



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

January 6, 2022

To: Transit Agencies and Certified Public Accountants Performing  
Public Transportation Audits

From: Trish D'Itri, Auditing Specialist  
Financial Management Unit  
Office of Passenger Transportation

Subject: FY 2022 and FY 2021 Audit Information for December 31<sup>st</sup> Year End

**Provisions in the FY 2022-2026 Master Agreement for Public Transportation Projects**

The FY 2022-2026 Master Agreement has contractual requirements for financial reporting in the annual certified public accountant (CPA) audit. Although some of the requirements are already required by the Michigan Department of Treasury's Audit Guide for Transportation Authorities (Audit Guide)<sup>1</sup>, the language in the Master Agreement provides OPT with contractual authority to ensure full compliance with the identification and detail requirements associated with project authorizations.

Listed below are sections of the Master Agreement that contain language applicable to FORMULA RECIPIENTS<sup>2</sup>. This list is not intended to be all-inclusive nor is it to be used as a substitute for reading the FY 2022-2026 Master Agreement.

- Paragraphs 18c. and 19d. give OPT the authority to disallow money paid on a project authorization if the expenses for that project authorization are also included in expenses to be reimbursed under Section 10e(4) of Public Act 51 of 1951, as amended (e.g., "Local Bus Operating Assistance (LBOA) Program"),
- Paragraph 25c requires the implementation of internal controls to identify and keep separate expenses incurred under PROJECT AUTHORIZATIONS from expenses incurred for 51 PA 1951 Section 10e(4) reimbursement.
- Paragraph 27 requires urban agencies to engage its CPA to test and report on the internal controls implemented pursuant to Paragraph 25c. The report on internal controls will be submitted to MDOT's Auditing Specialist for the Office of Passenger Transportation (OPT).
- Paragraphs 29b.i., ii., & iii permit thirty (30) days from the issue of the audit to:

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<sup>1</sup> [https://www.michigan.gov/documents/treasury/Audit\\_Guide\\_202115\\_7.pdf](https://www.michigan.gov/documents/treasury/Audit_Guide_202115_7.pdf)

<sup>2</sup> Defined in the Master Agreement to mean a recipient of funds pursuant to Section 10e(4) of Public Act 51 of 1951, as amended.

- Report errors, omissions, deficiencies, and inconsistencies in the Schedule of Expenditures of Federal and State Awards (SEFA).
- Submit a corrective action for audit findings that relate to deficiencies in the SEFA and/or the execution of a project authorization; and authorizes the loss of funds if the same audit finding is repeated in subsequent audits.
- Submit a response to an opinion on internal controls that is qualified.

### **Locating Information on the Internet**

The FY 2022-2026 Master Agreement is located at:

[https://www.michigan.gov/documents/mdot/PassTrans\\_Master\\_v8w\\_736882\\_7.pdf](https://www.michigan.gov/documents/mdot/PassTrans_Master_v8w_736882_7.pdf)

Audit and accounting information is located at: <http://www.michigan.gov/mdotopt>. Scroll down to “Resources,” and click on the drop-down arrow that says, “Select a Link.” Select “Audit/Accounting Information,” and click “go.”

### **Scope of the Annual Certified Public Accountant (CPA) Audit**

Audits must be in compliance with the Audit Guide<sup>3</sup> as required by Section 10h(2)<sup>4</sup> of Public Act 51 of 1951, as amended. Page 1 of the Audit Guide states auditors are expected to develop their own financial and compliance audit programs, and shall consider the Audit Guide, referenced laws, and regulations in determining the compliance requirements that could have a direct and material effect on the LBOA Program. The term “referenced laws” includes compliance with the Michigan Department of Transportation’s FY 2022<sup>5</sup> and 2021<sup>6</sup> Local Public Transit Revenue and Expense Manuals (R&E Manual). These R&E Manuals are promulgated annually pursuant to Rule 105(1) of the Comprehensive Transportation Fund Administrative Rules and has the full force and effect of law.<sup>7</sup>

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<sup>3</sup> [https://www.michigan.gov/documents/treasury/Audit\\_Guide\\_202115\\_7.pdf](https://www.michigan.gov/documents/treasury/Audit_Guide_202115_7.pdf)

<sup>4</sup> [http://www.legislature.mi.gov/\(S\(ydpndb0k24ekylvdurbf2lkp\)\)/mileg.aspx?page=getObject&objectName=mcl-247-660h](http://www.legislature.mi.gov/(S(ydpndb0k24ekylvdurbf2lkp))/mileg.aspx?page=getObject&objectName=mcl-247-660h)

<sup>5</sup> [https://www.michigan.gov/documents/mdot/DRAFT\\_2022\\_RE\\_Manual\\_Final\\_702344\\_7.pdf](https://www.michigan.gov/documents/mdot/DRAFT_2022_RE_Manual_Final_702344_7.pdf). Although the word “DRAFT” is included in the title to the link, this is the final, promulgated Manual.

<sup>6</sup> [https://www.michigan.gov/documents/mdot/Final\\_2021\\_RE\\_Manual\\_w\\_At\\_A\\_Glance\\_672400\\_7.pdf](https://www.michigan.gov/documents/mdot/Final_2021_RE_Manual_w_At_A_Glance_672400_7.pdf)

<sup>7</sup> [https://www.michigan.gov/documents/mdot/MDOT\\_ComprehensiveTransportationFund\\_398858\\_7.pdf](https://www.michigan.gov/documents/mdot/MDOT_ComprehensiveTransportationFund_398858_7.pdf)

Both the FY 2022 and FY 2021 LBOA Programs will pay out \$196,750,000 based on the audited eligible expenses reported in the annual CPA audit. The nature of the LBOA Program is that all transit agencies statewide share in the single pot of money; thus, any dollar wrongfully paid to one transit agency is wrongfully denied to all others. Compliance with the R&E Manual requirements, and, complete and proper reporting of ineligible expenses, has a direct and material effect on the LBOA Program.

The CPA audit cannot negate all responsibility for the transit portion of the CPA audit. For example, when transit schedules required by the Audit Guide are listed under the subcategory of “Other Supplemental Information,” and have an Opinion Section that states: “The schedules reported in the Table of Contents under ‘Other Supplemental Information’ have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.” Although this qualifying language typically relates to the GASB/FASB auditing procedures applied to the basic financial statements, it might improperly suggest that the auditor takes no responsibility with regards to the Audit Guide. Transit schedules that report nonfinancial data can be labelled “unaudited.”

**Amounts to be Reported in PTMS Operating Assistance Codes:**

The twelve-month calendar year ending on December 31, 2021, is broken out as:

2 <sup>nd</sup> Quarter Jan 1 – Mar 31	3 <sup>rd</sup> Quarter Apr 1 – Jun 30	4 <sup>th</sup> Quarter Jul 1 – Sep 30	1 <sup>st</sup> Quarter Oct 1 – Dec 31
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|-----|  
 These three (3) quarters are included in the State's FY 2021 fiscal year end.

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 This quarter is included in the State's FY 2022 fiscal year-end.

**41101<sup>8</sup> State Operating Assistance**

**URBAN AGENCIES:**

**FY 2021**

- For the nine (9) months beginning January 2021 through September 2021, multiply the total audited eligible expenses by 31.6001%<sup>9</sup>.

<sup>8</sup> For the definition of this code, see page 11 in both FY 2021 and FY 2022 R&E Manual.

<sup>9</sup> At the time this Audit Information Letter was drafted and promulgated, neither the FY 2022 and/or the FY 2021 reconciled LBOA distributions have not been completed. Thus, the above LBOA percentage is based on the budget distribution.

Transit Agencies & CPAs Performing Public Transportation Audits  
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FY 2022

- For the three (3) months beginning October 2021 through December 2021, multiply the total audited eligible expenses by 29.5143%.

RURAL AGENCIES:

FY 2021

- For the nine (9) months beginning January 2021 through September 2021, multiply the total audited eligible expenses by 37.5350%.

FY 2022

- For the three (3) months beginning October 2021 through December 2021, multiply the total audited eligible expenses by 34.9854%.

**41301<sup>10</sup> Section 5311**

OPT must exhaust all CARES funds before paying out §5311 funds. Thus, the reporting of CARES funds and §5311 operating assistance for each quarter will most likely be:

2 <sup>nd</sup> Quarter Jan 1 – Mar 31	3 <sup>rd</sup> Quarter Apr 1 – Jun 30	4 <sup>th</sup> Quarter Jul 1 – Sep 30	1 <sup>st</sup> Quarter Oct 1 – Dec 31
<p>All funds received from OPT are CARES funds to be reported in PTMS code 41361.</p> <p>It is unlikely all CARES funds will be exhausted in this quarter. Thus, no Section 5311 funds were paid out to the TA, and therefore, none is reported in PTMS code 41301.</p>	<p>Same as the 2<sup>nd</sup> Quarter</p>	<p>By this quarter, all CARES funds are probably exhausted. If not, report the CARES funds received in 41361.</p> <p>Verify the TA met or exceed its budgeted expenses.<sup>11</sup> If “yes,” the agency would have earned the entire authorization funding comprised of eligible expenses reimbursed at 18% CARES and 18% Section 5311 for a total of 36%.</p> <p>If the agency has not met their FY2021 budgeted eligible expenses, multiply total eligible expenses by 36% and subtract out the amount paid in 41361 CARES Act funding. Report the calculated amount in 41301.</p>	<p>Beginning FY2022, all federal rural operating assistance will be 41362 CRRSA<sup>12</sup> funding.</p> <p>Multiply the total audited eligible §5311 expenses by 40% and report in 41362 CRRSA.</p>

<sup>10</sup> For the definition of this code, see page 13 in both FY 2021 and FY 2022 R&E Manual.

<sup>11</sup> Budgeted expenses can be obtained via the PTMS on the “FY 2021 Budgeted OAR.”

<sup>12</sup> The 41362 CRRSA code is available on the PTMS but is not defined in the FY 2022 R&E Manual as this funding became available after the FY 2022 R&E Manual was promulgated.

**Maximum federal and state reimbursement amount (“Caps”)**

FY 2021

- The combined federal and state operating assistance (that being, 41101 + 41301 + 41360 + 41361) cannot exceed 100% of total audited eligible expenses (the “Cap”). If the transit agency exceeds its Cap, either 41101 State Operating Assistance or 41301 Section 5311 will be reduced accordingly. NOTE: The 41360 and 41361 revenues do not need to be subtracted out as ineligible; however, these revenues are included in the Cap calculation.

FY 2022

- For the three (3) months beginning October 2021 through December 2021, multiply the total audited eligible expenses by 40%. **The calculation cannot exceed the amount of CRRSA revenue received from OPT. Thus, in FY 2022 there are two “cap” calculations:**

1. **The CRRSA cap calculation is:**

$$41301 \text{ Section 5311 revenue} = \text{CRRSA} - 40\% \text{ of audited eligible expenses}$$

**If the CRRSA cap calculation results in a zero or negative number, the transit agency will not receive any 41301 Section 5311 revenue.**

2. The combined federal and state operating assistance (that being, 41101 + 41301 + 41360 + 41361) cannot exceed 100% of total audited eligible expenses. If this occurs, either 41101 State Operating Assistance or 41301 Section 5311 will be reduced accordingly. NOTE: The 41360 and 41361 revenues do not need to be subtracted out as ineligible, however, these revenues are included in this “cap” calculation.

**41302<sup>13</sup> Section 5307 Operating:**

Report the revenue received directly from FTA. The amount received is the audited amount.

The combined federal and state operating assistance (that being, 41101 + 41302 + 41360 + 41361) cannot exceed 100% of a transit agency’s total audited eligible expenses. If this occurs, the calculated amount of 41302 Section 5307 must be reduced. **Section 5307 recipients make their own reductions.** OPT recommends making the final ECHO draw for Section 5307 funds *after* the reconciled re-distribution of LBOA.

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<sup>13</sup> For the definition of this code, see page 13 in both FY 2021 and FY 2022 of the Local Public Transit Revenue and Expense Manual (R&E Manual).

**41360<sup>14</sup> CARES Act Urban Lost Revenue Replacement/Rural CARES Flex**

**FY 2021 & FY2022**

- For urban agencies, report the amount received directly from FTA.
- For rural agencies, report the amount received directly from OPT. Consult the grid on page 4 of this letter.

**41361<sup>13</sup> CARES Act**

**FY 2021 & FY2022**

- For urban agencies, report the amount received directly from FTA.
- For rural agencies, report the amount received directly from OPT.
- The amount “received” is the audited amount. Consult the grid on page 4 of this letter.

**41362 CRRSA<sup>15</sup>**

**FY2022**

- For urban agencies, report the amount received directly from FTA.
- For rural agencies,<sup>16</sup> report the amount received directly from OPT.

**OTHER COVID FUNDING**

Transit agencies also received covid relief funding from sources other than FTA and MDOT. The same covid expense cannot be reimbursed under two different funding sources. Agencies must inform OPT in writing of the non-FTA/MDOT covid relief funding. OPT will determine if the non-FTA/MDOT covid funding must be subtracted out as ineligible. If a written approval is not on record, the covid funding must be subtracted out as ineligible.

**Federal Transit Administration (FTA) Apportionments and Allocations**

This information can be accessed at the bottom of the Office of Passenger Transportation’s website under the “Federal Apportionments” section at the following page:

[https://www.michigan.gov/mdot/0,4616,7-151-9625\\_21607\\_54940\\_61135---,00.html](https://www.michigan.gov/mdot/0,4616,7-151-9625_21607_54940_61135---,00.html)

The Catalog of Federal Domestic Assistance (CFDA) number for CARES funding is 20.509.

**Assurances**

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<sup>14</sup> For the definition of this code, see page 14 in the FY 2022 R&E Manual. The FY 2021 R&E Manual does not include this code because it was promulgated before covid funding was appropriated.

<sup>15</sup> The 41362 CRRSA code is available on the PTMS but is not defined in the FY 2022 R&E Manual as this funding became available after the FY 2022 R&E Manual was promulgated.

<sup>16</sup> Urban agencies can also receive CRRSAA funds from OPT.

The annual audit must contain an assurance statement for each subject listed below:

- Cost Allocation Plans
- Nonfinancial Methodology
- Capital Funds Used to Pay for Operating
- Depreciation
- Expenses associated with PTMS codes 406 & 407
- Retirement Benefits

These assurances are applicable to specific compliance requirements in the Audit Guide and to ineligible expenses per the R&E Manual. All six assurances must be addressed in the annual CPA audit even if the assurance states “it’s not applicable.” Assurances that relate to ineligible expenses must state the dollar amount(s) such that the ineligibles reported on the Expense Schedule be verified to the assurance. The enclosure to this letter provides various examples as to how the assurances can be worded.

#### **Optional Assurances that can be given in lieu of detail required by the R & E Manual**

The R&E Manual requires:

1. Federal (PTMS code 41313) and State (PTMS code 41113) “Capital Contract Reimbursement for Administrative Expenses” revenue codes to be identified separately by Federal grant(s), State contract and authorization number(s).

In lieu of listing Federal and State grants/contracts separately, a lump sum amount may be reported in the annual audit along with an assurance that any ineligible expenses associated with the Federal and State revenues have been properly subtracted from total expenses as ineligible under PTMS code 57603 “Ineligible Administrative Expense Paid by Capital Contract.” The total ineligible expense must be identified in the assurance such that it can be verified as subtracted out on the Expense Schedule. Please note this assurance *only* applies to administrative expenses (that being, *only* PTMS codes 41113 and 41313) charged to a capital contract.

2. Miscellaneous revenue to be itemized and explained such that ineligible expenses associated with the miscellaneous revenue can be identified. In lieu of itemizing and explaining, a lump sum “miscellaneous revenue” amount may be reported in the annual audit along with an assurance that any ineligible expenses associated with the miscellaneous revenue have been properly subtracted from total expenses as ineligible. The total ineligible expense must be identified in the assurance such that it can be verified as subtracted out on the Expense Schedule.

Enclosed are various examples as to how the assurances can be worded.

#### **Schedule 3 “Operating and Contract Expenses”**

Expenses associated with operating contracts must be listed individually by grant/contract/authorization number. Please note: the example of Schedule 3 provided on page 27 of the revised Audit Guide does not label each individual operating contract by its master agreement and authorization number. This example also does not illustrate operating contracts that are executed yearly with an expiration date of greater than one year (e.g., §5307).

Enclosed is a November 3, 2021, memo that further clarifies how to document contract grants/authorizations.

**Eliminating Columns on the OAR Expense Schedule**

OPT has discontinued the “function” columns on the expense schedule of the OAR. There used to be three (3) function columns, those being: Operations, Maintenance, and General Admin. For an agency with both Line-Haul (LH) and Demand-Response (DR) the heading would appear as:

Expense Schedule Report								
Code	Description	Operations LH	Operations DR	Maintenance LH	Maintenance DR	Gen. Admin LH	Gen. Admin DR	Total

From now on, the above column headings will appear as:

Expense Schedule Report				
Code	Description	LH	DR	Amount

The reporting is the same except totals are inputted in the “LH” and “DR” column.

For rural agencies the column headings go from:

Operations	Maintenance	Gen. Admin	Total
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to:

Amount
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**Ineligible Reimbursement Percentage for Association Dues**

	<u>FY 2021*</u>	<u>FY 2020</u>
APTA		10.0 percent
MASSTrans		31.18 percent
MPTA		16.7 percent

\*Not Yet Available



### **Silence as Acceptance**

After the 2021 annual audit has been either submitted to OPT or posted to the Treasury's website, the transit agency has up to 30 days in which to notify OPT of any errors/inconsistencies/inaccuracies in it. Thirty days of silence means that the transit agency has reviewed the submitted/posted 2021 annual audit and certifies that:

- A. The transit portion of the audit: (a) is correct, and (b) complies with the Audit Guide (which means, in part, that the transit manager has verified that all of the required assurances are present and accurately report the transit agency's level of compliance).
- B. All ineligible expenses, as defined by the R&E Manuals, are properly reported, and properly subtracted out as ineligible.

As stated on page 2 of this letter, beginning with the FY 2022 fiscal year, the Master Agreement has a "Thirty (30) Day Silence as Acceptance" contractual provision with regards to project authorizations required to be reported on the SEFA, and/or are the subject of an audit findings, and/or result in a qualified opinion on the internal controls that ensure expenses reimbursed under a project authorization are not reimbursed with LBOA funds.

### **Submission of Audits**

- A. State Transit Audits

Must be uploaded via the Michigan Department of Treasury's website at:  
[https://www.michigan.gov/treasury/0,1607,7-121-1751\\_31038---,00.html](https://www.michigan.gov/treasury/0,1607,7-121-1751_31038---,00.html).

- B. Federal 2 CFR 200

Agencies expending a total of Seven Hundred Fifty Thousand Dollars (\$750,000) or more in FEDERAL funds from one or more funding sources in their fiscal year must have a single audit conducted for that year in accordance with Subpart F of PART 200. Submission requirements for the Single Audit are located at Section 200.512 "Report submission" of PART 200.

The Single Audit and the Section 200.512 of PART 200 reporting requirements must be:

1. Uploaded at: <https://harvester.census.gov/facweb/default.aspx/>, or a hard copy can be put in the U.S. mail to:

Federal Audit Clearinghouse\*

1201 East 10th Street  
Jeffersonville, Indiana 47132

\*No contact person necessary

2. Send to the following address via email:

Michigan Department of Transportation  
Financial Operations Division  
Budget, Outreach and Program Support Section  
[MDOT-LocalAgencyAudit@michigan.gov](mailto:MDOT-LocalAgencyAudit@michigan.gov)

If the Single Audit contains a Section 200.516(a) "Audit Findings" and/or a status of prior audit findings relating to a FEDERAL award, an electronic copy of the annual audit must be sent to Mr. Matthew Dietrich, Financial Analyst Federal Transit Administration, at: [matthew.dietrich@dot.gov](mailto:matthew.dietrich@dot.gov).

Please contact me, at [ditrit@michigan.gov](mailto:ditrit@michigan.gov) or at 517-335-2535 with any questions.

Sincerely,

*Trish D'Itri*

Trish D'Itri, Auditing Specialist  
Financial Management Unit  
Office of Passenger Transportation

Enclosures: Examples of Assurances  
Documenting Contracts in the Comment Field

## Examples of Assurances

Listed below are examples of wording to be used when giving the required assurances.

**Please note:** the assurance should accurately reflect the present circumstances of the transit agency.

### Cost Allocation

Wording if approved cost allocation plans are on file with OPT:

*The transit agency has two cost allocation plans (outside maintenance and administrative costs) where the methodology has been approved by the Office of Passenger Transportation. These cost allocation plans were adhered to in the preparation of the financial statements.<sup>1</sup> Outside maintenance expense of \$6,788 is subtracted out as ineligible under 56001 Ineligible Expenses Associated with the Sale of Maintenance Services. Administrative costs are \$10,056 and are subtracted out as ineligible under 55005 Ineligible Local Contracts.*

Qualified wording:

*The transit agency has prepared a JARC cost allocation plan that has yet to be approved by Office of Passenger Transportation. Although not yet approved, the JARC cost allocation plan was adhered to in the preparation of the financial statements. The JARC expenses of \$34,700 are reported on Schedule 2 Expenditures of Federal and State Awards and Schedule 3 Operating and Contract Expenses.”*

Wording if no cost allocation plans are required:

*The transit agency has no currently required cost allocation plans; therefore, none were used in the preparation of the financial statements.*

### Nonfinancial Methodology

*The methodology used for compiling miles for regular service has been reviewed and the recording method has been found to be adequate and reliable.<sup>2</sup>*

or

*The methodology used for compiling miles for regular service (that being, LBOA and JARC service) has been reviewed and the recording method has been found to be adequate and reliable.*

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<sup>1</sup> The assurance must include that the listed cost allocation plans were approved by OPT and were adhered to in the preparation of the financial statements. If an approved cost allocation plan is not used during the applicable financial period, do not list it.

<sup>2</sup> The assurance must use the words “adequate and reliable.”

### Depreciation

#### Typical wording

*Eligible depreciation of \$3,347 (\$691,353 total depreciation reported in the Public Transportation Management System (PTMS) code 51300 for Urban, Nonurban, and JARC less ineligible depreciation of \$688,006 reported in PTMS code 55007 Ineligible Depreciation), includes only the depreciation of assets purchased with local funds where the useful life of the asset purchased was determined pursuant to Appendix A of the Local Public Transit Revenue and Expense Manual or approved by Office of Passenger Transportation.<sup>3</sup>*

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*The depreciation expense reported in 51300 equals the ineligible depreciation reported in 55007. Therefore, the depreciation assurance regarding approval of useful life is not required.*

#### Qualified wording:

*Eligible depreciation includes assets purchased with local funds prior to 2016 where the useful life was not approved by Office of Passenger Transportation. Since 2016, the transit agency has not purchased any assets with local funds. The depreciation of any future assets purchased with local funds will not be included in eligible depreciation unless the useful life of the asset is determined pursuant to Appendix A of the Local Public Transit Revenue and Expense Manual or approved by Office of Passenger Transportation.*

### Capital Used to Pay for Operating

*Operating expenses of \$5,530 were subtracted out as ineligible under 57604 "Other Ineligible Operating Expense paid by Capital Contract" because these expenses were paid for with capital funds. No other operating expenses were paid for with capital funds.*

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*No operating expenses are subtracted out as ineligible because no capital money was used to pay for operating expenses.*

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<sup>3</sup> If there are no useful life approvals on file with OPT, then the assurance should not state that "the useful life of the asset has been approved by OPT."

**Expenses Associated with 406 & 407**

*All expenses associated with 406xx Auxiliary Transportation Revenue and/or 407xx Non-transportation are subtracted out as ineligible under [then list the appropriate ineligible code] (e.g., 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue, 56002 Ineligible Expenses Associated with Advertising Revenue, 56001 Ineligible Expenses Associated with the Sale of Maintenance Service, 56004 Ineligible Expenses Associated with Rentals, or 55008 Other Ineligible Expenses).<sup>4</sup>*

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*There are no expenses associated with 406xx Auxiliary Transportation Revenue and/or 407xx Non-transportation, and therefore, no expenses need to be subtracted out as ineligible. No expenses were incurred because [provide an explanation].*

**Retirement Benefits**

*The transit agency has a 457(b) Deferred Compensation Plan. During the fiscal year ended September 30, 2021, total contribution (actually paid) was \$42,493 (expensed on the books and reported in 50210 Defined Contribution (DC) Pensions). Pension costs incurred for the defined benefit retirement plan administered by MERS were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in STEP 6 of the guide is \$1,128,354. The entire amount of \$1,128,354 was expensed on the books and is reported in 50220 Defined benefit pensions. Transit paid \$854,451, therefore \$273,903 (\$1,128,354 less the amount paid) is subtracted out under 58010 Ineligible defined benefit pensions. Transit did not incur, nor pay, any 50240 DC Other Post-Employment Benefits (OPEB) or 50250 Defined Benefits OPEB.*

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<sup>4</sup> The ineligibles listed in this assurance must agree with the ineligibles subtracted on OAR Schedule 4E and Schedule 5 – Operating Assistance Calculation.



STATE OF MICHIGAN  
**DEPARTMENT OF TRANSPORTATION**  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

Date: November 3, 2021

To: Michigan Public Transportation Agencies that Receive Local Bus Operating Assistance (LBOA)

Subject: Documentation Requirements for Contracts on Operating Assistance Reports (OARs)

The FY 2021, 2022, and 2023 Local Public Transit Revenue and Expense Manuals (R&E Manual) require documentation in the comment field for certain Public Transportation Management System (PTMS) codes. Currently, the R&E Manuals require the federal grant, state contract, and project authorization be documented only on the annual reconciled OAR for the following revenue codes:

- 40930- Local Service Contract/Federal Source
- 40940- Local Service Contract/State Source
- 40950- Local Service Contract/Local Source
- 40999- Other Local Contracts & Reimbursements
- 41111- Preventive Maintenance (State)
- 41311- Preventive Maintenance (Federal)
- 41112- Planning/Capital Cost of Contracting (State)
- 41312- Planning/Capital Cost of Contracting (Federal)
- 41113- Capital Contract Reim. for Admin Exp (State)
- 41313- Capital Contract Reim. for Admin Exp (Federal)
- 41114- Other Capital Contract for Operating Exp (State)
- 41314- Other Capital Contract for Operating Exp (Federal)
- 41199- Other MDOT/OPT Contracts & Reimburse (State)
- 41399- Other MDOT/OPT Contracts & Reimburse (Federal)

Beginning with the submittal of the FY 2021 Regular Service fourth quarter OAR (that being, July 1, 2021 through September 30, 2021) and the FY 2021 annual Reconciled OAR (that being, the twelve months ending September 30, 2021), the documentation is required to be done *both quarterly and annually*. Furthermore, the following code will be added to the list:

- 41500 Pass-Through Revenue code if a transit agency is passing through federal and/or state contract funds

To simplify the documentation requirement, contracts executed *by MDOT/OPT* can be identified by the Project Authorization number if that authorization number is “unique” (meaning the transit agency does not have any other active contracts that use the same authorization number). For example, assume MDOT/OPT executes a Federal Transit Formula Grant that has an eighty/twenty (80/20) federal/state split with a “preventive maintenance” line-item. The Federal grant number is MI-2021-008, the Master Agreement number is 2017-0063, and the Project Authorization number P12. Typing “P12” in the “preventive maintenance” comment field is sufficient documentation if the authorization number is “unique” (meaning the transit agency does not have any other active contracts that use the same authorization number). However, if the authorization number is not unique and/or there is the potential for confusion, take the additional time to include further contractual information (e.g., MI-2021-008 and/or 2017-0063). If the contract is between local entities and/or includes a different federal and/or state entity, the *entire* contract number must be included in the comment field. *If the amount reported in the revenue code must be subtracted out as ineligible, the required contract documentation must also be included in the ineligible comment field.*

If you have any question regarding how to document a contract on the OARs, please contact your Project Manager.

Sincerely,



Jean Ruestman, Administrator  
Office of Passenger Transportation  
Michigan Department of Transportation