

Memorandum



To: Michael Ford
Cc: Dawn Gabay, Chris White, Michelle Sanders
From: Philip Webb
Date: **April 13, 2012**
Re: **Corrective Action Plan for Single Audit & Management Letter (SAS 114) Findings**

Plante & Moran performed the FY 2011 audit of the financial statements and single audit and issued their report dated February 22, 2012. As part of the audit, they are also required to issue “communications required under Statement of Auditing Standards (SAS) #114”, also known as a management letter. They have six findings, two from the Single Audit and four from the SAS 114 letter. These are stated below along with AATA’s response and corrective action plan.

Plante & Moran Finding:	AATA’s Response & Corrective Action Plan
2011-01: GASB No. 33, <i>Accounting and Financial Reporting for Non-exchange Transactions</i> , would indicate that the property tax revenue received from the City of Ann Arbor should be recorded when received by the Authority as it is at that point that all of the eligibility requirements have been met.	Completed. The Authority will begin recording property tax revenue in its entirety when it is levied by the City and received by the Authority.
2011-02: The Davis Bacon Act requirements are in effect for all construction contracts over \$2,000. AATA interpreted this requirement incorrectly that Davis Bacon would not be required on individual bus shelter pad projects, which are each under \$2,000. However, the \$2,000 threshold should be applied to contracts over \$2,000, not individual projects.	Completed. The Authority will amend its practices to apply Davis-Bacon requirements based on contract basis rather than project basis for future construction type activities.
Senate Bill 34 - Elimination of the Personal Property Tax: On January 19, 2011, SB 34 was introduced. Very simply, this bill, if it becomes law, will amend PA 206 of 1893 and exempt all personal property from the collection of taxes. Altogether, this would reduce revenue for communities, and therefore	This is informational only. No action is required. If this bill becomes law, AATA’s annual property tax levy would decrease by about \$420,000.

<p>the Authority, across the State by approximately \$770 million. Including the school districts, the lost revenue would be over \$1 billion. This bill does not provide any source of revenue to replace that which is lost.</p>	
<p>Federal Grants Period of Availability: We noted instances where dated grants (grants that have exceeded the period of availability) are still being drawn down by the Authority and reimbursed by the FTA. Each federal grant outlines the funding availability of awarded grants which begins when the funds become available (in the year of appropriation) plus two to three additional years for a total of three to four-year eligibility period (depending on the grant type). Although the FTA has not enforced this compliance requirement in the past, under grants that are funded with the ARRA monies, enforcement will be more stringent. Additionally, we understand that as this is being enforced under ARRA, it is anticipated that enforcement for all federal grant programs will also be more rigorous in future years. Given the significance of federal awards to the Authority, we encourage the Authority to review its processes and procedures for ensuring that grants are being spent within the period of availability going forward to ensure that awarded amounts are not forfeited.</p>	<p>This is not true. It is based on a misunderstanding of Federal regulations by Plante Moran. Federal Grants – except ARRA grants – do not have an expiration date. The grant contract does not include any date by which funds have to be expended or they could be withdrawn by FTA.</p> <p>The misunderstanding by Plante Moran is based on the “period of availability” of Federal transit funds. The period of availability is either 2 or 3 years, depending on the program. What this means is that the appropriated funds must be “obligated” within this period of availability. For the Federal Transit Administration (FTA) the funds are “obligated” once they are put into an approved grant. Once a grant is approved, there is no expiration date. AATA has never had an instance in which we have lost funds because they were not approved in a grant before the period of availability expired.</p> <p>AATA does submit a planned schedule for expenditure of grant funds to FTA before grant approval. AATA reports quarterly to FTA on the schedule and any delays in expending funds. The FTA will ask for an action plan from a grantee when projects are not moving. AATA has never had to submit such an action plan.</p> <p>Plante Moran provided a draft of the letter with this erroneous information to us in advance. We provided information to them that this note was inaccurate. They did not respond to us or correct the note before issuing the letter.</p>
<p>Investment Policy and Heating Oil Futures: During the audit, Plante & Moran, PLLC reviewed the Authority’s investments for</p>	<p>In Process: The Authority has consulted with legal counsel and is awaiting reply.</p>

<p>compliance with Public Act 20 of 1943 and the Authority's investment policy. It appears that as of September 30, 2011, the Authority is investing in heating oil futures. Based on our review of the Authority's investment policy, it does not appear that this investment complies with the Authority's investment policy. Based on a review of Public Act 20 of 1943, it does not appear that this investment is in compliance with state law. However, we encourage the Authority to consult with their legal counsel regarding this matter and, based on the opinion received regarding the legality of this investment, either adjust the Authority's investment policy or appropriately adjust the types of investment in which the Authority is investing.</p>	
<p>Quarterly investment report: Public Act 217 of 2007 requires that the Authority provide to the Board on a quarterly basis an investment report that reports on the types of investments that the Authority is investing in along with other information related to the investments that the board will find valuable. For example, the Board may want to know the interest rate on each investment. It does not appear that the Authority is in compliance with this state law as of September 30, 2011.</p>	<p>Complete: The Authority will provide a quarterly investment report starting with the April 2012 PMER meeting.</p>