) to examine. Using this approach the reviewer will prepare a list of disbursement transactions to examine during the site visit. The steps described below are illustrated on pp. 2-3 through 2-9 of this section for a site visit beginning on November 1, 2007.

1. Data Source – Prior to the site visit, the reviewer will prepare a summary of disbursements for the 36 months

preceding the site visit using TEAM data. These data can be downloaded using the Data Queries function as follows:

- a. Select “Disbursements and Refunds” from the Dynamic Query>>Data Query menu
 - b. Select the Recipient ID from the Drop-down list under Additional Search Criteria
 - c. Click the “Submit” button
 - d. Click the “Disbursements and Refunds” link on the Disbursement and Refunds frame
 - e. Click the “Open” button (you can also click “Save” and save the data directly to a file).
 - f. Copy the data and Paste it into an Excel spreadsheet (or Open your saved data file).
 - g. Sort and clean spreadsheet data.
2. Sample Size – The reviewer will select a sample of transactions based upon the total number of disbursement transactions during the 36 months (three 12 month periods) preceding the site visit as follows:
 - a. Five (5) transactions for each 12-month period in which there were 50 or more disbursements.
 - b. Four (4) transactions for each 12-month period in which there were between 25 and 49 disbursements.
 - c. Three (3) transactions for each 12-month period in which there were less than 25 disbursements.
 3. Sample Selection – The reviewer will select the sample according to the following procedure.
 - a. Divide the total number of disbursements in each 12-month period by the sample size (e.g., 50 disbursements divided by 5 sample

transactions equals 10) to obtain the selection interval.

- b. Use the last digit of the grantee's Vendor ID as a random starting point (e.g., ABC Transit's Vendor ID is 1234, the random starting point is the 4th transaction in each fiscal year).
- c. Beginning at the random starting point, select every transaction that falls at the selection interval (e.g., beginning at the 4th transaction, select every 10th transaction).
- d. For each "Account Class" transaction that is selected, the reviewer should add up all "Account Class" transactions for the corresponding grant number on that date and use this figure for examining the drawdown.

- e. The results are entered onto Exhibit 2.1 of the Triennial Review Worksheets and this information is transmitted to the grantee with the final site visit schedule.

Note: if the last digit of the grantee's Vendor ID is zero, use the next digit to the left as the random starting point (e.g., for a Vendor ID of 1230, the random starting point would be the 3rd transaction).

The list of sample transactions including grant number, transaction date, and amount should be sent to the grantee prior to the site visit. The grantee should be asked to have all supporting documentation for these transactions available for examination.