



City of Phoenix

Mission Statement

To improve the quality
of life in Phoenix
through efficient
delivery of outstanding
public services.

Project Team

Ross Tate
City Auditor

Leigh Ann Mauger
Deputy City Auditor

Jason Christ
Sr Internal Auditor

Project Number

1230061

This report can be made
available in alternate
format upon request.

Public Transit Department 2022 Triennial Review Follow-Up

April 26, 2023

Report Highlights

Triennial Response & Review

- *The Public Transit Department responded to each deficiency identified in the Federal Transit Administration's 2022 Triennial report in a timely and adequate manner.*
- *The Public Transit Department addressed underlying control deficiencies and amended policies to help ensure compliance with future Federal Transit Administration requirements.*
- *Potential risk areas were identified that could be audited prior to the next Triennial audit.*

City Auditor Department
140 N 3rd Avenue Phoenix, AZ 85003
602-262-6641 (TTY use 7-1-1)

Executive Summary

Purpose

Our purpose was to determine that the City of Phoenix Public Transit Department (PTD) responded to findings from the U.S. Department of Transportation Federal Transit Administration (FTA) Fiscal Year 2022 Triennial Review adequately and within prescribed deadlines, and to identify areas of potential risks for audit follow-up.

Background

The FTA issued their report on the Triennial Review of the City on August 17, 2022. The FTA ensures that federal grant awards are administered in accordance with the requirements of federal public transportation law 49 U.S.C. Chapter 53. The review was performed by a contractor virtually due to the COVID-19 public health emergency.

The Triennial Review focused on the City's compliance in 23 separate areas. Six areas were found with deficiencies as outlined below. There were no repeat deficiencies from the FY 2018 Triennial Review.

2022 Triennial Deficiencies

Review Area	Deficiency Description
Technical Capacity – Program Management and Subrecipient Oversight	Written agreements missing required elements.
Satisfactory Continuing Control	Property records were missing subrecipient information. Lacking excess real property utilization inventory/plan out of date.
Procurement	Responsibility determination deficiencies. Lacking independent cost estimate. Missing FTA clauses. Lobbying certifications not included in procurement solicitations of signed by bidders.
Americans with Disabilities Act – General	Demand response service deficiency.

Review Area	Deficiency Description
Equal Employment Opportunity	Recipient personnel not performing required EEO responsibilities.
Drug Free Workplace Act	Drug free workplace policy lacking required elements.

Deficiencies were noted in six of the 23 areas tested.

Results in Brief

PTD responded to each deficiency identified in the 2022 Triennial report timely and adequately.

We verified that PTD's responses to the Triennial findings were sufficient and appropriate, and that they were submitted prior to the deadlines specified by the FTA. PTD complied with all facets of the deficiency response process. No testing exceptions were noted.

PTD addressed underlying control deficiencies and amended policies to help ensure compliance with future FTA requirements.

We verified that PTD has identified the control deficiencies related to the Triennial findings. PTD has implemented processes to review and update the master grant agreement procedures, grant agreement templates, and 3rd Party Contracting policy to identify any changes to FTA guidance. PTD has scheduled these reviews to occur annually, or as the FTA publishes updates.

Potential risk areas were identified that could be audited prior to the next Triennial audit.

We identified four risk areas that PTD and/or the City Auditor could review prior to the next Triennial review in 2025. These include forward-looking components and would address current risks by amending policies and/or templates for use in subsequent procurements.

1 – Triennial Response & Review

Background

PTD is responsible for overseeing the City's transit programs and serves as the designated recipient for federal funding under the FTA. In this role, PTD is responsible for ensuring department compliance with federal funding requirements, in addition to monitoring subrecipients who receive funds through the City.

The FTA reviews PTD's compliance every three years. The 2022 Triennial Review comprised compliance testing of 23 different areas. Six of these areas had deficiencies. The FTA requires responses and supporting documentation for these six areas, and applied deadlines occurring in the 4th quarter of 2022. We reviewed PTD's responses to the deficiencies for compliance with applicable criteria and for timeliness of submission based on FTA's 2022 Triennial Report. In addition, we evaluated deficient areas for increased risk and identified possible future audits.

Results

PTD responded to each deficiency identified in the 2022 Triennial report timely and adequately.

We verified that PTD's responses to the Triennial findings were sufficient and appropriate, and that they were submitted prior to the deadlines specified by the FTA. We obtained the list of deficiencies from the 2022 Triennial report and compared PTD's responses to FTA regulations. We evaluated the content of PTD's responses to ensure they were sufficient and appropriate. Each response was compared to FTA guidance to ensure compliance with applicable criteria. Lastly, we obtained transmittal documentation to ensure compliance with FTA submittal deadlines. PTD complied with all facets of the deficiency response process. No testing exceptions were noted.

Potential risk areas were identified that could be audited prior to the next Triennial audit.

PTD's responses to the Triennial findings included items that were addressed immediately after receiving the report. Many of the responses included forward-looking components and addressed deficiencies by amending policies and/or templates for use in subsequent procurements. We identified four risk areas that PTD and/or the City Auditor could review prior to the next Triennial in 2025, as shown in the chart below.

Newly applicable 2025 Triennial requirements include establishing a process for reducing cybersecurity risks. This requirement only applies to grant recipients who operate rail service, and thus will not be applicable to PTD for the next Triennial. However, FTA grant funds are passed through from PTD to Valley Metro who does operate rail service. Valley Metro is considered a subrecipient of grant funds in this scenario. PTD will be required to verify that Valley Metro has established a process to

develop, maintain, and execute a written plan for identifying and reducing cybersecurity risks in accordance with FTA guidelines.

2022 Triennial Responses and Potential Risk Areas for Follow-Up Audits

Review Area	Deficiency Description	Transit Response	Potential Risk Area for Follow-Up Audits
Technical Capacity – Program Management and Subrecipient Oversight	Written agreements missing required elements.	PTD updated the grant agreement template to include required elements that were missing.	Program management and monitoring of subrecipients of grant funds to ensure compliance with FTA regulations.
Satisfactory Continuing Control	Property records were missing subrecipient information. Lacking excess real property utilization inventory/plan out of date.	PTD updated the real property reports with the missing information and included real property utilization plans.	Real property record controls and compliance with FTA regulations.
Procurement	Responsibility determination deficiencies. Lacking independent cost estimate. Missing FTA clauses. Lobbying certifications not included in procurement solicitations of signed by bidders.	PTD updated contractor responsibility determinations, independent cost estimates, updated templates to include required FTA clauses, and obtained required lobbying certifications.	Compliance with procurement related FTA regulations for contracts.

Review Area	Deficiency Description	Transit Response	Potential Risk Area for Follow-Up Audits
Americans with Disabilities Act - General	Demand response service deficiency.	PTD updated procedures to comply with FTA regulations related to the Americans with Disabilities Act.	Ensure a comparison of equivalent services provided to persons with disabilities occurs where applicable.
Equal Employment Opportunity	Recipient personnel not performing required EEO responsibilities.	PTD defined new roles and responsibilities related to Equal Employment Opportunity concerns.	None
Drug Free Workplace Act	Drug free workplace policy lacking required elements.	PTD worked with Human Resources to amend A.R. 2.324 and circulated the information Citywide.	None

All Deficiencies were addressed, and four risks areas were identified for potential follow-up audits.

PTD addressed underlying control deficiencies and amended policies to help ensure compliance with future FTA requirements.

PTD's responses to the Triennial findings also included addressing underlying control deficiencies and amending policies to help ensure compliance with future FTA requirements. Changes included:

- Amended the master grant management procedures to ensure compliance with requirements that were added, deleted, or changed.
- Incorporated an additional procedure alongside the Law Department to review grant agreement templates and ensure compliance with the FTA requirements. This procedure will occur annually upon publication by the FTA.
- Amended the 3rd Party Contracting policy to include a review of FTA's requirements to identify criteria that have been added, deleted, or changed. This procedure will be performed at the beginning of each calendar year.

These three changes to policies and procedures appear to address the underlying control deficiencies that were identified by the Triennial audit, and should help ensure compliance with future FTA requirements.

Recommendations

None

Scope, Methods, and Standards

Scope

The time period related to our audit of PTD's responses to the Federal Transit Administration's Triennial Review of the City of Phoenix was July 1, 2021 through June 30, 2022.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Activities
 - Management should design control activities to achieve objectives and respond to risks.

Methods

We used the following methods to complete this audit:

- Interviewed appropriate PTD personnel.
- Obtained an understanding of the FTA Triennial Review process.
- Reviewed FTA reports and documentation.
- Reviewed FTA compliance criteria.
- Tested all of PTD's responses for accuracy.
- Evaluated PTD's responses for timeliness of submission.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Reliability

We assessed the reliability of data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced it, and (3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit.

Standards

We conducted this performance 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. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.