



# Closing the Gaps in Compliance

## Corrective Actions for Common Audit Findings

Nellie Liu

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VIRGINIA DEPARTMENT OF RAIL  
AND PUBLIC TRANSPORTATION





# Introduction

This webinar provides an analysis of nine recurring compliance issues observed in DRPT's reviews over the last few years. By examining real examples and regulatory requirements, it offers targeted corrective actions to improve future audit readiness and strengthen overall program compliance.

# Roadmap

- Introduction
- Methodology
- Detailed Findings & Corrective Action Suggestions
  - Vehicle Inventory
  - Performance Data
  - Multiple Project Reimbursement Requests in the Same Month
  - Record Retention
  - Insurance Coverage
  - Vehicle Disposals
  - Vehicle Maintenance Issues
  - Travel Expenses
  - Ineligible Expense Reimbursement
- Key Takeaways



# Methodology

- DRPT Master Agreement—Defines grant terms for Commonwealth-funded projects
- DRPT Grant Administration Procedures (Purple Book)—Outlines procedures for managing state and federal grants
- FTA Contractor Manual—Covers recipient management and compliance expectations

# Detailed Findings & Corrective Action Suggestions

# Issue 1: Vehicle Inventory

# Requirements

- To ensure proper oversight of capital assets, the FTA provides a clear understanding of how grantees manage, use, and dispose of assets.
- As such, grantees must maintain accurate and complete equipment records, including
  - Property location/physical address
  - Use and condition of property
  - Summary of conditions on the title
  - Brief description of improvements, expansions, and retrofits
  - Corresponding useful life for the assets
  - Date placed in service
  - Original acquisition/purchase cost
  - Sources of funding
  - Federal and non-Federal participation ratios
  - Federal Award Information Number (FAIN)
  - Appraised value and date
  - Anticipated disposition or action proposed
  - Date of disposal
  - Sale price
  - Reason for excess property
- Note: Grantees that only receive state funding are not required to maintain all 7 elements in asset records

# Requirements

- The information presented on the previous slide should be maintained in the grantee's internal vehicle records. It is the best practice to use **internal records** to maintain vehicle information, to ensure accurate record keeping
- All recipients of state capital assistance funding are required to enter asset inventory information in DRPT's online transportation asset management system, **TransAM**
- All state-funded vehicles and non-revenue vehicles (i.e. support vehicles) must be logged in TransAM when they are put into service. Odometer readings for all vehicles must be **updated twice annually** on July 15 and January 15

# Illustrative Examples

- Vehicle Identification Numbers (VIN), purchase costs, and In-Service Date discrepancies between TransAM and grantees' internal vehicle inventory records

Table 1. Vehicle VIN Discrepancies

| Vehicle # | TransAM VIN                | VIN in Vehicle Records     | Correct VIN                |
|-----------|----------------------------|----------------------------|----------------------------|
| 703       | 15GG <b>V</b> 2712D1182506 | 15GG <b>B</b> 2712D1182506 | 15GG <b>B</b> 2712D1182506 |
| 763       | 1HA <b>G</b> GUBB1LN003679 | 1HA <b>6</b> GUBB1LN003679 | 1HA <b>6</b> GUBB1LN003679 |
| 829       | 1HA6GUB71MN_ <u>12184</u>  | 1HA6GUB71MN <b>0</b> 12184 | 1HA6GUB71MN <b>0</b> 12184 |
| 708       | 1FM <b>5</b> K8B83EGC02438 | 1FM <b>E</b> K8B83EGC02438 | 1FM <b>5</b> K8B83EGC02438 |

Table 2. Purchase Cost Discrepancies

| Vehicle Number | VIN #             | Purchase Cost in TransAM | Purchase Cost in Vehicle Records | Difference |
|----------------|-------------------|--------------------------|----------------------------------|------------|
| 837            | 3FMCR9B69PRD13479 | \$34,900                 | \$42,297                         | (\$7,397)  |
| 838            | 3FMCR9B62PRD56545 | \$34,900                 | \$42,297                         | (\$7,397)  |
| 839            | 3FMCR9B69PRE02596 | \$34,900                 | \$42,297                         | (\$7,397)  |

Table 3. In-Service Date Discrepancies

| Vehicle # | VIN               | TransAM In-Service Date | In-Service Date in Vehicle Records | Discrepancy (Days) |
|-----------|-------------------|-------------------------|------------------------------------|--------------------|
| 675       | 1GB6G5BG7C1119616 | <b>1/31/2012</b>        | 2/17/2012                          | (17)               |
| 726       | 4UZADEDU5GCHJ7567 | <b>10/19/2015</b>       | 9/18/2015                          | 31                 |
| 750       | 1HA6GUBB1JN008152 | <b>6/8/2019</b>         | 4/25/2019                          | 44                 |

# Suggested Corrective Actions

- Designate appropriate personnel
  - One responsible for data entry and another for reviewing and verifying the accuracy of the information entered into both the internal records and TransAM
- Conduct regular data checks
  - Perform quarterly audits to spot-check and verify the consistency of vehicle data across both systems

# Issue 2: Performance Data

# Requirements

- DRPT Grant Administration Procedures Section 7.1 General Requirements
  - To receive transit operating assistance, DRPT requires grantees to report Unlinked Passenger Trips (UPT), Vehicle Revenue Hours (VRH) and Vehicle Revenue Miles (VRM) monthly for all modes operated in a performance data reporting SharePoint site
  - All performance metrics are reported by mode and are validated by DRPT Program Managers on an annual basis prior to running the operating assistance formula as identified in DRPT's Grant Application Manual

# Illustrative Examples

- Discrepancies between performance data reported to DRPT, NTD, and grantees' backup data
- Discrepancies arise from:
  - Timing differences
  - System data discrepancies (e.g. APCs)
  - Data system changes
  - Multiple data sources
  - Etc.
- Note: DRPT reviews NTD performance data for comparison purposes only. After submission, grantees are not required to update NTD

Table 2. FY2023 Performance Data Comparison

| Description                | Passenger Trips | Revenue Hours | Revenue Miles |
|----------------------------|-----------------|---------------|---------------|
| OLGA Data                  | 1,566,535       | 146,360       | 3,284,916     |
| Grantee's Source Documents | 1,576,677       | 138,705       | 3,110,038     |
| NTD Data                   | 1,576,743       | 138,705       | 3,110,038     |
|                            |                 |               |               |
| OLGA vs. Grantee           | (10,142)        | 7,655         | 174,878       |
| OLGA vs. NTD               | (10,208)        | 7,655         | 174,878       |
| Grantee vs. NTD            | (66)            | -             | -             |

# Suggested Corrective Actions

- **Centralize** all ridership and performance data in a **single, organized location** accessible to authorized personnel
- **Reconcile** reported data with internal records **monthly** to identify and correct discrepancies early. Continue to reconcile a **few months** after year end.
- Use basic data validation techniques—such as checking totals, identifying missing values, and flagging outliers—to catch errors before submission
- Assign a **second staff member** to review all data reports prior to submission to ensure accuracy and completeness
- Maintain a **log of unusual events** (e.g., service interruptions) that may impact performance data and communicate such context to your DRPT program Manager as needed

# Issue 3: Multiple Project Reimbursement Requests in the Same Month

# Requirements

- DRPT's Master Agreement, Article 3 Reimbursement of grantee § 3.2
  - Grantees shall submit project reimbursement forms (i.e. Claims) **no more frequently than once per month per project**

# Illustrative Examples

- Multiple reimbursement requests were submitted in the same month for the same project

Table 4. Project 42522-37 – Multiple Reimbursement Requests

| Voucher Number | Grant Description | Amount  | Reimbursement Request Date |
|----------------|-------------------|---------|----------------------------|
| 2073815        | 5311 Operating    | \$9,242 | 4/25/2022                  |
| 2073816        | 5311 Operating    | \$54    | 4/25/2022                  |
| 2073836        | 5311 Operating    | \$3,636 | 4/27/2022                  |
| 2073839        | 5311 Operating    | \$4,842 | 4/27/2022                  |
| 2075586        | 5311 Operating    | \$2,713 | 11/3/2022                  |
| 2075588        | 5311 Operating    | \$272   | 11/3/2022                  |

# Suggested Corrective Actions

- Maintain a reimbursement submission **log**: **track** each reimbursement request by project and submission date in a **centralized log or system**
- Implement a **pre-submission check process**: require staff to check the log before submitting a new reimbursement request to confirm that no request has already been submitted that month for the same project
- Have the finance or grants management team **review the log each month** to detect duplicate submissions and take corrective action if needed
- If needed, the DRPT Program Manager may pre-authorize a grantee to submit multiple claims within a month

# Issue 4: Record Retention

# Requirements

- DRPT's Master Agreement, Article 5. Maintenance of Records § 5.1
  - The Grantee shall maintain all books, accounting records, and any other documents supporting the Grantee's activities and costs for every Project Agreement. The Grantee shall maintain such records for **four years** from the end of the state fiscal year (June 30) in which the final payment is made. The Grantee shall maintain records pertaining to facilities for the Useful Life of the facility. The Grantee shall maintain records pertaining to land in perpetuity. The Grantee shall require Contractors to similarly maintain their books, accounting records, and any other documents supporting the Contractors' activities and costs incurred, and require Contractors include a similar provision in their subcontractor agreements

# Illustrative Examples

- Some grantees do not have a formal records retention policy
- In certain cases, the retention periods being followed are inconsistent with the requirements outlined in DRPT's Master Agreement, with grantees using varying and non-compliant retention schedules (e.g. Library of Virginia Retention Schedules)
- Some grantees indicated they relied on DRPT systems to retain project agreements. Grantees are required to retain records in internal files and not rely on DRPT systems to maintain records

# Suggested Corrective Actions

- Establish and implement a **formal record retention policy** that **aligns with DRPT's Master Agreement**
- **Download and store** project agreements, applications, and other project records in the grantee's **own internal files**, rather than relying solely on DRPT systems

# Issue 5: Insurance Coverage

# Requirements

- DRPT's Master Agreement, Article 13. Liability and Insurance § 13.2
  - Insurance purchased by the Grantee, its agents, Contractors, or subcontractors, shall list the Commonwealth, the Department, the Virginia Department of Transportation, and the officers, agents and employees of these entities as additional insureds

# Illustrative Examples

- During the review of insurance documentation, it was observed that DRPT is not listed as an “additional insured”
  - An "additional insured" is a person or entity that is covered under the policyholder's insurance for claims related to the policyholder's actions or operations
  - This is not the same as a “Loss Payee”. Grantees are not required to include DRPT as a Loss Payee for state-funded assets

# Suggested Corrective Actions

- Review current insurance policies with insurance providers to ensure the following entities are listed as additional insureds
  - The Commonwealth of Virginia
  - The Department of Rail and Public Transportation
  - The Virginia Department of Transportation
  - Officers, agents and employees of the above entities

# Issue 6: Vehicle Disposals

# Requirements

- Accurate vehicle disposal information is required to be submitted into the DRPT TransAM System. DRPT uses this system to confirm that vehicles are being properly disposed and to track whether sale proceeds are handled in accordance with applicable regulations
- Grantees must work with their DRPT Program Manager when disposing of vehicles that have **not** met their useful life

# Requirements

- The following only apply to transit agencies receiving **pass-through FTA funds**
- Grantees must receive permission from DRPT before disposing of vehicles funded by state and/or pass-through FTA funding
- DRPT's Grant Administration Procedures, Section 12.4
  - For vehicles that **have met** their useful life and were purchased with Section 5311 funds or other Federal assistance, and no longer needed for a transit purpose, sold for \$10,000 or less, the subrecipient may retain the full proceeds from the disposition. If the proceeds are greater than \$10,000, then the subrecipient may retain \$5,000 plus the percentage of the state and/or local share of any additional amount. Subrecipients must return the balance to DRPT as a pass-through to the FTA

# Illustrative Examples

- Discrepancies exist between the grantee's internal records and TransAM regarding vehicle disposal status
  - Vehicles are marked as In Service in TransAM but disposed in the grantee's records
- Vehicle's disposal date did not match TransAM and grantee's internal records
- The amount of disposal proceeds listed in TransAM did not match records
- The federal share of disposal proceeds were not returned to DRPT for remittance to the FTA

Table 4. Vehicle Disposal Discrepancies

| Vehicle #     | TransAM Vehicle Status | Actual Vehicle Status | Disposal Date |
|---------------|------------------------|-----------------------|---------------|
| 5406 (250803) | Out of Service         | Disposed              | 2/8/2022      |
| 5407 (250804) | Out of Service         | Disposed              | 2/8/2022      |

# Suggested Corrective Actions

- Assign responsibility to a **staff number** for data entry and verification in **TransAM**
- Establish a **deadline** (e.g., within 5 business days of sale) for completing TransAM updates
- Conduct **periodic checks** to correct any discrepancies between internal records and TransAM entries
- For vehicles disposed **above \$10,000**, work with your DRPT Program Manager to determine the proper amount to be returned to the FTA
- For agencies that receive pass-through federal funds, promptly remit to DRPT the **FTA portion** of vehicle disposal proceeds

# Issue 7: Vehicle Maintenance Issues

# Requirements

- The Federal Transit Administration (FTA) Contractor Manual
  - FTA allows recipients discretion in determining the appropriate intervals for preventive maintenance inspections to accommodate such things as specific manufacturer recommendations, vehicle/vessel age, unique site and operating conditions, etc. FTA expects recipients to follow their program for preventive maintenance but understands that circumstances may prevent inspections being completed exactly at the interval specified
- FTA Circular 5010.1E
  - Recipients must have a **written vehicle maintenance plan** and a facility/equipment maintenance plan. These plans should describe a system of periodic inspections and preventive maintenance to be performed at certain **defined intervals**
- Grantees that only receive state funds must also properly maintain assets to ensure proper running condition and vehicle safety

# Illustrative Examples

- Grantee's maintenance policy is vague and does not explicitly denote the intervals in which maintenance is performed
- Maintenance is performed outside of required timeframes (e.g. 5,000 miles between oil changes)

Table 4. Bus 03 Maintenance

| Odometer Reading 1 | Odometer Reading 2 | Miles Between Inspections | Date PM Performed |
|--------------------|--------------------|---------------------------|-------------------|
| 17,485             | 25,964             | 8,479                     | 12/27/2021        |
| 25,964             | 44,640             | 18,676                    | 10/6/2022         |
| 44,640             | 50,537             | 5,897                     | 1/24/2023         |
| 50,537             | 56,973             | 6,436                     | 6/22/2023         |

# Suggested Corrective Actions

- Revise the written maintenance policy to include clear, defined vehicle maintenance intervals. **Specify maintenance intervals** for each vehicle type based on manufacturer guidelines
- Develop a system to ensure vehicle maintenance is performed timely (i.e. within policy requirements)
- Set a **quarterly internal review process** to evaluate whether preventative maintenance is being completed on time, and investigate any delays

# Issue 8: Travel Expenses

# Requirements

- DRPT Grant Administration Procedures Section 6.3 Travel Reimbursements
  - DRPT will only reimburse travel expenses in accordance with and up to the state and federal approved rates for lodging, mileage and per diem amounts. The Commonwealth of Virginia uses the General Services Administration (GSA) rates for Lodging and Meals & Incidentals Expenses (M&IE) and the IRS mileage rate
  - Reimbursement for meals is only valid when there is **approved overnight travel**. Expenses for meals for same day trips are not eligible for reimbursement.
  - Lodging expenses must follow GSA's lodging guidelines and rates and be reasonable and necessary. Rates above the GSA lodging rates as well as the taxes and fees associated with the higher rates will not be reimbursed
- DRPT Grant Administration Procedures Section 6.1 Support Documents
  - All claims must include legible supporting documentation that details the expenses charged to the project. Sufficient supporting documentation attached to claims is required to provide evidence and justification for every expense

# Illustrative Examples

- Vouchers contained expenses for meals for same-day business trips
- Grantees submitted travel expenses that exceeded GSA lodging rates and DRPT expense guidelines

| Description                        | Daily Charges | Number of Nights | Amount   |
|------------------------------------|---------------|------------------|----------|
| Nightly Room Charge                | \$104.88      | 1                | \$104.88 |
| GSA Approved Amount                | \$96.00       | 1                | \$96.00  |
| Difference <sup>(1)</sup>          | \$8.88        | 1                | \$8.88   |
|                                    |               |                  |          |
| Nightly Tax                        | \$13.64       | 1                | \$13.64  |
| Tax Rate                           | 13%           |                  | 13%      |
| Tax Calculated for GSA Rate        | \$12.49       | 1                | \$12.49  |
| Difference in Taxes <sup>(2)</sup> | \$1.15        | 1                | \$1.15   |
|                                    |               |                  |          |
| Disallowed Travel <sup>(1+2)</sup> | \$10.03       | 1                | \$10.03  |

# Suggested Corrective Actions

- Establish **internal pre-travel review procedures** to verify that planned lodging does **not exceed GSA rates** and only includes **eligible costs**
  - Use the official GSA website to validate allowable per diem and lodging limits before booking accommodations (<https://www.gsa.gov/travel/plan-book/per-diem-rates>)
  - Grantees should **prohibit** reimbursement claims for same-day business-travel meals
- Require **pre-approval** from the DRPT Program Manager for all **overnight travel**, including purpose, lodging, meals, and other costs
- DRPT has developed a template to simplify estimating travel costs. If grantees are interested in using the template, they should contact their DRPT Program Manager
- Maintain open communication with **the DRPT Program Manager** for any travel-related questions prior to submitting expenses

# Issue 9: Ineligible Expense Reimbursement

# Requirements

- DRPT's Master Agreement, Section 2.2
  - Grantee's Eligible Project Costs must be actual net costs charged to the Grantee (i.e., the price minus any refunds, rebates, salvage, or other items of value received by the Grantee which have the effect of reducing the cost actually incurred and paid)
- DRPT's Grant Administration Procedures section 6.1
  - All claims must include legible supporting documentation that details the expenses charged to the project, demonstrates those expenses as germane to the project, shows the items produced or purchased through the project, and shows the work performed. Sufficient supporting documentation attached to claims is required to provide evidence and justification for every expense
- DRPT's Master Agreement, Article 6. Audit and Inspection of Records §6.4
  - The Grantee agrees if any audit finds payments by the Department were (1) unsupported by acceptable records, or (2) in violation of any other provisions of this Agreement or associated project Agreement, within 60 days of audit findings, the Grantee will promptly refund unsupported payments or payments found in violation

# Illustrative Examples

- Expenses submitted multiple times
- Expenses that were charged to the incorrect project (e.g. capital project expense included in operating expenses)
- Expenses that were covered by another funding source
- An expense where an invoice/receipt was not provided, and the appropriateness of the expense could not be validated
- Invoices for goods/services that were rendered outside of the project period
- Grantees requested reimbursement from DRPT for more than the amount shown in supporting documentation

# Suggested Corrective Actions

- Require **two different individuals** (e.g., a preparer and a reviewer) verify
  - All expenses are **supported** by itemized and legible documentation
  - The invoice data and service **period** fall within the approved project timeline
  - The cost is charged to the **correct** project and funding source
  - If an expense has been or may be paid by **another funding source**, do not submit the expense for reimbursement

# Key Takeaways

- Separate staff duties for data entry and verification to strengthen internal controls
- Centralize all performance and reimbursement data, and reconcile regularly
- Use validation checks and maintain audit logs to catch and explain discrepancies early
- Formalize policies on record retention, insurance, vehicle disposal, and travel compliance
- Communicate proactively with DRPT and conduct periodic reviews to ensure compliance with grant requirements

