



## PERFORMANCE AUDIT REPORT

# Regional Transportation Authority of Middle Tennessee

*July 2019*

**Justin P. Wilson**  
*Comptroller of the Treasury*



**DIVISION OF STATE AUDIT**

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JUSTIN P. WILSON  
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*Deputy Comptroller*

July 16, 2019

The Honorable Randy McNally  
Speaker of the Senate  
The Honorable Glen Casada  
Speaker of the House of Representatives  
The Honorable Kerry Roberts, Chair  
Senate Committee on Government Operations  
The Honorable Martin Daniel, Chair  
House Committee on Government Operations  
and  
Members of the General Assembly  
State Capitol  
Nashville, TN 37243  
and  
The Honorable Randall Hutto, Acting Chairman of the Board  
Regional Transportation Authority of Middle Tennessee  
430 Myatt Drive  
Nashville, TN 37115

Ladies and Gentlemen:

We have conducted a performance audit of selected programs and activities of the Regional Transportation Authority of Middle Tennessee for the period August 1, 2017, through April 30, 2019. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

Our audit disclosed one finding, which is detailed in the Audit Conclusions section of this report. The board chair and contracted management of the Regional Transportation Authority of Middle Tennessee have responded to the audit finding; we have included the response following the finding. We will follow up the audit to examine the application of the procedures instituted because of the audit finding.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the Regional Transportation Authority of Middle Tennessee should be continued, restructured, or terminated.

Sincerely,

A handwritten signature in black ink that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director  
Division of State Audit

DVL/me  
19/055



Division of State Audit

## Regional Transportation Authority of Middle Tennessee

Performance Audit  
July 2019

*Our mission is to make government work better.*

## AUDIT HIGHLIGHTS

We have audited the Regional Transportation Authority of Middle Tennessee for the period August 1, 2017, through April 30, 2019. Our audit scope included a review of compliance with laws, regulations, policies, procedures, and provisions of contracts and grant agreements in the following areas:

**Scheduled Termination Date:**

**June 30, 2020**

- board structure and responsibilities;
- transit customers;
- reserve funds;
- accounts receivable and federal expenditures; and
- public records management.

## KEY CONCLUSIONS

### FINDING

- As noted in the prior audit, the Authority's board did not ensure that contracted management executed revenue contracts between transit customers and the Authority (page 21).

### OBSERVATIONS

The following topics are included in this report because of their effect on the operations of the Regional Transportation Authority of Middle Tennessee and the citizens of Tennessee:

- the board has not yet reviewed board member attendance or updated its bylaws to address board member attendance issues for regular board meetings (page 16); and
- the Authority has two board vacancies that have remained unfilled for over a year (page 17).

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# INTRODUCTION

## AUDIT AUTHORITY

This performance audit of the Regional Transportation Authority of Middle Tennessee (the Authority) was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-241, the Authority is scheduled to terminate June 30, 2020. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. This audit is intended to aid the committee in determining whether the Authority should be continued, restructured, or terminated.

## BACKGROUND

### General Organization

The Regional Transportation Authority of Middle Tennessee (the Authority) was established in 1988 pursuant to Section 64-8-101, *Tennessee Code Annotated*, to cover the counties of Davidson, Sumner, Williamson, Wilson, Robertson, Cheatham, Maury,<sup>1</sup> Dickson, and Rutherford for the following purposes:

The member counties are exhibited on page 3, and the cities are on page 29.

- to plan, finance, construct, operate, maintain, and manage mass transit systems in response to the growing need for regional solutions to traffic congestion; and
- to develop multimodal transportation necessary for economic growth and environmental sustainability.

In 2009, enabling legislation was passed, allowing the Authority to expand and include adjacent counties and municipalities with a majority vote of acceptance by the Authority's board. In March 2012, the board voted to accept Montgomery County as a member. In March 2018, the board voted to accept the city of Columbia within Maury County as a member.

The Authority's board member representation is in Appendix 1 on page 29.

The Authority is governed by a board consisting of mayors from all member counties and cities; the Commissioner's designee from the Tennessee Department of Transportation; and one Governor-appointed resident from each of the member counties. The Authority's board has 39

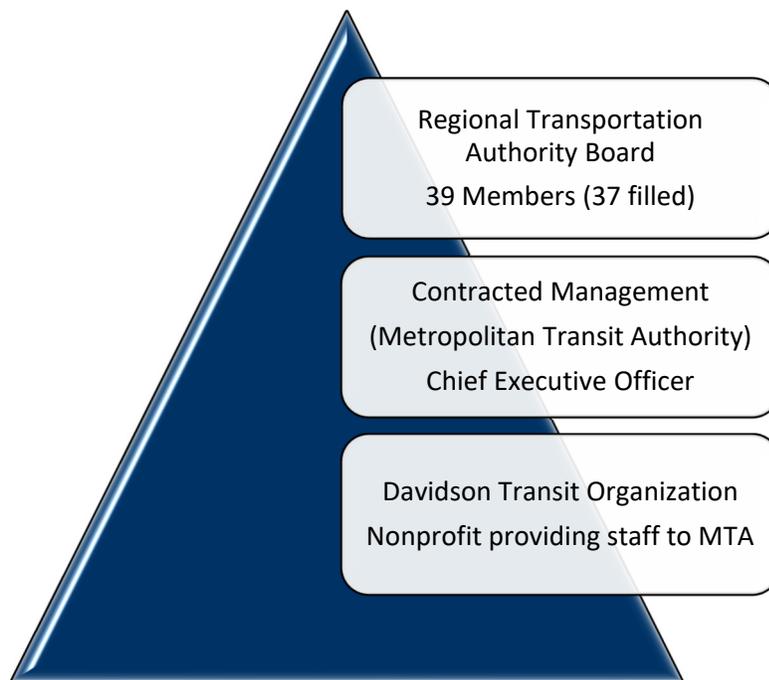
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<sup>1</sup> Although Maury County was included in the original legislation, the county is not a member of the Authority. The county has chosen not to pay the membership fee; therefore, no corridor services are provided, and the county is not represented on the board.

elected or appointed members, 3 of whom are officers:<sup>2</sup> a chair, a vice chair, and a secretary. The Authority’s board meets once a quarter.<sup>3</sup> On February 21, 2018, the board established a new standing committee, the Executive Committee, which meets in the months when the full board does not meet. The board has four other standing committees: Audit, Finance, Operations, and Corridor. The Audit Committee meets twice a year or upon request. Both the Finance and Operations Committees meet monthly. The Corridor Committees,<sup>4</sup> representing the cities and counties in a particular service corridor, meet as needed to discuss and make recommendations to the full board on issues specific to each corridor.

The Authority has no employees to manage its daily operations; therefore, the Authority’s board contracted with the Nashville Metropolitan Transit Authority (MTA) to manage the Authority’s daily operations to provide regional services.

**Exhibit 1**  
**Regional Transportation Authority of Middle Tennessee**  
(Organizational Hierarchy)  
As of April 30, 2019



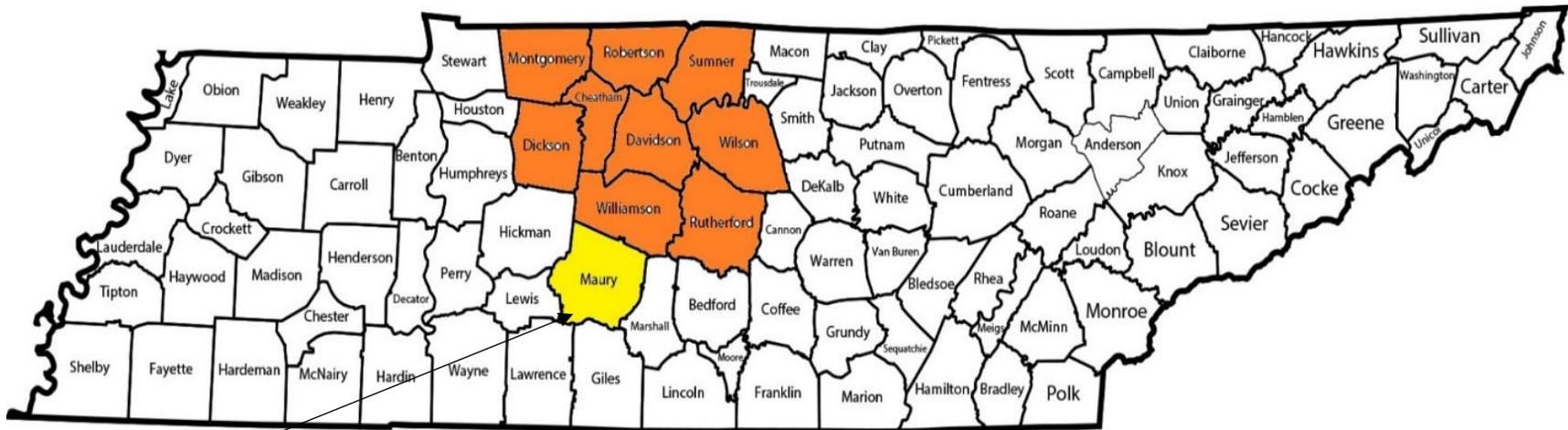
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<sup>2</sup> According to the Authority’s bylaws, Article 3: “Officers,” Section 1, Number and Term, “the officers shall be elected at the first regular meeting of the board in each calendar year from and by the entire Authority membership.”

<sup>3</sup> According to the Authority’s bylaws, Article 2: “Board of the RTAMT,” Section 3, Meetings, “the RTAMT shall meet at least quarterly.”

<sup>4</sup> There are seven corridor committees, one for each corridor. See **Exhibit 3**.

**Exhibit 2**  
**Authority Member Counties (highlighted)**  
**As of April 30, 2019**



Note: Maury County was included in the original legislation; however, Maury County is not currently participating in the Authority; therefore, no transit services are provided. The City of Columbia within Maury County became a member in March 2018. According to MTA's Chief Executive Officer, the Authority is currently working on a route extension from Spring Hill.

**See Appendix 1 on page 29, which includes the cities that are members of the Authority.**

## Authority's Contract Management Team

Since December 2008, the Authority's board has contracted with MTA, and under the current contract MTA continues to provide management services overseeing all operations of the Authority. The prior five-year contract was approved by the Authority's board in 2011 and expired June 30, 2016. The Authority paid MTA \$730,020 under its prior contract for the first two years; the amount increased to \$756,000 on July 1, 2013, and finally increased to \$780,000 on July 1, 2014. The Authority's contract allowed these increases based on a mutual agreement by both parties. On July 1, 2016, the Authority entered into a new five-year contract with MTA that extends the management arrangement through June 30, 2021. The new contract remains consistent with the terms of the previous contract but includes a 3% increase for a total annual contract payment of \$803,400, effective for fiscal year 2017. Current contract terms also include a provision that allows the Authority, upon mutual agreement of both parties, to adjust the compensation beginning July 1, 2017, and each year thereafter for the life of the contract. Additionally, either party can terminate the contract for any reason at any time with a 30-day written notice to the other party.

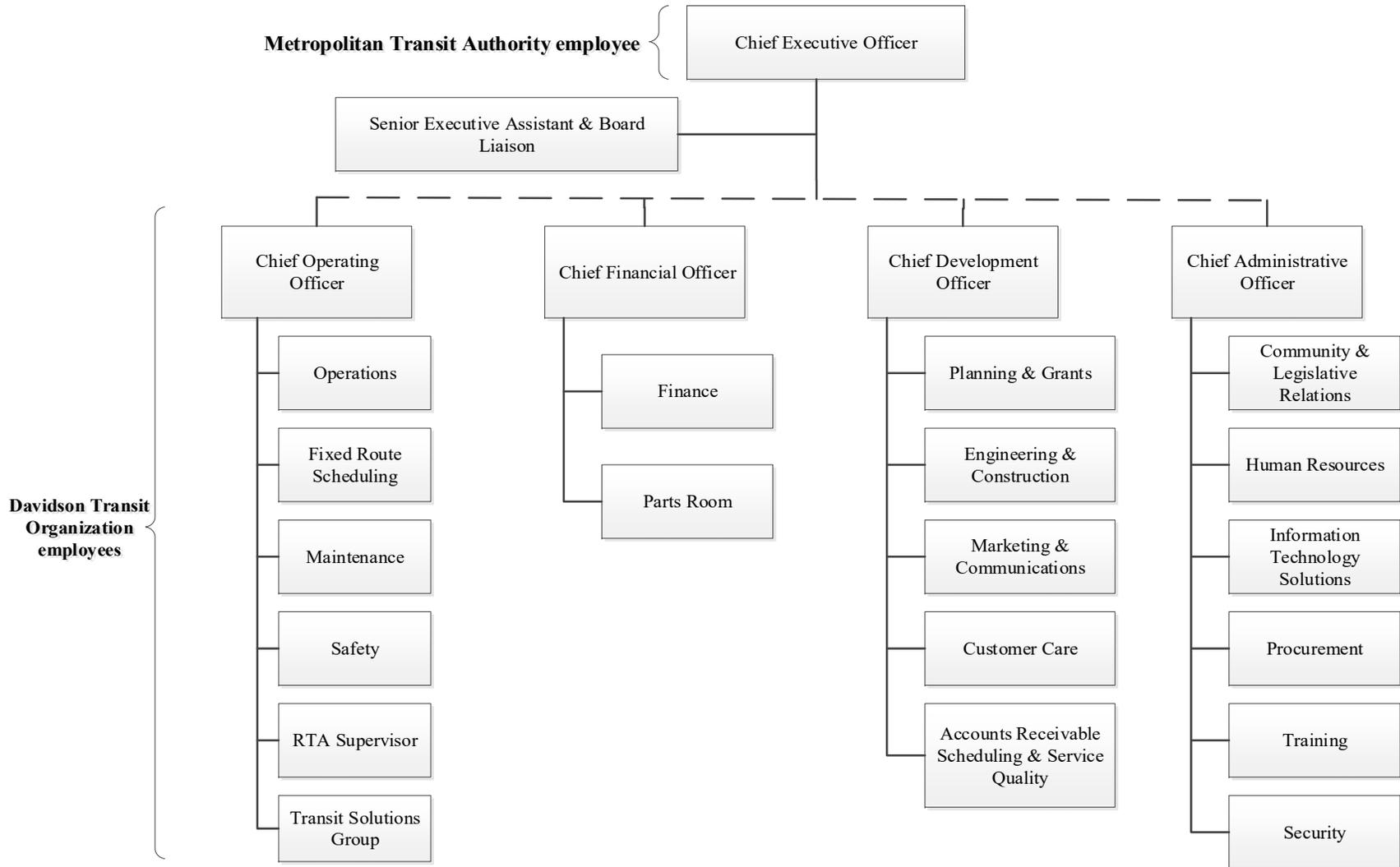
According to the contract, MTA is responsible for financial duties including, but not limited to, identifying and obtaining revenue sources; managing cash flow issues; obtaining funding from government sources; and preparing and submitting annual budgets to the Authority's board for approval.

Under the current MTA structure, MTA uses the Davidson Transit Organization<sup>5</sup> (DTO), a nonprofit organization that is legally separate from MTA and was formed to provide all the necessary labor to operate MTA's transit system. DTO also includes the Authority's transit system. An organizational chart of the Authority's contracted management is on page 5.

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<sup>5</sup> Based on information provided by contracted management, 34 employees are dedicated to the Authority's operations: 3 full-time employees, 25 bus drivers, and 6 maintenance employees. An additional 154 employees spend 20% of their time on Authority business, which accounts for the work of approximately 31 employees.

## Authority's Contracted Management Organization Chart (As of February 2019)



Source: Obtained from the contracted Chief Financial Officer.

## Chief Executive Officer

Under the Authority's MTA contract, the Chief Executive Officer, an MTA employee, reports to the Authority's board and is responsible for overseeing all DTO staff. The Chief Executive Officer oversees the Chief Financial Officer, the Chief Operating Officer, the Chief Development Officer, the Chief Administrative Officer, and support staff.

## Funding Sources

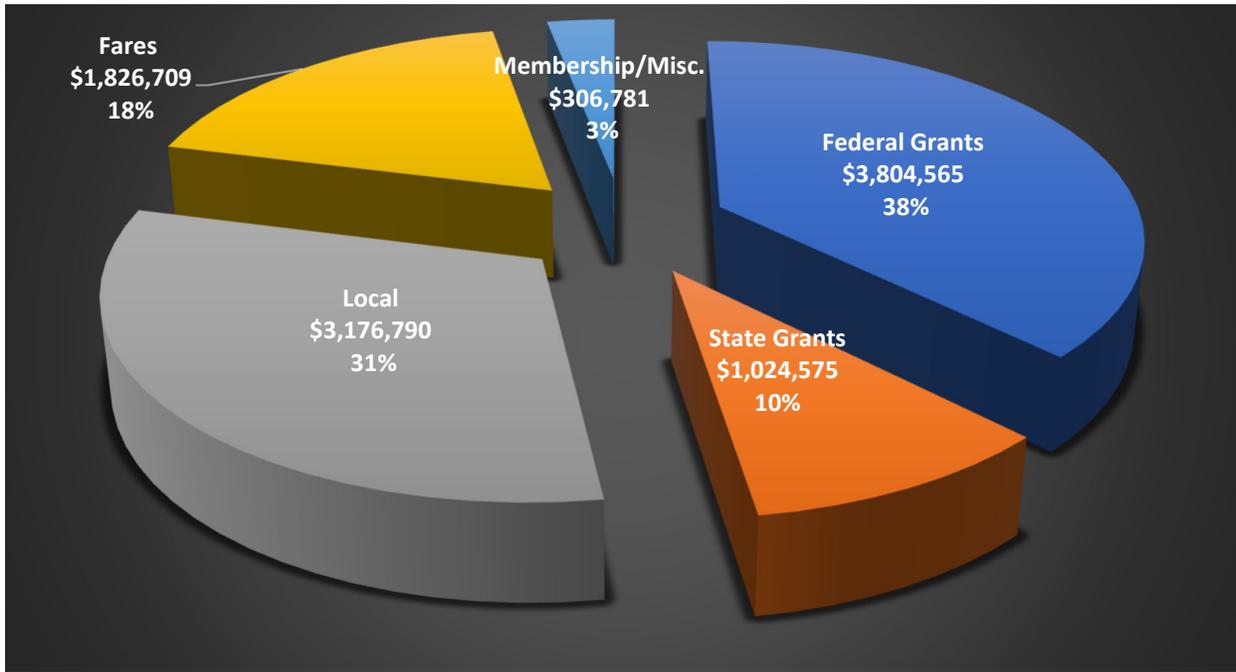
The Authority may receive funds to operate from many different sources. Specifically, Section 64-8-105, *Tennessee Code Annotated*, states that the board may "solicit, accept and expend grants, appropriations, contributions or other funds from any source, public or private." Furthermore, Section 64-8-207, *Tennessee Code Annotated*, grants the Authority the power to finance the mass transit and transportation plans by allowing the issuance of bonds. According to the Authority's board chair and contracted management's Chief Financial Officer, the Authority has not issued any bonds.

The Authority receives funding through federal grants; state grants;<sup>6</sup> local sources (county/city grant match and subsidies for services in corridors); fares (bus and commuter rail); and membership dues. The Authority is a quasi-local government and does not receive any direct state appropriations. The Authority reported total revenue for fiscal year 2018 of \$10,139,420. See **Chart 1** for revenue sources. See **Appendix 2** for a list of the grants received from these agencies and **Appendix 3** for a detailed list of revenues.

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<sup>6</sup> The Authority is a subrecipient of federal funds through the Tennessee Department of Transportation.

**Chart 1**  
**Sources of Operating and Nonoperating Revenues**  
**For the Year Ended June 30, 2018**



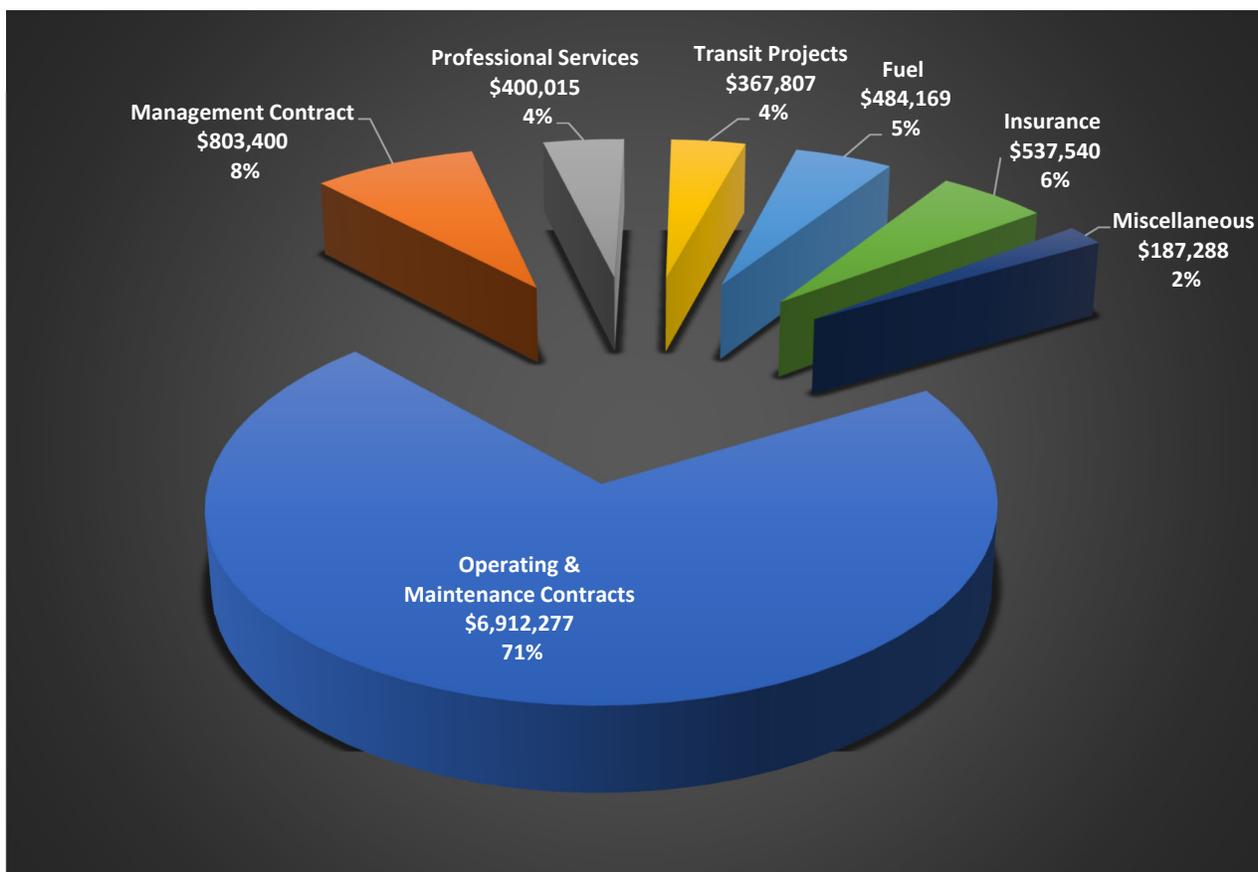
Source: Contracted Chief Financial Officer.

Expenditures

The Authority reported total operating expenditures<sup>7</sup> of \$9,692,496 for fiscal year 2018. See **Chart 2**. See **Appendix 3** for more information on operating expenditures.

<sup>7</sup> Transit projects include the northwest corridor study (\$40,726). Operating and maintenance contracts include contracts with Transit Solutions Group (operation and maintenance of Music City Star); Gray Line (operation of regional bus routes); Metropolitan Transit Authority (management contract and operation of regional bus routes); and Nashville & Eastern Railroad Corporation (track usage). Miscellaneous items include dues and subscriptions; freight charges; utilities; bank charges and interest; and office supplies.

**Chart 2**  
**Operating Expenditures**  
**For the Year Ended June 30, 2018**



Source: Contracted Chief Financial Officer.

### Services

The Authority has entered into various third-party service contracts<sup>8</sup> in order to provide services for **regional bus** routes and a **commuter rail** route for citizens throughout the member county corridors in Middle Tennessee. The Authority also offers transportation programs such as the **Easy Ride program** and the **rideshare program** (vanpools and carpools). The services and programs are described below:

- The **regional bus** routes include nine express bus routes and one “relax & ride”<sup>9</sup> bus route within the seven servicing corridors. The nine express bus routes have fewer stops than relax & ride. Each corridor pays for its share of the local bus services it receives.
- The **commuter rail**, known as the Music City Star, serves the east corridor. See **Exhibit 3** on the following page for a map of bus and rail services. The **Easy Ride program** is designed to help employers (known as transit customers) incorporate

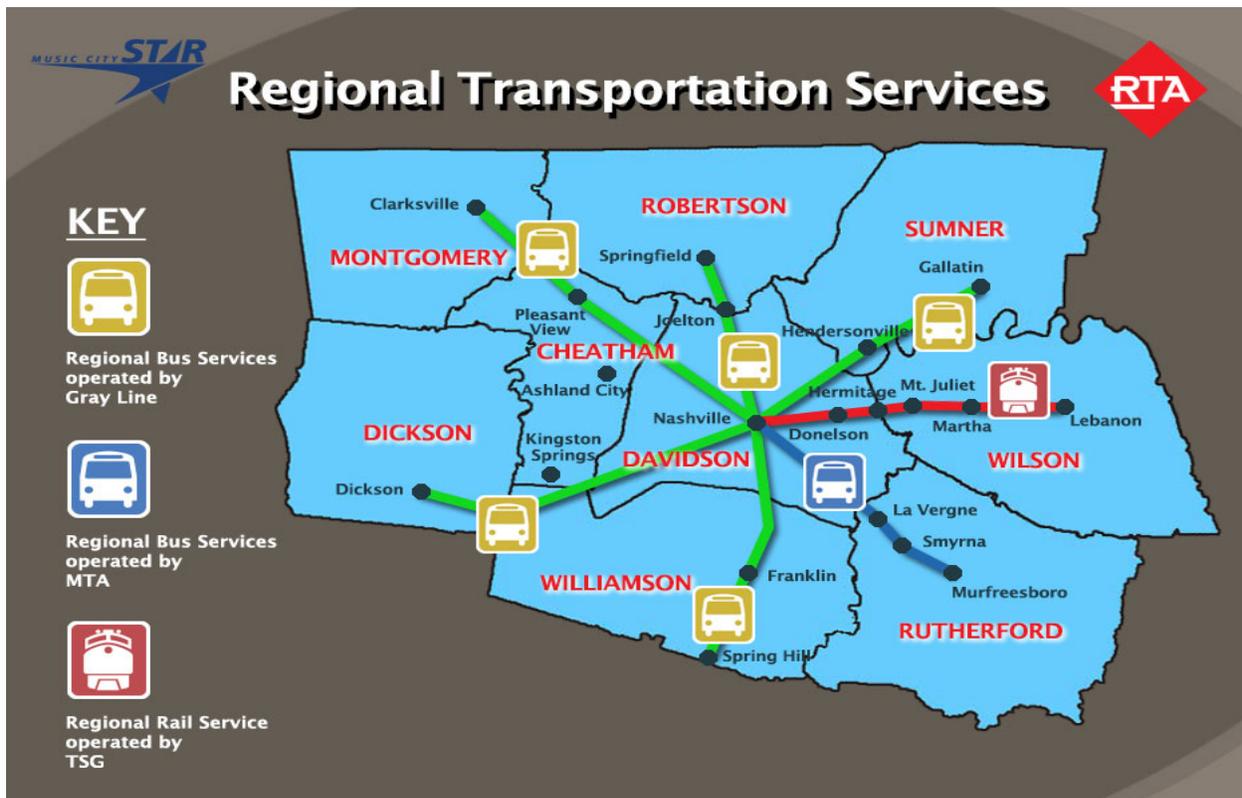
<sup>8</sup> The Authority has contracts with Metropolitan Transit Authority (MTA), Gray Line, and Transit Solutions Group.

<sup>9</sup> The Authority owns two commuter buses, which MTA uses for the relax & ride route.

commuter benefits into their employee benefit plans. Under this program, the Authority and MTA provide bus and commuter rail services to employers who pay fares for their employees to commute for work purposes. The Authority bills employers an amount that is lower than the established rate (non-discounted rate), and the billed rate varies among the nine transit customers served by the Authority.

- Under the **rideshare program**, contracted management organizes vanpools and carpools for commuters throughout Middle Tennessee and provides transportation to and from the park-and-ride locations and places of employment. According to the Authority’s contracted management, the Authority maintains a database of over 3,000 Middle Tennessee commuters who are interested in carpools in order to match riders to a convenient carpool. The contracted management team outsources the rideshare program through a contract with Transportation Management Association (TMA) Group, a nonprofit organization; however, the Authority owns and provides 48 vans for the vanpool. This program is funded jointly by the Authority and TMA through TMA grants and by the Authority’s vanpool rider fees. TMA sends the contracted management team a monthly report that shows the grant revenue and fees TMA received for the month minus the expenses to operate the program. Any revenue exceeding expenses results in a surplus and is returned to the Authority for purchasing new vans as needed for the program.

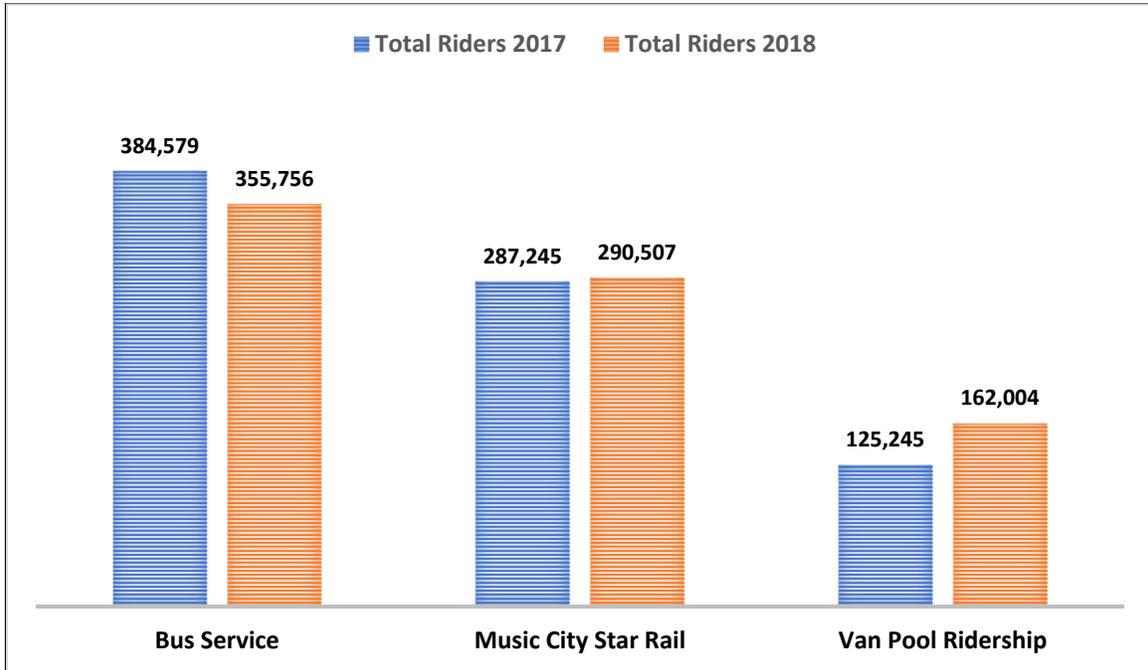
**Exhibit 3**  
**Map of Regional Services**



Source: Contracted Chief Financial Officer.

See **Chart 3** for details on the number of rides by bus route, rail, and vanpool.

**Chart 3**  
**Number of Rides<sup>10</sup> by Service for Calendar Years 2017 and 2018**



Source: Contracted Chief Financial Officer.

## AUDIT SCOPE

We have audited the Regional Transportation Authority of Middle Tennessee (the Authority) for the period August 1, 2017, through April 30, 2019. Our audit scope included a review of internal controls and compliance with laws, regulations, policies, procedures, and provisions of contracts and grant agreements in the following areas:

- board structure and responsibilities;
- transit customers;
- reserve funds;
- accounts receivable and federal expenditures; and
- public records management.

<sup>10</sup> A ride equals one way, not roundtrip.

The Authority's board and contracted management of the Authority are responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, policies, procedures, and provisions of contracts and grant agreements.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report. Although our sample results provide reasonable bases for drawing conclusions, the errors identified in these samples cannot be used to make statistically valid projections to the original populations. We present more detailed information about our methodologies in the individual sections of this report.

We conducted our audit 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## PRIOR AUDIT FINDINGS

### REPORT OF ACTIONS TAKEN ON PRIOR AUDIT FINDINGS

Section 8-4-109(c), *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The prior audit report of the Regional Transportation Authority of Middle Tennessee (the Authority) was dated October 2017 and contained three findings and four observations. The Authority filed its report with the Comptroller of the Treasury on April 30, 2018. We conducted a follow-up of the prior audit findings and observations as part of the current audit.

### RESOLVED AUDIT FINDINGS AND OBSERVATIONS

The previous audit of the Regional Transportation Authority of Middle Tennessee (the Authority) reported three findings: the Authority's board had not provided sufficient oversight of contracted management, had not addressed full board member attendance issues through its bylaws, and had not established a fare policy to sufficiently guide the Authority's decision making in funding regional services. The current audit disclosed that the Authority resolved the previous audit findings. The Authority also resolved the prior audit observations concerning

- a board member appointment that remained unfilled for nearly 36 months;
- a potential conflict of interest with contracted management;

- written policies and procedures over utilization of a reserve fund; and
- contracted management’s review of the amounts and uses of the Authority’s membership dues and administrative costs and the Authority’s oversight to ensure contracted management is familiar with all regulations pertaining to the Authority’s financial statements.

## REPEATED AUDIT FINDING

The October 2017 performance audit report of the Regional Transportation Authority of Middle Tennessee (the Authority) contained a finding reporting that the board did not ensure that contracted management executed revenue contracts between transit customers and the Authority. The prior finding has not been corrected and is repeated on page 21.

## AUDIT CONCLUSIONS

### BOARD STRUCTURE AND RESPONSIBILITIES

The purpose of the Regional Transportation Authority of Middle Tennessee (the Authority) is to plan for and implement a regional transportation system, including, but not limited to a mass transit system, to serve the citizens of the counties, towns, cities, and metropolitan governments that compose the Authority.

#### Structure

On January 19, 2011, the Authority’s board, by a majority vote, chose to follow the alternative legislation that expanded the number of board members appointed by the Governor; allowed for additional metropolitan governments, counties, or municipalities to join the Authority; and allowed the Authority to assume and exercise the powers, duties, and functions under Title 64, Chapter 8, Part 1, *Tennessee Code Annotated*. Pursuant to Section 64-8-102, the board is to consist of the following:

- the county or metropolitan mayor/executive<sup>11</sup> of each county within the Authority;
- the mayor of each town or city included in the Authority;
- the Commissioner of the Department of Transportation or the Commissioner’s designee; and
- one person residing in each county of the Authority, to be appointed by the Governor.

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<sup>11</sup> Pursuant to Section 64-8-102(d), any ex-officio member may designate a representative who shall be entitled to vote and fully participate in the actions of the board.

State statute requires the board to meet at least annually; however, the board's bylaws require at least quarterly meetings and a quorum consisting of the presence of 50% of board members. The board may meet at any time on the call of the chair or upon request of a majority of the membership.

### Executive Committee

Pursuant to Section 64-8-204, *Tennessee Code Annotated*, the Authority may, through its bylaws, establish an Executive Committee and such procedures and rules for its operation as it may deem necessary. The Executive Committee may be empowered to perform as the administrative body of the board and may be empowered by the board to act in its stead.

The Authority's board established an Executive Committee on February 21, 2018. The bylaws state that the Executive Committee will meet monthly except for those months in which the board will meet, and the Executive Committee cannot conduct or vote on any business actions in the absence of a quorum. The quorum requirement is a majority<sup>12</sup> of the 12-member Executive Committee. Executive Committee members must attend at least 50% of the monthly Executive Committee meetings. Designees are not allowed. Failure to attend the required number of meetings will serve as grounds for removal from the committee.

### Audit Committee

As a state governing board that is responsible for preparing financial statements, whether those are freestanding financial statements or included in the financial statements of other entities, the Authority's board is required to create an Audit Committee pursuant to the State of Tennessee Audit Committee Act of 2005, Title 4, Chapter 35, *Tennessee Code Annotated*. In addition, the committee is required to develop an Audit Committee charter, subject to the approval by the Comptroller of the Treasury. The committee is required to be a standing committee of the Authority, consisting of at least three members or their designees appointed by the chair of the Authority's board. The committee must meet no less than once per year.

### Risk Assessment

To carry out the Authority's responsibilities, the Authority's contracted management must establish an adequate internal control structure to provide reasonable assurance that the Authority can achieve basic objectives related to its operations; financial reporting; and compliance with laws, regulations, grant agreements, contracts, and policies.

### Authority Members' Subsidy for Bus and Rail Services

Each member of the Authority is required to pay a subsidy amount for the services received in its area. Each member's subsidy amount is different based on the corridor and the number of stops on the routes provided to each member.

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<sup>12</sup> According to the Authority's bylaws, Article 4: "Executive Committee," Section 5, Meetings, "a quorum shall be deemed to be fifty percent plus one of the full membership of the Executive Committee." A quorum equals a total of 7 members (12 members x 50% + 1) in attendance.

## Results of the Prior Audit

In the October 2017 performance audit, we reported a lack of board oversight for its contracted management. We also found that the Audit Committee was not structured properly, and the Authority's bylaws did not address board member attendance issues. The Authority's board chair and contracted management concurred with the prior finding and stated that they would structure the Audit Committee as required by law and create an Executive Committee to improve governance. The Authority's board chair and contracted management also stated that the Executive Committee would review a summary of board member attendance and determine what action, if any, should be taken to contact members with poor attendance.

In addition to the findings, we reported two observations: one for a board member appointment that was vacant for nearly 36 months and one for a potential conflict of interest with contracted management. The Authority's board chair and contracted management stated that the Authority would clarify with the Governor's Office the process for appointee recommendations and acknowledged the potential for an appearance of conflict.

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### **Audit Results**

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- 1. Audit Objective:** In response to the prior audit finding, has the Authority established an Executive Committee to provide better governance?

**Conclusion:** The Authority created an Executive Committee on February 21, 2018, to provide better governance.

- 2. Audit Objective:** In response to the prior audit finding, has the Authority established an Audit Committee as required by statute? Did the committee ensure that contracted management performed the risk analysis, including proper mitigating controls and formal documentation of the risk assessment; evaluated the risk assessment annually; and selected the external auditor for the Authority's financial report?

**Conclusion:** The Authority submitted an Audit Committee charter to the Office of the Comptroller of the Treasury for approval on March 27, 2019. The Audit Committee reviewed contracted management's risk analysis, including proper mitigating controls and formal documentation of the risk assessment. The committee evaluated the risk assessment and selection of the external auditor for the Authority's financial report.

- 3. Audit Objective:** In response to the prior audit finding, has the Authority addressed board members' attendance issues?

**Conclusion:** While the bylaws were updated to reflect procedures for board members serving on the Executive Committee, the Authority has not updated the bylaws to include procedures for board members missing a specified number of regular board meetings. Additionally, the Executive Committee has not

yet performed the annual review of board member attendance. In our review, we still found board member attendance issues for regular and Executive Committee board meetings. See **Observation 1**.

4. **Audit Objective:** In response to the prior observation, has the Governor’s appointee position for Robertson County been filled and have procedures been established for future vacancies?

**Conclusion:** The Governor’s appointee position for Robertson County was filled on January 4, 2018, and the Authority reviewed Section 10-7-605, *Tennessee Code Annotated*, concerning how to report future vacancies. The Authority currently has two vacant positions to be appointed by the Governor. The Authority notified the Governor’s Office as required and sent additional follow-up correspondence. See **Observation 2**.

5. **Audit Objective:** In response to the prior observation, has the Authority put in place a procedure to mitigate the conflicts of interest noted in the prior observation?

**Conclusion:** The Authority performed an analysis of potential conflicts of interest and mitigating factors.

6. **Audit Objective:** Have the fees paid to the external auditor been in compliance with the amounts detailed in the contract?

**Conclusion:** The fees paid to the external auditor were in compliance with the amounts detailed in the contract.

7. **Audit Objective:** Has the Authority included any additional policies on conflicts of interest in its Code of Ethics, and have any conflicts been reported?

**Conclusion:** The Authority has a Code of Ethics that includes conflicts of interest. Authority members have not reported any conflicts of interest during the period August 1, 2017, through April 30, 2019.

8. **Audit Objective:** Did all Authority members pay their required subsidy portion for services received from August 1, 2017, to December 31, 2018?

**Conclusion:** All members paid their required subsidy for services received.

#### Methodology to Achieve Objectives

To determine whether the Executive and Audit Committees had been created, we interviewed the acting board chair,<sup>13</sup> as well as contracted management’s Chief Financial Officer and Chief Administrative Officer; reviewed state statute and the board’s bylaws; and reviewed the

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<sup>13</sup> The previous board chair, who was a mayor, was not re-elected in November 2018, and the vice chair became acting board chair until the election of board officers, which had not occurred as of April 30, 2019.

board minutes posted online for both the board and the Executive Committee. To determine board member attendance, we reviewed the board minutes posted online for the period September 30, 2017, through November 14, 2018. To determine whether the board reported vacancies of Governor appointee positions, we reviewed the Secretary of State's website.<sup>14</sup> To determine potential conflicts of interests, we reviewed the discussion and analysis of potential conflicts of interest in the board minutes posted online. To determine the appropriateness of external auditor fees, we obtained and reviewed the external auditor's contract and compared it to amounts paid to the external auditor. To determine conflict-of-interest policies and procedures, we obtained and reviewed the Authority's Code of Ethics; to determine whether conflicts of interest had been reported, we reviewed board meeting minutes posted online for the period August 1, 2017, through April 30, 2019. To determine whether Authority members paid their required subsidy payments, we reviewed payments for the period of August 1, 2017, through December 31, 2018.

**Observation 1 – The board has not yet reviewed board member attendance or updated its bylaws to address board member attendance issues for regular board meetings**

**Board Member Attendance**

From our review of the full board member attendance records,<sup>15</sup> we found that 14 of 39 board members or their designees (36%) did not attend 50% of the 4 board meetings for calendar year 2018; however, the quorum requirements were met at each board meeting.

From our review of the Executive Committee attendance records, we found that 3 of 12 Executive Committee board members (25%) did not attend 50% of the required Executive Committee meetings for calendar year 2018. The quorum requirements were met at each Executive Committee meeting. Based on our discussion with contracted management, the Executive Committee has not performed the annual review of the full board member attendance or the Executive Committee attendance for the 2018 calendar year.

According to the Regional Transportation Authority's bylaws, Article 4, "Executive Committee," Section 5, Meetings, "Executive Committee members must personally attend at least 50% of monthly Executive Committee meetings in lieu of a designee. Failure to attend the required number of meetings shall serve as grounds for removal from the Committee." Furthermore, the Authority's bylaws do not address the annual review of the full board member attendance.

Based on our discussion with contracted management, as of April 30, 2019, new board officers have not been elected for the upcoming term. The previous board chair, a city mayor, was not re-elected;<sup>16</sup> as a result, the board's vice chair is the acting board chair until new board officers are elected. According to contracted management, the board meeting scheduled for December 2018 was canceled due to low attendance, and the board meeting scheduled for February 2019 was

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<sup>14</sup> Vacant Governor appointee positions can be found on the Secretary of State's website at <https://tnsos.net/publications/oa/index.php?find=Regional+Transportation+>.

<sup>15</sup> Board and Executive Committee member attendance records are available online at <http://rtarelaxandride.com/Middle-TN-RTA-board-meetings.asp>.

<sup>16</sup> The newly elected city mayor took office on January 2, 2019.

canceled because of inclement weather. The Executive Committee had planned to review board attendance during the March 20, 2019, board meeting; however, contracted management inadvertently failed to include the annual board attendance review on the meeting itinerary. The next board meeting is scheduled for June 2019.

We have reported repeat board member attendance issues; however, since the Executive Committee has not yet performed its board member attendance review, the actions the Authority will ultimately take remain unclear. Members' failure to regularly attend board meetings likely signals board members' inability or unwillingness to carry out the Authority's fiduciary duties and achieve the Authority's mission. Therefore, it is imperative that members attend the meetings.

### **Authority's Comment**

We think it is important to report that since the establishment of the RTA Executive Committee in February 2018, there has been significant attention paid to addressing the importance of attendance for both the Executive Committee and RTA Board. Membership on the Executive Committee is open to any member in good standing, with the specific statement that poor attendance (less than 50% of all meetings) will result in removal from the Executive Committee.

Attendance records are reported in the minutes of both committee and board so that members can see who is and is not attending. Both the Executive Committee and full board meetings have reached a quorum, even with the change in the bylaws now requiring at least 50% attendance for a quorum. Recognizing that many local mayors (who are automatically members of the RTA Board by virtue of their city's membership) are part-time mayors with full-time work responsibilities, all members were reminded of the ability of any mayor to appoint an alternate to the board, as allowed by the by-laws. To date, 28 of our 29 city and county members have done just that, helping to improve overall attendance. As part of the August 2019 board materials, a review of member attendance (Executive Committee and overall board) for FY2018-19 (July 2018 – June 2019) will be included in the packet sent to all members.

### **Observation 2 – The Authority has two board vacancies that have remained unfilled for over a year**

The Regional Transportation Authority of Middle Tennessee (the Authority) has two vacancies; both positions are appointed by the Governor. These vacancies resulted when one member's appointment expired in December 31, 2017, and when another member resigned on February 21, 2018. The Authority contacted the Governor's Office requesting that the vacancies be filled; the Authority received correspondence from the Governor's Office on May 7, 2019, requesting a meeting to discuss the vacancies and interest in continued service of those whose appointment had expired or vacated; however, the vacancies remain unfilled.

### **Authority's Comment**

The process for filling vacancies of Governor Appointee positions from each county involves RTA management contacting the Governor's office about vacant positions when they occur. The Governor's Office is aware of current openings for members from Rutherford and

Montgomery Counties. To facilitate consideration of potential member candidates, RTA staff (1) asked the Transit Alliance of Middle Tennessee to provide a listing of all graduates from its recent “Transit Citizens Leadership Academy” from these two counties to the Governor’s Office and has also referred them to the respective mayors of these two counties for potential candidates.

## TRANSIT CUSTOMERS

As described in the Background section of this report, the Regional Transportation Authority of Middle Tennessee (the Authority) was created to plan, finance, construct, operate, maintain, and manage mass transit systems for the Authority’s member counties and cities. The Authority’s mission includes responding to the growing need for regional solutions to traffic congestion and promoting economic growth and environmental stability through the development of a multimodal transportation system. The Authority’s transit system is primarily dependent on its regional bus and commuter rail services, which require significant resources to operate and maintain.

Generally, organizations that provide transportation services to the public are responsible for developing a plan for funding their planned transportation services. The plan should include a rider fare policy that establishes the principles, goals, and constraints that guide management in setting and collecting fares. Furthermore, the fare policy should include guidance for evaluating fare levels and fluctuations in operational costs so that management can adjust fares to ensure revenues are sufficient to cover costs. On August 15, 2018, the Authority adopted a fare policy that requires an annual review of fare structure for all three areas of transit (regional buses, commuter rail, and transit customers).

Currently, the Authority’s Easy Ride program includes nine transit customers (employers) that receive discounted fare rates<sup>17</sup> for regional buses and the commuter rail for the benefit of their employees. The Authority’s most recent transit customer, Pinnacle Financial, joined on January 1, 2018. For the regional bus services, transit customers pay single-ride fare rates that vary from \$2.00 to \$4.25, in comparison to the standard fare rate<sup>18</sup> of \$4.25. For the commuter rail service, rates vary from \$1.70 to \$5.25, depending on the stop location, in comparison to the standard rate of \$2 to \$5.25. See **Table 1** and **Table 2** for fare rates for transit customers receiving discounted rates.

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<sup>17</sup> Discounted fare rates are less than the standard rate. Riders eligible for the discounted fare are youth age 19 and younger; active and retired military; seniors age 65 and older; people with disabilities; and Medicare cardholders.

<sup>18</sup> The standard fare rate is the base, non-discounted rate that is charged to a typical rider.

**Table 1  
Regional Buses  
Transit Customer Rates**

<b>Transit Customer</b>	<b>Transit Rate</b>	<b>% Discount (Standard Rate \$4.25)</b>
Asurion	\$ 3.00	29%
Bass, Berry & Sims	\$ 3.50	18%
Metro Medical Supply	\$ 4.25 <sup>19</sup>	0%
Nashville Electric Service	\$ 3.75	12%
Pinnacle Financial	\$ 3.50	18%
State of Tennessee	\$ 3.15	26%
Trevecca Nazarene University	\$ 3.50	18%
University School of Nashville <sup>20</sup>	\$ 2.00	53%
Vanderbilt University Medical Center	\$ 3.50	18%

Source: Contracted Chief Financial Officer. Rates effective as of April 29, 2019.

**Table 2  
Commuter Rail  
Transit Customer Rates**

<b>Transit Customer</b>	<b>Transit Rate (Average)<sup>21</sup></b>	<b>% Discount (Standard Rate \$4.60)<sup>22</sup></b>
Asurion	\$ 3.60	22%
Bass, Berry & Sims	\$ 3.34	27%
Metro Medical Supply	\$ 3.60	22%
Nashville Electric Service	\$ 3.60	22%
Pinnacle Financial	\$ 3.60	22%
State of Tennessee	\$ 3.15	32%
Trevecca Nazarene University	\$ 3.60	22%
University School of Nashville <sup>20</sup>	\$ 2.00	57%
Vanderbilt University Medical Center	\$ 2.78	40%

Source: Contracted chief financial officer. Rates effective as of April 29, 2019

The State of Tennessee, one of the Authority’s transit customers, pays a flat rate of \$2.50 per single-ride fare for the regional buses and the commuter rail service. The state contracts directly with the Nashville Metropolitan Transit Authority (MTA) rather than the Authority, and the Authority bills MTA monthly based on state ridership for that month. While the State of Tennessee pays \$2.50 per single ride to MTA, the boards of MTA and the Authority agreed that MTA would pay the Authority \$3.15 per single ride. The reason for the difference in rates,

<sup>19</sup> The bus fare rate for Metro Medical Supply was \$3.50 until March 1, 2019.

<sup>20</sup> Only students attending the University School of Nashville are receiving a discounted rate, and this is the published student fare for RTA student riders.

<sup>21</sup> The transit rate for commuter rail was averaged by the five originating rail station stops noted in the Nashville Metropolitan Transit Authority (MTA) contract.

<sup>22</sup> The standard rate for commuter rail was averaged by the five originating rail station stops noted in the MTA contract.

according to the June 21, 2017, board meeting minutes, is that the Authority's regional bus and commuter rail services cover greater distances than the local MTA routes.

The other eight transit customers<sup>23</sup> participating in the program are

- ❖ Asurion;
- ❖ Bass, Berry & Sims;
- ❖ Metro Medical Supply;
- ❖ Nashville Electric Service;
- ❖ Pinnacle Financial;\*
- ❖ Trevecca Nazarene University;
- ❖ University School of Nashville; and
- ❖ Vanderbilt Medical Center and University.

### Results of the Prior Audit

In the October 2017 performance audit of the Authority, we reported that the Authority's board did not establish a fare policy and did not ensure that contracted management executed revenue contracts between transit customers and the Authority. The Authority and contracted management concurred with the prior audit findings and stated that it would establish a fare policy and enter into revenue contracts specifically for Authority services. In its six-month follow-up report, the Authority's board stated that it would complete the process of executing revenue contracts no later than June 30, 2019.

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### **Audit Results**

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**1. Audit Objective:** In response to the prior audit finding, has the Authority's board developed a fare policy that includes the principles, goals, and constraints for setting fares for the Authority, and has the Authority established a fare rate structure, annually reviewed fare levels to assess the changes that need to be made, and approved any considerations for changes to fare rates?

**Conclusion:** The Authority developed a fare policy to include the principles, goals, and constraints for setting fares for the Authority. The Authority established a fare rate structure. The Authority did not review fare levels for all three areas of transit. See **Finding 1**.

**2. Audit Objective:** In response to the prior audit finding, has the Authority executed written contracts before providing any services to transit customers, including ensuring that the board approves each transit customer contract?

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<sup>23</sup> The transit customer marked with an asterisk (\*) is a new customer and was not listed in the last audit report released in October 2017.

**Conclusion:** The Authority has not executed or approved written contracts before providing services to transit customers. See **Finding 1**.

### Methodology to Achieve Objectives

We interviewed the acting board chair, as well as the contracted Chief Financial Officer, the Chief Operating Officer, and other contract management staff. We obtained and reviewed the Authority's fare policy, bylaws, and state statutes. We obtained the list of all transit customers for the period August 1, 2017, through April 30, 2019, and reviewed all available MTA transit customer contracts.

### **Finding 1 – As noted in the prior audit, the Authority's board did not ensure that contracted management executed revenue contracts between transit customers and the Authority**

In the prior audit, we found that the Regional Transportation Authority of Middle Tennessee's (the Authority) board did not require contracted management to execute revenue contracts with transit customers on behalf of the Authority. Instead, contracted management relied on existing revenue contracts that the Nashville Metropolitan Transit Authority (MTA) had executed with the transit customers. From our review of transit customer contracts, we found that the same eight transit customers from the prior audit were still operating without Authority contracts. Furthermore, the one new customer was operating and receiving Authority services based on an expired MTA contract despite the condition noted in the prior audit. The State of Tennessee executed a contract with MTA on June 1, 2018, for the period July 1, 2018, through June 30, 2019, even though the prior audit report from October 2017 noted that the Authority should have contracts in place with its transit customers.

The purpose of a contract is to formally describe each entity's duties and responsibilities, any applicable exchanges of funds, and the terms of the agreement. By failing to secure executed contracts with its transit customers, the Authority increases the risk that it will not be able to protect its interests, serve its customers, and generate the revenue necessary to carry out its programs. In the board's bylaws, Article 5, Section 2 states that the Chief Executive Officer is required to

[s]ign contracts, reports and instruments after approval by the RTAMT Board [the Authority] or the Executive Committee when the Executive Committee is acting in the stead of the Board.

Additionally, we found that the Authority did not review its fare structure and levels for any of the nine transit customers. The Authority's fare policy states that annually, "RTA staff will review the current fare structure and levels with the Board of Directors of the RTA." According to contracted management, it will perform the assessment of the transit customers' fare structures and levels during the process of determining a standard Easy Ride rate for the transit customer contracts. Contracted management plans to complete a fare structure assessment for the transit customers and present it to the Authority board by June 2019.

When the Authority does not ensure its contracted management acts in the best interest of the Authority by following established policies and procedures, the Authority is at risk of entering into service arrangements that are not in its best interest.

### **Recommendation**

The Authority's board should ensure that contracted management executes all contracts with the Authority's nine transit customers instead of relying on transit customer contracts with MTA. The Authority's board should ensure that contracted management presents each transit customer contract to the board or the Executive Committee for approval.

The Authority's board should also ensure that contracted management performs an annual assessment on fare structures and levels for all transit customers to stabilize revenue in the event of future budget shortfalls due to increased operating costs or lost revenue.

### **Authority's Comment**

Since the last audit report, RTA has been in the process of reviewing customer contracts to determine what structure and strategy should be used to promote an Easy Ride program for its business customers. During the review process, there have been some new dynamics adopted for the region in that the Nashville MTA was rebranded in July 2018 and is now called WeGo Public Transit. The RTA Board made the decision in March 2019 to join this rebranding plan. After thorough review of the Easy Ride program and partner usage of MTA and RTA services, the Easy Ride program is being restructured to simplify and streamline the process for customers, MTA, and RTA. This will also allow for greater transparency to MTA and RTA board members.

The goal now is to provide a regional program that is a simple and seamless transit option to riders and business customers under a single WeGo branded service. The review found that business partners want to provide simple and direct transit benefits to their employees and have expressed interest in a single solution with one contract for all transit benefits. WeGo branded services will be contracted to businesses directly with WeGo MTA as an employer-provided employee benefit. The contract will provide transit rides through the Easy Ride program at a flat per tap rate or a flat annual fee per pass approved by both MTA and RTA boards. Consequently, under the new Easy Ride program, MTA and RTA will enter into a contract to fee split all revenues for Easy Ride contracts based on average program usage by mode and a ratio of revenues received. Easy Ride Agency Revenue split and business contracted rates will be reviewed by each board annually against total annual Easy Ride revenue and annual Easy Ride ridership by service type. The contracts to business customers will be offered starting in October 2019.

## RESERVE FUNDS

The Regional Transportation Authority of Middle Tennessee (the Authority) has two reserve funds in place: the administration reserve, or rainy day fund, and the regional bus service reserve. The administration reserve fund contains membership dues, and the regional bus service reserve contains subsidy<sup>24</sup> dollars from regional partners.

### Annual Membership Dues

From our review of the Authority's financial report, specifically the Statement of Activities to Budget Comparison, annual membership dues generate \$162,986 in revenue annually (see **Appendix 3**).

The counties and cities in the Authority's service area may join the Authority's board by paying dues based on population. According to the Authority's website,

Cities and counties in the RTA [the Authority] service area may join the RTA board by paying dues based on population. . . . The first benefit is that dues can help provide for the overhead and administrative costs of the RTA such as salaries and office rental. Federal, state and local grant and matching money can be used towards projects instead of administrative and operational expenditures. The second benefit is to the members of the RTA. By paying dues, member governments voice their support of RTA initiatives. The dues structure opens membership opportunities to governments and communities that, based on the initial legislation, could not participate in the RTA in the past.

According to contracted management, the membership dues are based upon the most recent 2010 U.S. Census for each county and city, and then multiplied by 10 cents (0.1). (For example, if a city had a census population of 85,000, the dues would be  $85,000 \times 0.1 = \$8,500$ .) Membership dues paid in fiscal year 2018 ranged from \$500 (minimum requirement) to \$60,357. According to the Chief Financial Officer, dues have remained the same since 2002.

### Administrative Reserve/Rainy Day Fund

In 2012, the Authority began diverting annual membership dues into a rainy day fund. The board's intent was to place the membership dues into the rainy day fund to cover future administrative needs. On December 13, 2017, the Authority approved an Administrative Reserve Policy, which states that membership dues will be set aside until a million-dollar cap is met. The administrative reserve will be used only at the board's discretion for future eligible administrative expenses. The rainy day fund has accumulated a balance of \$1,243,755 as of February 11, 2019, and in accordance with the board's policy, the excess amount will be used for eligible administrative expenses.

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<sup>24</sup> Each regional partner agrees to pay a certain dollar amount to subsidize the services received each year. The agreed-upon amount is more than the actual cost of services, and the excess amount is placed in the regional bus service reserve.

## Regional Bus Service Reserve

In October 2015, the Authority's board was concerned about the loss of federal funds from the Congestion Mitigation Air Quality (CMAQ) grant used to support the regional bus service program. The board acted by establishing a regional bus service reserve fund of \$336,000 from the required subsidy contributions remitted by regional partners for services received. Ultimately, the federal grant was renewed for an additional three years until federal fiscal year 2019; however, the board's Finance and Audit Committees recommended that the excess subsidized funds the regional partners paid be set up as a reserve. The reserve can only be used in the event of any budget shortages due to a loss of federal funding for the service or an increase in year-over-year budgeted regional bus service operating expense.

## Results of the Prior Audit

In the October 2017 performance audit of the Authority, we reported in an observation that the Authority's board should review the amounts and uses of its membership dues and administrative costs to ensure the Authority has both maximized dues and contained administrative costs. In addition, we reported that contracted management should ensure it is familiar with all regulations pertaining to the Authority's financial statements. The Authority concurred with the prior audit observation and stated that it would address this observation regarding the Authority's review of the amounts and use of Authority's membership dues and would develop a policy regarding the recording and use of these funds. The Authority also stated that the audited financial statements it issued would reflect these policies.

We also reported that the Authority did not establish written policies and procedures over the utilization of the regional bus service reserve fund. The Authority concurred with the prior audit observation and stated that a recommended policy for the use of reserve funds would be presented to the board for consideration.

## **Audit Results**

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**1. Audit Objective:** In response to the prior audit observation, has the board reviewed the membership dues and administrative costs to ensure the Authority has both maximized dues and contained administrative costs?

**Conclusion:** The Authority created an administrative policy on December 13, 2017. The Authority used the administrative policy as a tool to review membership dues and the appropriateness of administrative costs.

**2. Audit Objective:** In response to the prior audit observation, was a policy established for the rainy day fund, and was the fund classified correctly as restricted on the financial statement as required?

**Conclusion:** The Authority created a policy for the rainy day fund on December 13, 2017. The fund was classified as restricted on the financial statements.

**3. Audit Objective:** In response to the prior audit observation, has the board established written policies and procedures over the utilization of the regional bus service reserve fund created in October 2015?

**Conclusion:** The Authority established written policies and procedures over the utilization of the regional bus service reserve fund on December 13, 2017.

#### Methodology to Achieve Objectives

To gain an understanding of the policies and procedures for the reserve funds, we interviewed the board chair and contracted Chief Financial Officer. We reviewed the administrative policy; the September 19, 2018, Executive Committee meeting minutes regarding discussion of administrative costs; and the membership dues assessment. We obtained and reviewed the administration reserve policies and the Authority's financial statements for fiscal years 2017 and 2018 for the proper reserve account classification. We also obtained and reviewed the policy over the regional bus service reserve fund.

### **ACCOUNTS RECEIVABLE AND FEDERAL EXPENDITURES**

Based on our review of the Regional Transportation Authority of Middle Tennessee's (the Authority) audited financial report for fiscal year ended June 30, 2018, we selected the line item for accounts receivable (due from other governments) and performed testwork on corresponding federal expenditures.

#### Accounts Receivable

For the year ended June 30, 2018, the Authority's due from other governments (accounts receivable) totaled \$3,069,102. This amount consisted of grant receivables from federal and state governments; billed receivables due from contracts with Gray Line, Metropolitan Transit Authority, and the southeast corridor; and accrued receivables.

To record accounts receivable information, contracted management's fiscal staff use requisitions, purchase orders, or other supporting documentation to create invoices in the Sage accounting system and bill customers for goods and services provided. Fiscal staff are also responsible for collecting accounts receivable and determining if receivables are past due.

#### Federal Expenditures

The Authority receives federal grants that have specific uses and requirements: the Congestion Mitigation Air Quality (CMAQ) grant; the Urbanized Area Formula Grant 5307; the Bus and Bus Facilities Grant Program 5339; and the Job Access and Reverse Commute grant (see **Appendix 2**).

The **Congestion Mitigation Air Quality** federal program can be used for the following projects:

- The grant can be used to establish new or expanded transportation projects or programs that reduce emissions, including capital investments in transportation infrastructure, congestion relief efforts, vehicle acquisitions, diesel engine retrofits, or other capital projects.
- Operating assistance is limited to new transit; commuter and intercity passenger rail services; intermodal facilities; travel demand management strategies, including traffic operation centers and inspection and maintenance programs; and the incremental cost of expanding these services. Operating assistance includes all costs of providing new transportation services, including, but not limited to, labor, fuel, administrative costs, and maintenance.

The **Urbanized Area Formula Grant 5307** is available to eligible recipients that meet in Urban Zoned Areas.<sup>25</sup> Eligible activities for the grant include

- planning, engineering, designing, and evaluating transit projects and other technical transportation-related studies;
- capital investments in bus and bus-related activities such as replacing and rebuilding buses, crime prevention and security equipment, and construction of maintenance and passenger facilities;
- capital investments in new and existing fixed guideway systems including rolling stock, overhauling, and rebuilding vehicles, track, signals, communications, and computer hardware and software; and
- associated transit improvements and certain expenses associated with mobility management programs.

The **Bus and Bus Facilities Grant Program 5339** is a capital program only; thus, operating expenses are excluded under the grant. Allowable capital projects include capital projects to

- replace, rehabilitate, and purchase buses;
- replace, rehabilitate, and purchase bus-related equipment; and
- construct bus-related facilities.

The **Job Access and Reverse Commute (JARC)** program was established to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. These funds are apportioned among the recipients by a formula based on a percentage of the number of eligible low-income residents and welfare recipients in an area that compares to the number of eligible low-income residents and welfare recipients in all similar areas. The Authority's Murfreesboro 96X route is eligible to receive JARC funding because it stops at the Tennessee Rehabilitation Center in Smyrna.

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<sup>25</sup> Urban Zoned Areas have a population of 200,000 or above and operate 100 or fewer buses in fixed route services during peak hours.

## Audit Results

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**1. Audit Objective:** Did contracted management’s fiscal staff properly classify receivables? Did they bill and collect receivables timely in accordance with state policy and procedures?

**Conclusion:** Based on our testwork, fiscal staff properly classified, and timely billed and collected, receivables in accordance with state policy and procedures.

**2. Audit Objective:** Did the Authority spend grant funds in accordance with applicable federal grant requirements?

**Conclusion:** Based on our testwork, the Authority’s contracted management spent federal grant funds in compliance with applicable grant requirements.

### Methodology to Achieve Objectives

We interviewed the contracted Chief Financial Officer and other contract management staff. We obtained the account receivables list as of June 30, 2018, and the Authority’s policies and procedures for account receivables. We pulled a random sample of 25 receivable transactions. We tested the receivables for proper classification, proper billing, and timely collection by reviewing supporting documentation for each receivable including invoices, requests for reimbursement, and receipts of reimbursement. To determine if staff spent grant funds in accordance with grant requirements, we tested the expenditures that established the receivable by reviewing the supporting documentation and the grant agreements.

### **RESULTS OF OTHER AUDIT WORK: PUBLIC RECORDS MANAGEMENT**

The Regional Transportation Authority of Middle Tennessee (the Authority) is a state agency, and, as such, the Authority’s board is legally responsible for creating and maintaining records that document government business transactions. These records provide evidence of the Authority’s operations and accountability to citizens. Section 10-7-301(6), *Tennessee Code Annotated*, defines public records as

all documents, papers, letters, maps, books, photographs, microfilms, electronic data processing files and output, films, sound recordings, or other material, regardless of physical form or characteristics made or received pursuant to law or ordinance or in connection with the transaction of official business by any governmental agency.

The Authority’s policy should describe the different types of public records, the record retention period, and the destruction method for each record type. The Authority’s board must ensure that contracted management follows the public records policy.

## **Audit Results**

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**Audit Objective:** Did the Authority’s board have a public records policy, including guidance on the protection, retention, and destruction of the Authority’s public records, to govern all records created by the Authority or by contracted management?

**Conclusion:** The Authority does have a written policy to ensure that all public records are maintained and disposed of properly.

### Methodology to Achieve Objective

To achieve our objective, we interviewed the board chair and the contracted Chief Financial Officer and reviewed state statute. We also obtained and reviewed the Authority’s records policy.

## APPENDICES

### APPENDIX 1 Regional Transportation Authority of Middle Tennessee Board Member Representation<sup>26</sup>

Member	County	City	Governor Appointee
Cheatham	1		1
Ashland City		1	
Davidson County	1		1
Bell Meade		1	
Goodlettsville		1	
Dickson County	1		1
Dickson		1	
Maury County <sup>27</sup>			
Columbia		1	
Montgomery County	1		1 <sup>28</sup>
Clarksville		1	
Robertson County	1		1
Springfield		1	
Rutherford County	1		1 <sup>29</sup>
LaVergne		1	
Murfreesboro		1	
Smyrna		1	
Sumner County	1		1
Gallatin		1	
Hendersonville		1	
Portland		1	
Westmoreland		1	
White House		1	
Williamson County	1		1
Brentwood		1	
Franklin		1	
Spring Hill		1	
Wilson County	1		1
Lebanon		1	
Mt. Juliet		1	
<i>Appointment by position</i>			1 <sup>30</sup>
<b>Subtotals</b>	<b>9</b>	<b>20</b>	<b>10</b>
<b>Grand Total</b>	<b>39</b>		

<sup>26</sup> Obtained from contracted management staff. A list of board members can be found at <http://rtarelaxandride.com/Middle-TN-RTA-board-members.asp>.

<sup>27</sup> Maury County is not currently participating in the Authority and therefore does not receive transit services.

<sup>28</sup> Vacant since December 31, 2017.

<sup>29</sup> Vacant since February 21, 2018.

<sup>30</sup> The Commissioner of the Tennessee Department of Transportation.

**APPENDIX 2**  
**Regional Transportation Authority**  
**Schedule of Expenditures of Federal Awards**  
**From the Audited Financial Statements for the Year Ended June 30, 2018**

	<b>Balance July 1, 2017 (Receivable)</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Balance June 30, 2018 (Receivable)</b>
<i>U.S. Department of Transportation:</i>				
<b>Urbanized Area Formula Program – 5309</b>	\$ (26,458)	\$ 26,458	\$ -	\$ -
<hr/>				
Total CFDA 20.500	\$ (26,458)	\$ 26,458	\$ -	\$ -
<b>Urbanized Area Formula Program -Capital Cost Contracting</b>	\$ -	\$ -	\$ -	\$ -
<b>Urbanized Area Formula Program - 5307 – PM</b>	\$ (15,492)	\$ 175,622	\$ 160,130	\$ -
<b>Urbanized Area Formula Program - 5307 – PM</b>	\$ (20,048)	\$ 851,160	\$ 1,351,605	\$ (520,493)
<b>Urbanized Area Formula Program - 5307 – PM</b>	\$ (265,051)	\$ 1,000,000	\$ 734,949	\$ -
<b>Urbanized Area Formula Program - 5307 – PM</b>	\$ -	\$ 483,236	\$ 557,676	\$ (74,440)
<b>Urbanized Area Formula Program - 5307 – PM</b>	\$ (8,169)	\$ 18,608	\$ 10,439	\$ -
<b>Urbanized Area Formula Program CMAQ</b>	\$ (317,161)	\$ 1,701,868	\$ 1,503,405	\$ (118,698)
<b>Urbanized Area Formula Program CMAQ</b>	\$ -	\$ -	\$ 220,352	\$ (220,352)
<b>Urbanized Area Formula Program - 5307 - Bus Sear Guarantee</b>	\$ -	\$ -	\$ -	\$ -
<b>Urbanized Area Formula Program - 5307 - Hamilton Springs</b>	\$ -	\$ -	\$ 493,705	\$ (493,705)
<b>Urbanized Area Formula Program - 5307 - Hamilton Springs</b>	\$ -	\$ 1,472,000	\$ 1,472,000	\$ -
<hr/>				
Total CFDA 20.507	\$ (625,921)	\$ 5,702,494	\$ 6,504,261	\$ (1,427,688)
<hr/>				
Total Federal Transit Cluster	\$ (652,379)	\$ 5,728,952	\$ 6,504,261	\$ (1,427,688)
<hr/>				
<i>Passed through Tennessee Department of Transportation:</i>	\$ (78,904)	\$ 361,733	\$ 437,775	\$ (154,946)

**Regional Transportation Authority**  
**Schedule of Expenditures of Federal Awards (continued)**  
**From the Audited Financial Statements for the Year Ended June 30, 2018**

	<b>Balance July 1, 2017 (Receivable)</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Balance June 30, 2018 (Receivable)</b>
<b>Regional Ridesharing Program</b>	\$ (78,904)	\$ 361,733	\$ 437,775	\$ (154,946)
Total CFDA 20.205				
<i>Passed through Metropolitan Transit Authority</i>				
<b>Job Access Reverse Program</b>	\$ (4,653)	\$ 5,119	\$ 55,628	\$ (55,162)
Total CFDA 20.516	\$ (4,653)	\$ 5,119	\$ 55,628	\$ (55,162)
Total expenditures of federal awards	<u>\$ (735,936)</u>	<u>\$ 6,095,804</u>	<u>\$ 6,997,664</u>	<u>\$ (1,637,796)</u>
<i>Tennessee Department of Transportation:</i>				
<b>Urbanized Area Formula Program -Capital Cost Contracting</b>	\$ -	\$ -	\$ -	\$ -
<b>Operating Assistance</b>	\$ -	\$ 586,800	\$ 586,800	\$ -
<b>Urbanized Area Formula Program - 5307 - PM</b>	\$ (1,936)	\$ 21,952	\$ 20,016	\$ -
<b>Urbanized Area Formula Program CMAQ</b>	\$ (206,090)	\$ 186,748	\$ 160,757	\$ (180,099)
<b>Urbanized Area Formula Program CMAQ</b>	\$ -	\$ -	\$ 27,544	\$ (27,544)
<b>Urbanized Area Formula Program - 5307 - PM</b>	\$ (2,506)	\$ 96,419	\$ 168,949	\$ (75,036)
<b>Urbanized Area Formula Program - 5307 - PM</b>	\$ (1,021)	\$ 2,326	\$ 1,305	\$ -
<b>Urbanized Area Formula Program - 5307 - PM</b>	\$ (63,378)	\$ 70,215	\$ 6,837	\$ -
<b>Relax and Ride Operating Assistance</b>	\$ -	\$ -	\$ 350,000	\$ (350,000)
<i>Passed through Metropolitan Transit Authority</i>				
<b>Job Access Reverse Commute</b>	\$ (26,632)	\$ -	\$ 27,814	\$ (54,446)
Total expenditures of state financial assistance	<u>\$ (301,563)</u>	<u>\$ 964,460</u>	<u>\$ 1,350,022</u>	<u>\$ (687,125)</u>

Source: Contracted Chief Financial Officer.

**APPENDIX 3**  
**Regional Transportation Authority**  
**Statement of Activities to Budget Comparison**  
**From the Audited Financial Statements for the Year Ended June 30, 2018**

<b>Revenues</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Budget Variance</u></b>
Full adult fare – R&R	\$ 894,670	\$ 845,461	\$ (49,209)
Full adult fare – Train	832,500	905,056	72,556
Special events	62,910	76,192	13,282
Advertising sales – R&R	35,200	43,680	8,480
Advertising sales – Train	0	2,864	2,864
Rent of building and property	58,590	80,596	22,006
Non-transportation revenue	0	16,655	16,655
Annual membership dues	0	162,986	162,986
Local operating	1,772,708	1,792,316	19,608
Regional operating subsidies	1,292,622	1,384,474	91,852
State operating revenues	1,082,485	1,024,575	(57,910)
JARC	110,680	11,254	574
CMAQ revenues	1,910,042	1,912,058	2,016
Capital operating assistance	<u>1,581,058</u>	<u>1,781,253</u>	<u>200,195</u>
Total operational revenues	<u>9,633,465</u>	<u>10,139,420</u>	<u>505,955</u>
<b>Expenses</b>			
Salary-contract admin – R&R	220,932	220,935	(3)
Salary-contract admin – Train	220,932	220,935	(3)
Other fringes – R&R	180,768	180,765	3
Other fringes – Train	180,768	180,765	3
Advertising service & fees – R&R	80,000	181,478	(101,478)
Advertising service & fees - Train	82,400	54,492	27,908
Attorney's fees	55,000	66,392	(11,392)
Outside auditing fees	40,000	28,428	11,572
Web management contract	64,000	69,225	(5,225)
Interest/extension fees – LOC	25,000	22,318	2,682
Bank service charges	6,500	6,898	(398)
Other services – R&R	9,500	0	9,500
Other services – Admin/Master			
Plan/NW Corridor	6,900	40,726	(33,826)
Other services – Train	164,500	324,143	(159,643)
Emergency ride home	10,000	2,938	7,062
Contract maintenance – TVM's Train	11,000	0	11,000
Contract maintenance – Train			
Parts/Repairs/Maintenance	120,000	115,121	4,879
Contract maintenance – R&R/MTA	1,570,306	1,593,444	(23,138)
Contract maintenance – R&R/Grayline	2,633,208	2,605,085	28,123
Contract maintenance – Train Shuttle/ MTA	168,200	170,213	(2,013)
Contract maintenance – Base Train Service/TSG	1,872,901	1,722,585	150,316
Contract maintenance – Special Service/TSG	28,925	32,515	(3,590)
Contract maintenance – Track Rent/NERC	60,000	57,276	2,724
Contract maintenance – Special Track Usage/NERC	11,200	12,621	(1,421)

**Regional Transportation Authority**  
**Statement of Activities to Budget Comparison (continued)**  
**From the Audited Financial Statements for the Year Ended June 30, 2018**

<b>Revenues</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Budget Variance</u></b>
Contract maintenance – Base Track Usage/NERC	588,000	570,718	17,282
Contract maintenance – Train/ Train Systems	25,000	32,699	(7,699)
Fuel hedging expense – Train	0	(41,547)	41,547
Diesel fuel – Train	400,200	525,716	(125,516)
M&S general – R&R	500	0	500
M&S general – Train	3,500	4,525	(1,025)
Promotional M&S	3,500	0	3,500
M&S Passenger Stations – Train	2,000	1,425	575
Printing services – R&R	7,000	491	6,509
Printing services – Train Fare Media	45,000	19,465	25,535
Office Supplies – Rideshare Admin	425	0	425
Janitor supplies – Train	2,500	0	2,500
Electric	1,100	67,720	(66,620)
Water/sewer	650	7,348	(6,698)
Telephones – Train	0	2,178	(2,178)
Insurance – PPADO	3,300	3,113	187
Insurance – CS&A	569,050	518,944	50,106
Insurance – Real Property	16,400	15,483	917
Insurance – TPA Claims	6,000	0	6,000
Licensing vehicles	300	225	75
Dues & Subscriptions – RTA	27,800	26,617	1,183
Travel and trainings – RTA	2,500	65	2,435
Miscellaneous general	2,000	20,933	(18,933)
Freight charges – RTA	0	13	(13)
Freight charges – Train	6,000	7,067	(1,067)
Contingency	97,800	0	97,800
Total operational expenses	<u>9,633,465</u>	<u>9,692,496</u>	<u>(59,031)</u>
<b>Other Revenue (Expenses)</b>	0	4,967,840	4,967,840
Capital purchases revenue	0	(1,332,729)	(1,332,729)
Depreciation expense	0	11,870	11,870
Gain on sale of capital assets	0	3,646,981	3,646,981
Total other revenue (expenses)	<u>0</u>	<u>3,646,981</u>	<u>3,646,981</u>
<b>Change in Net Position</b>	<u>\$ 0</u>	<u>\$ 4,093,905</u>	<u>\$ 4,093,905</u>

Source: Contracted Chief Financial Officer.