

**Non-state recipients:** Confer with the regional office regarding requests for disposition of equipment, returned proceeds, and like-kind exchanges since the last Comprehensive Review. Obtain notifications to FTA regarding equipment withdrawn from project use or applied to a different use. Obtain requests to FTA for disposition instructions for equipment removed from service before the end of useful life. Obtain and review the recipient's disposition records to confirm that the approved disposition method was used. Obtain verification of proceeds transferred back to FTA (i.e., sale records and financial reports). Review records documenting how fair market value was determined for any equipment not sold competitively (i.e., insurance adjustment evaluation). Review the recipient's accounting system to verify the sale proceeds are restricted for use in subsequent capital awards. Review TrAMS to ensure that in any subsequent capital award the application/awards contain information showing FTA that the gross project cost has been reduced by the amount of the proceeds.

If the recipient received insurance proceeds and did not apply it to the cost of replacing the damaged or destroyed project equipment or rolling stock, request documentation showing the depreciated (book) value of the asset at the time of disposition (i.e., financial records). Compare the depreciated value of the disposed asset to the insurance adjustment valuation to determine that FTA was reimbursed the total Federal interest.

The following table defines the useful life of several typical FTA-funded items based on FTA Circular 5010.1E. For items not listed by FTA in the table below, useful life definitions may be obtained from other reasonable sources, including the Department of Defense (DOD) and Internal Revenue Service (IRS), based on acceptable accounting principles. It should be noted that the Altoona bus test reports for individual bus models do not define the useful life of rolling stock.

Vehicle	FTA-Defined Useful Life
35'-40' heavy duty bus and articulated transit buses	12 years or 500,000 miles
30' heavy duty transit bus	10 years or 350,000 miles
30' medium-duty transit bus (body on chassis)	7 years or 200,000 miles
25'-35' light duty transit bus (body on chassis vehicles)	5 years or 150,000 miles
Other vehicles (small buses, vans, sedans)	4 years or 100,000 miles
Rail vehicles	25 years
Fixed guideway steel-wheeled trolley	25 years
Fixed guideway electric trolleybus	15 years
Passenger ferry	25 years
Other ferries without refurbishment	30 years
Other ferries with refurbishment	60 years
Note: A heavy duty transit bus is built as a bus whereas a medium duty bus is built on a truck chassis.	

## POTENTIAL DEFICIENCY DETERMINATIONS

The recipient is deficient if it did not request disposition instructions from the FTA of equipment prematurely removed from service.

DEFICIENCY CODE SCC9-1: Failure to request disposition instructions from FTA of equipment removed from service

SUGGESTED CORRECTIVE ACTION: The recipient must submit a list of equipment prematurely removed from service and procedures for notifying FTA of any premature removal of equipment from service.

The recipient is deficient:

- If it did not reimburse FTA for proceeds from disposition occurring after November 15, 2021
- If it did not obtain FTA permission to apply the proceeds to another capital project for dispositions occurring prior to November 15, 2021.

DEFICIENCY CODE SCC9-2: Non-permitted use of equipment disposal proceeds

SUGGESTED CORRECTIVE ACTION 1: The recipient must submit documentation of the reimbursement calculation of FTA's share of proceeds from disposed property, along with the receipt from pay.gov. The recipient must submit procedures for reimbursing FTA for disposition proceeds.

SUGGESTED CORRECTIVE ACTION 2: The recipient must submit procedures for reimbursing FTA for disposition proceeds or applying the proceeds to another capital project.

The recipient is deficient if it did not obtain FTA approval for applying insurance proceeds to replacement property or did not return to FTA an amount equivalent to the remaining Federal interest in lost, damaged, or destroyed project property.

DEFICIENCY CODE SCC9-3: Non-permitted use of insurance proceeds

SUGGESTED CORRECTIVE ACTION: The recipient must submit procedures for addressing insurance proceeds.

NOTE TO REVIEWER: The reviewer is to coordinate with the FTA regional office to determine the appropriate corrective action for this deficiency.

## GOVERNING DIRECTIVE

49 USC § 5334(h)

When real property, equipment, or supplies acquired with assistance under this chapter are no longer needed for public transportation purposes as determined under the applicable assistance agreement, the Secretary may authorize the sale, transfer, or lease of the assets under conditions determined by the Secretary and subject to the requirements of [49 USC § 5334(h)].

### 2 CFR 200.313 Equipment

(b) *General.* A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures. Indian Tribes must use, manage, and dispose of equipment acquired under a Federal award in accordance with tribal laws and procedures. If such laws and procedures do not exist, Indian Tribes must follow the guidance in this section. Other recipients and subrecipients, including subrecipients of a State or Indian Tribe, must follow paragraphs (c) through (e) of this section.

(c) *Use.*

(1) The recipient or subrecipient must use equipment for the project or program for which it was acquired and for as long as needed, whether or not the project or program continues to be supported by the Federal award. The recipient or subrecipient must not encumber the equipment without prior approval of the Federal agency or pass-through entity. The Federal agency may require the submission of the applicable common forms for reporting on equipment. When no longer needed for the original project or program, the equipment may be used in other activities in the following order of priority:

(i) Activities under a Federal awards from the Federal agency that funded the original program or project, then

(ii) Activities under Federal awards from other Federal agencies. These activities include consolidated equipment for information technology systems.

(2) During the time that equipment is used on the project or program for which it was acquired, the recipient or subrecipient must also make equipment available for use on other projects or programs supported by the Federal Government, provided that such use will not interfere with the purpose for which it was originally acquired. First preference for other use of the equipment must be given to other programs or projects supported by the Federal awarding agency that financed the equipment. Second preference must be given to programs or projects under Federal awards from other Federal agencies. Use for non-Federally-funded projects is also permissible, provided such use will not interfere with the purpose for which it was originally acquired.

(3) Notwithstanding the encouragement in §200.307 to earn program income, the recipient or subrecipient must not use equipment acquired with the Federal award to provide services for a fee that is less than private company would charge for similar services unless specifically authorized by Federal statute. This restriction is effective as long as the Federal Government retains an interest in the equipment.

(4) When acquiring replacement equipment, the recipient or subrecipient may either trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.

(e) *Disposition.* When equipment acquired under a Federal award is no longer needed for the original project, program, or for other activities currently or previously supported by a Federal agency, the recipient or subrecipient must request disposition instructions from the Federal agency or pass-through entity if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal agency or pass-through entity disposition instructions:

(1) Equipment with a current fair market value of \$10,000 or less (per unit) may be retained, sold, or otherwise disposed of with no further responsibility to the Federal agency or pass-through entity.

(2) Except as provided in § 200.312(b), or if the Federal agency or pass-through entity fails to provide requested disposition instructions within 120 days, items of equipment with a current fair market value in excess of \$10,000 (per-unit) may be retained or sold by the recipient or subrecipient. However, the Federal agency is entitled to an amount calculated by multiplying the percentage of the Federal agency's contribution towards the original purchase by the current market value or proceeds from the sale. If the equipment is sold, the Federal agency or pass-through entity may permit the recipient or subrecipient to retain, from the Federal share, \$1,000 of the proceeds to cover expenses associated with the selling and handling of the equipment.

(3) The recipient or subrecipient may transfer title to the property to the Federal Government or to an eligible third party provided that the recipient or subrecipient must be entitled to compensation for its attributable percentage of the current fair market value of the property.

(4) In cases where a recipient or subrecipient fails to take appropriate disposition actions, the Federal agency or pass-through entity may direct the recipient or subrecipient to take disposition actions.

FTA Circular 5010.1E, Ch. IV, Section 4. Equipment and Supplies (Including Rolling Stock)

o. Disposition of Equipment and Supplies. Disposition requirements apply to equipment that has met its useful life, as well as equipment that is prematurely withdrawn from service before its useful life has been ended. FTA retains financial interest in equipment with a unit value exceeding \$5000, and supplies with an aggregate value exceeding \$5000, even if useful life has been met. State recipients must dispose of federally assisted property acquired under an Award by the state in accordance with state laws and procedures. Subrecipients of states will follow such policies and procedures allowed by the state with respect to disposition of equipment acquired under an FTA Award.

(3) Disposition or Inappropriate Use Before the End of the Asset's Useful Life: Any disposition of Federally assisted property before the end of its useful life requires prior FTA approval. FTA is entitled to its share of the remaining Federal interest.

(c) Insurance Proceeds. If the grantee receives insurance proceeds when project property has been lost or damaged by fire, casualty, or natural disaster, the grantee agrees to:

1 Apply those proceeds to the cost of replacing the Federally assisted property that is damaged or destroyed or taken out of service, or

2 Return to FTA an amount equal to the remaining Federal interest in the Federally assisted property that is lost, damaged, or destroyed project property.

The Federal interest does not depend on the extent of insurance coverage or on the insurance adjustment received.

(d) Like-Kind Exchange Policy. With prior FTA approval, equipment may be disposed of before the end of its minimum useful life. In lieu of returning the Federal share to FTA, a recipient may elect to transfer the remaining Federal interest to replacement equipment of like kind. "Like-Kind" is defined as a bus for a bus with a similar useful life and a rail vehicle for a rail vehicle. Under the Like-Kind Exchange Policy, proceeds from the Federal share of the vehicle disposition are not returned to FTA; instead, all proceeds are reinvested in acquisition of the like-kind replacement vehicle. If the disposition proceeds are less than the amount of the Federal interest in the vehicle at the time it is being replaced, the recipient is responsible for providing the difference, along with the recipient's share of the cost of the replacement vehicle. If sales proceeds are greater than the amount of the Federal interest in the vehicle traded in or sold, the investment of all proceeds in acquisition of the like-kind replacement vehicle results in a reduction of the gross project cost.

(4) Disposition or Use of Assets for Other Than Purposes of the Award after the End of Their Useful Life.

(a) Retain and Use Elsewhere. After the minimum useful life of federally assisted property is reached or the property is no longer needed for the original Award, it may be used by the recipient for other transit projects or programs. FTA prior approval of this alternative is not required. FTA retains its interest in the federally assisted property if its fair market value exceeds \$5,000.

(b) Disposition of Property with a Fair Market Value of More Than \$5,000. After the useful life of federally assisted property is reached, or the property is no longer needed for the original Award, rolling stock and equipment with a current market value exceeding \$5,000 per unit, or unused supplies with a total aggregate fair market value of more than \$5,000, may be retained or sold. FTA is entitled to an amount calculated by multiplying the current market value, or proceeds from sale, by FTA's percentage of participation in the cost of the original purchase. Rolling stock and equipment that is sold may have the amount due FTA reduced by an amount of \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

(c) Sell and Use the Proceeds for Other Capital Awards, 49 U.S.C. § 5334(h)(4). After the useful life is met, or the property is no longer needed, and with prior FTA approval, the recipient may sell its federally assisted property for which there is no longer any public transportation purposes and use the proceeds to reduce the gross project cost of other future FTA eligible capital transit Awards. The recipient is expected to record the receipt of the proceeds in the recipient's accounting system, showing that the funds are restricted for use in a future capital Award, and reduce the liability as the proceeds are applied to one or more FTA approved capital Awards. If new applications are not immediately anticipated, the recipient must inform the appropriate FTA contact of the disposition within a reasonable amount of time. Otherwise, the subsequent capital application should contain information showing FTA that the gross project cost has been reduced with proceeds from the earlier transaction. The proceeds cannot retroactively be applied to an existing Award or project unless the Award is still open.

(d) Disposition of Property with a Fair Market Value of \$5,000 or Less Value. After the useful life of its federally assisted property is reached, rolling stock and equipment with a unit market value of \$5,000 or less, or supplies with a total aggregate market value of \$5,000 or less, may be retained, sold, or otherwise disposed of with no obligation to reimburse FTA. Records of this action must be retained. FTA approval of this action is not required.

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## **SCC10. Are bus fleets managed in accordance with FTA requirements for spare ratios and contingency fleets?**

### **BASIC REQUIREMENT**

Recipients must manage bus fleets in accordance with FTA requirements.

### **APPLICABILITY**

Recipients providing urban fixed-route bus service

### **DETAILED EXPLANATION FOR REVIEWER**

FTA's spare ratio policy helps to ensure that buses are not acquired until they are needed. Notably, the policy does not require recipients to dispose of vehicles prior to the end of the useful life in order to keep the spare ratio at or below 20 percent. Rather, the policy provides that recipients with a spare ratio higher than 20 percent justify the reason for acquisition of new vehicles at the time they submit an award application as specified in FTA Circular 5010.

If applying for a new award, recipients may seek a short-term deviation from the spare ratio requirements for small deviations by preparing a brief justification explaining the reason for the deviation, a date by which the fleet spare ratio will come into compliance with the general requirements, and the recipient's plans to come into compliance. The deviation will generally be granted for no more than two years and must be approved by the regional administrator either in writing or by approval of the award. Recipients must promptly inform the regional office of any significant changes related to spare ratios, including plans for disposition or acquisition of vehicles and changes in vehicle needs.

### **INDICATORS OF COMPLIANCE**

- a. *If the recipient operates 50 or more revenue vehicles in fixed-route urbanized area service, does the spare ratio exceed 20 percent? (For fixed-route fleets of less than 50 vehicles operated in urban service, note if the spare ratio seems reasonable in Issues/Areas of Concern for FTA awareness question 3.)*

Spare Ratio Calculation (Complete for all recipients providing urban fixed-route bus service.)	
a. Total number of revenue vehicles	-
b. Number of vehicles required for maximum service	-
c. Number of spare vehicles (a minus b)	-
d. Spare ratio (c divided by b)	-

- i. *If yes, did the recipient submit an award application or receive an award to replace, rebuild, or acquire new vehicles after going above the 20-percent spare ratio threshold?*

1. *If yes, did the recipient request a short-term deviation and receive FTA approval for it?*

- b. *Is there a bus contingency fleet? If yes, is the contingency plan up-to-date and does it include the required elements?*

Contingency Fleet Required Elements	Comment
List of buses showing year placed into service, year and mileage removed from service, and useful life in years and mileage	-
Where buses are stored and how protected	-
Maintenance activity	-

## **INSTRUCTIONS FOR REVIEWER**

Check TrAMS to see if fleet status is available to calculate the spare ratio submitted with the most recent award application. Determine if the recipient's spare ratio exceeds the guideline or appears excessive and note the date of the award submission and/or execution. Discuss the results of the analysis with the FTA regional office to determine if any deviation requests were submitted and approvals granted for exceeding the 20-percent spare ratio requirement or there is special dispensation for the recipient, i.e., operates in rough terrain, etc.

Obtain a list of revenue vehicles and compare the number of vehicles to what is reported in TrAMS. Make updates to the spare ratio calculation. Obtain documentation from the recipient of peak requirements, such as rolling stock roster, documentation from the scheduling software or other dispatch records documenting the peak of the peak (Note the date of the records provided). Onsite obtain and check sample pull-out logs or fueling logs to verify peak hour requirements and buses in service at the time of the site visit. Confirm when the maximum number of vehicles is required and how often. Update the spare ratio calculation. If the spare ratio is more than 20 percent, review TrAMS to determine if the recipient submitted/received award applications for projects to replace, rebuild or acquire new vehicles since the date the spare ratio surpassed the 20 percent threshold. Discuss with the recipient if it submitted any deviation requests or obtained approval through an award or received written approval from FTA for the excess.

If no application award was submitted/received in TrAMS since the recipient exceeded the 20 percent spare ratio requirement, ask the recipient to explain the reasons for the excess rolling stock, such as overall age of the fleet, different types of technologies, unique weather operating conditions, etc. Determine if buses in the fleet exceed the useful life benchmark. Determine whether and how often the recipient is able to meet pullout.

For recipients with contingency fleets review the contingency fleet plan to determine if the plan addresses the required elements. Review the recipient's equipment records to confirm the vehicles listed in the contingency fleet have met their useful lives. Ensure that the plan addresses the current contingency fleet.

## **POTENTIAL DEFICIENCY DETERMINATIONS**

The recipient is deficient if its spare ratio for fleets of 50 or more buses is higher than 20 percent, it submitted/received an award application in TrAMS for projects to replace, rebuild, or acquire new vehicles, and it did not request nor receive a deviation approval, or special dispensation from FTA.

DEFICIENCY CODE SCC10-1: Excessive fixed-route bus spare ratio

**SUGGESTED CORRECTIVE ACTION:** The recipient must submit a plan for reducing the spare ratio to 20 percent for fleets of 50 or more buses. The plan should include a spreadsheet listing for each bus type, the number of buses, and, for each year until the spare ratio reaches 20 percent, the number of buses to be disposed of, the number of buses to be added, the projected peak requirement, and the projected spare ratio. The plan should include detailed justifications for years in which spare ratios exceed 20 percent. If the plan cannot be completed within 90 days, the recipient must report progress in quarterly/annual reports.

**NOTE:** Consult with the FTA regional office if the recipient's spare ratio exceeds 20 percent and it did not submit nor receive an award for projects to replace, rebuild, or acquire new vehicles.

The recipient is deficient if it does not have a contingency fleet plan for vehicles designated as contingency or if the contingency plan does not address all required topics.

DEFICIENCY CODE SCC10-2: Lacking contingency plan/plan out of date

SUGGESTED CORRECTIVE ACTION 1: The recipient must submit a contingency fleet plan for its contingency fleet.

SUGGESTED CORRECTIVE ACTION 2: The recipient must submit a revised contingency fleet plan that addresses all the required topics.

## GOVERNING DIRECTIVE

### Section 5309(c)(1)(B)(iii)

The Secretary may make a grant under this section for new fixed guideway capital projects, small start projects, or core capacity improvement projects, if the Secretary determines that... the applicant has, or will have... satisfactory continuing control over the use of the equipment or facilities.

### Section 5307(d)(1)(B)

A recipient may receive a grant in a fiscal year only if the recipient... submits... certification for that fiscal year that the recipient... has or will have satisfactory continuing control over the use of equipment and facilities.

### FTA Circular 5010.1E, Ch. IV, Section 4. Equipment and Supplies (Including Rolling Stock)

k. Rolling Stock Spare Ratio Policies. Spare ratios will be taken into account in the review of Award proposed to replace, rebuild, or acquire additional vehicles. Spare ratio is defined as the total number of spare vehicles available for fixed-route service (regardless of type) divided by the total number of fixed-route vehicles required for annual maximum service (regardless of type). Spare ratio is usually expressed as a percentage, e.g., 100 vehicles required for maximum fixed-route service and 20 spare vehicles is a 20 percent spare ratio. Spare ratios are calculated for the transit system as a whole, not by vehicle type.

For purposes of the spare ratio calculation, “vehicles operated in maximum fixed-route service” is defined as the total number of revenue vehicles operated to meet the annual maximum service requirement. This is the revenue vehicle count during the peak week, day, and hours maximum service is provided. It excludes atypical days and special events.

- (1) Bus Fleet. The basis for determining a reasonable spare bus ratio takes local circumstances into account. The number of spare buses in the active fleet for recipients operating 50 or more fixed-route revenue vehicles should not exceed 20 percent of the number of vehicles operated in maximum fixed-route service. FTA does not set a specific spare ratio for smaller operators, but expects the number of spare buses to be reasonable, taking into account the number of vehicles and variety of vehicle types and sizes.

Buses delivered for future expansion and buses that have been replaced, but are in the process of being disposed of, are not included in the calculation of spare ratio.

For each application identified to acquire vehicles, the applicant should address the subjects of current spare ratio, the spare ratio anticipated at the time the new vehicles are introduced into service, disposition of vehicles to be replaced including information on age and mileage, and the applicant's conformance with FTA's spare ratio guideline. An applicant is required to notify FTA if the spare ratio computation on which the application is based is significantly altered before the Award is made...

- (3) Spare Ratio Deviation. Recipients of buses recently procured may temporarily exceed their spare ratio thresholds. In those cases, recipients may seek a short-term deviation from the spare ratio requirements for small deviations. Recipients should prepare a brief justification



explaining the reason for the deviation, a date by which the fleet spare ratio will come into compliance with the general requirements, and the recipient's plans to come into compliance. The deviation will generally be granted for no more than two (2) years and must be approved by the regional administrator either in writing or by approval of the Award.

Recipients must promptly inform the Regional Office of any significant changes related to spare ratios, including plans for disposition or acquisition of vehicles and changes in vehicle needs.

**FTA Circular 5010.1E, Ch. IV, Section 4. Equipment and Supplies (Including Rolling Stock), k. Rolling Stock Spare Ratio Policies**

(4) **Contingency Fleet.** FTA recognizes two types of vehicles—active and contingency. Revenue rolling stock stockpiled in a contingency fleet in preparation for emergencies must have met their minimum useful life requirements and must be properly stored, maintained, and documented in a contingency plan. FTA will also permit agencies to include vehicles that have met their minimum useful life in their contingency fleet if an agency is introducing zero emission vehicles into its fleet. These vehicles are not included in the calculation of spare ratio. Contingency plans are subject to review during triennial reviews and other FTA oversight reviews. Any rolling stock not supported by a contingency plan will be considered part of the active fleet.

Contingency fleet means inactive rolling stock reserved or retained for emergencies or other unforeseen and justified activities. These activities could include the evacuation of people during an emergency, use as crowd control or traffic barriers, loaners to other transit agencies during a justified need, temporary replacements for buses in the active fleet during major active fleet overhauls or bus maintenance activities and other activities that take a portion of the active fleet temporarily out of service.

The recipient should keep a record of information that demonstrates the need for the contingency fleet activation, the justification for activation and the period of time of activation. The contingency fleet plan should demonstrate that the bus has met its useful life by identifying the year the bus was placed in service, the year, and mileage when removed from service and the useful life of the bus in years and miles. The plan should identify where the buses will be stored, how they will be protected and list the maintenance activities performed on the bus to ensure they maintain their contingency bus fleet status.

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## **SCC11. Does the rail fleet management plan meet FTA requirements?**

### **BASIC REQUIREMENT**

Recipients must manage rail fleets in accordance with FTA requirements.

### **APPLICABILITY**

Recipients providing rail service

### **DETAILED EXPLANATION FOR REVIEWER**

Because rail transit operations tend to be distinct from recipient to recipient, FTA requires rail operators to develop rail fleet management plans. The plans must discuss:

- Operating policies
- Peak requirements
- Maintenance/overhaul program
- System and service expansions
- Railcar procurements/schedules
- Spare ratio justification

The spare ratio justification should consider the average number of cars out of service for scheduled maintenance, unscheduled maintenance, and overhaul programs. It should account for historical

variations in ridership and ridership changes that affect car needs due to system or service expansions. The justification should account for contingency needs due to destroyed cars and procurement schedules for fleet replacement and expansion. Cars delivered for future expansion and cars that have been replaced but are in the process of being disposed of should be identified and separated from other spares so as not to inflate the spare ratio. FTA has defined peak vehicle requirement to include “standby” trains that are scheduled, ready for service, and have a designated crew.

## INDICATORS OF COMPLIANCE

a. *Does the rail fleet management plan include the required elements?*

Rail Fleet Management Plan Required Elements	Comment
Operating policies	-
Peak requirements	-
Maintenance/overhaul program	-
System and service expansions	-
Railcar procurements/vehicles	-
Spare ratio justification	-

b. *Does the rail fleet management plan reflect the current operating environment?*

## INSTRUCTIONS FOR REVIEWER

Review the recipient documents in TrAMS for the rail fleet management plan. If not in TrAMS, confer with the FTA regional office to determine if the rail fleet management plan was requested and is on file. If it is not on file, request the plan from the recipient. Review the plan to ensure that it contains the required elements detailed in the table above. Follow up with the recipient to ensure that the plan is current and reflects the current operating environment, i.e., addresses the current fleet, operating policies, etc.

## POTENTIAL DEFICIENCY DETERMINATION

The recipient is deficient if it has not prepared a rail fleet management plan, or the plan is missing required elements or is out-of-date, or the plan does not reflect current operations.

DEFICIENCY CODE SCC11-1: Lacking rail fleet management plan/plan out of date

SUGGESTED CORRECTIVE ACTION 1: The recipient must submit a rail fleet management plan.

SUGGESTED CORRECTIVE ACTION 2: The recipient must submit an updated rail fleet management plan that includes all required elements or reflects current operations.

## GOVERNING DIRECTIVE

FTA Circular 5010.1E, Ch. IV, Section 4. Equipment and Supplies (Including Rolling Stock), k. Rolling Stock Spare Ratio Policies

(2) Rail Fleet. “Because rail transit operations tend to be highly individualized, FTA has not established a specific number to serve as an acceptable spare ratio for rail transit operations. Nevertheless, rail operators should be aware that the recipient’s rail vehicle spare ratio and the rationale underlying that spare ratio will be examined during the triennial review whenever FTA assistance is used to purchase or rebuild rail vehicles.

The following guidance should be used to support an operator’s proposed rail vehicle spare ratio when the spare ratio is under review by FTA:

(a) An operator of a rail system should have in its file available upon request by FTA a rail fleet management plan that addresses operating policies (level of service requirements; train failure definitions, and actions); peak vehicle requirements (service period and make-up, e.g., standby trains); maintenance and overhaul programs (scheduled, unscheduled, and overhaul); system and service expansions; railcar procurements and related schedules; and spare ratio justifications.

(b) The spare ratio justification should consider the average number of railcars out of service for scheduled maintenance, the unscheduled maintenance and overhaul program, the allowance for ridership variation (historical data), ridership changes that affect railcar needs caused by expansion of the system or services, the contingency for destroyed railcars, and railcar procurements for replacements and system expansions.

(c) Railcars delivered for future expansion and railcars that have been replaced, but are in the process of being disposed of, should not be included in the calculation of spare ratio.

(d) Peak Vehicle Requirements include “standby” trains that are scheduled, ready for service, and have a designated crew.

(e) Factors that may influence spare ratios are the type of equipment (locomotive hauled trains; married pair units or single railcars, equipment design, reliability, and age), environmental conditions (weather, above ground or underground operation, loading and track layout), operational policies (standby trains, load factors, headways), maintenance policies (conditions for removing railcars from service, maintenance during nights and weekends, and labor agreement conditions), and maintenance facilities and staff capabilities.

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## SCC12. Does the recipient maintain control over FTA-funded property and ensure that subrecipients use FTA-funded property for project purposes?

### BASIC REQUIREMENT

The recipient is responsible for ensuring that subrecipients use FTA-funded property for project purposes.

### APPLICABILITY

Recipients with subrecipients

### DETAILED EXPLANATION FOR REVIEWERS

FTA requires recipients to exercise control over FTA-funded property provided to subrecipients, and to ensure that it is used for project purposes. For indicators of compliance a though f, see preceding questions for a more detailed explanation of each requirement.

**State recipients** may use, manage, and dispose of equipment acquired under an FTA award according to state law and procedures. States are free to adopt the procedures established in 2 CFR part 200 or use them as a guide in developing state procedures for equipment use, management, and disposition, but they are not required to do so. However, FTA requires that the procedures must be sufficient to maintain continuing control over FTA-funded equipment.

**Non-state recipient:** For any equipment provided to subrecipients the recipient must:

- Include the FTA-funded equipment in its records
- Conduct (or cause to be conducted) a biennial physical inventory of FTA-funded equipment
- Reconcile (or ensure reconciliation of) the results of the physical inventory of FTA-funded equipment to the equipment records
- Ensure that a system is in place to prevent loss, damage, or theft of FTA-funded equipment
- Ensure that FTA-funded equipment is used for project purposes
- Follow FTA requirements for return or use of disposition proceeds

Other potential control measures include vehicle use certifications, vehicle use reports, retention of or liens on titles, insurance requirements, disposition requirements, and site visits.

#### **INDICATORS OF COMPLIANCE**

- a. *For FTA-funded excess real property purchased under an award made before December 26, 2014, how does the recipient ensure that subrecipients prepare and update excess property inventory and utilization plans that address the required elements?*
- b. *How does the recipient ensure that subrecipients follow FTA incidental use requirements for FTA-funded real property?*
- c. *How does the recipient ensure that subrecipients use, lease, or dispose of idle FTA-funded facilities?*
- d. *How does the recipient ensure that subrecipients use FTA-funded real property for project purposes?*
- e. *If a subrecipient disposed of FTA-funded real property, did the recipient obtain prior approval from FTA and reimburse FTA for its share of disposition proceeds?*
- f. *Does the recipient ensure their subrecipients have a process to identify FTA-funded buildings located in areas that have been identified as having special flood hazards and that they purchase adequate flood insurance made available under the National Flood Insurance Act of 1968?*
- g. *How does the **state** recipient maintain control over and monitor use of FTA-funded equipment awarded to subrecipients?*

- h. Do the procedures for the **non-state** recipient to maintain control over and monitor use of FTA-funded equipment awarded to subrecipients include the following requirements?

Non-state Equipment Oversight Requirements	Comment
Include the FTA-funded equipment in its records	-
Conduct (or cause to be conducted) a biennial physical inventory of FTA-funded equipment	-
Reconcile (or ensure reconciliation of) the results of the physical inventory of FTA-funded equipment to the equipment records	-
Ensure that a system is in place to prevent loss, damage, or theft of FTA-funded equipment	-
Ensure that FTA-funded equipment is used for project purposes	-
Follow FTA requirements for return or use of disposition proceeds	-

#### INSTRUCTIONS FOR REVIEWER

Review a listing of subrecipients that have FTA-funded real property (land and improvements thereon).

**For states:** Review the state management plan and the state's oversight procedures and related oversight materials.

**For recipients that are not states:** Review the program management plan(s) and the recipient's oversight procedures and related sample oversight materials.

**For all recipients:** Obtain subrecipient excess real property inventory and utilization plans and evidence that the recipient has reviewed the plans to ensure that they are up-to-date and address the required elements. Review the recipient's procedures for ensuring that subrecipients comply with requirements related to incidental use of real property and idle facilities.

If a subrecipient selected for a site visit has FTA-funded real property, review the subrecipient agreement for the requirements imposed on the use of FTA-funded real property. During the subrecipient site visit, discuss and confirm whether the subrecipients comply with the FTA-funded real property requirements. If the oversight files for the subrecipients to be visited identified non-compliance issues, follow up with the recipient to determine how the issues were resolved.

#### POTENTIAL DEFICIENCY DETERMINATIONS

For FTA-funded excess real property purchased under an award made before December 26, 2014, the recipient is deficient if it does not or does not ensure that subrecipients prepare and maintain an excess real property inventory and utilization plan that addresses the required elements.

DEFICIENCY CODE SCC12-1: Inadequate oversight of subrecipient excess real property

**SUGGESTED CORRECTIVE ACTION:** The recipient must submit a written excess real property utilization plan for its subrecipients that includes all required elements, or an update to the existing plan and procedures for ensuring that subrecipients comply with excess real property requirements.

The recipient is deficient if it does not ensure that subrecipients follow FTA incidental use requirements for FTA-funded real property.

**DEFICIENCY CODE SCC12-2:** Inadequate oversight of subrecipient incidental use of real property

**SUGGESTED CORRECTIVE ACTION:** The recipient must submit procedures for ensuring that subrecipients comply with real property incidental use requirements.

The recipient is deficient if it does not ensure that subrecipients use FTA-funded real property for project purposes.

**DEFICIENCY CODE SCC12-3:** Inadequate control of subrecipient real property

**SUGGESTED CORRECTIVE ACTION:** The recipient must submit procedures for monitoring the use of FTA-funded real property by subrecipients, contractors, or lessees.

The recipient is deficient if it did not obtain FTA prior approval for FTA-funded real property disposed of by a subrecipient or reimburse FTA for its share of disposition proceeds.

**DEFICIENCY CODE SCC12-4:** Inadequate oversight of subrecipient incidental use

**SUGGESTED CORRECTIVE ACTION:** The recipient must submit procedures for ensuring that subrecipients comply with real property incidental use requirements.

The recipient is deficient if it is unable to demonstrate procedures to manage and maintain continuing control over FTA-funded subrecipient equipment, along with ensuring the equipment is used for project purposes.

**DEFICIENCY CODE SCC12-5:** Inadequate control of subrecipient equipment

**SUGGESTED CORRECTIVE ACTION:** The recipient must submit revised procedures for control of equipment operated by subrecipients.

## **GOVERNING DIRECTIVE**

### **2 CFR 200.311 Real property**

(b) *Use.* Except as otherwise provided by Federal statutes or the Federal agency, real property must be used for the originally authorized purpose as long as it is needed for that purpose.

### **2 CFR 200.318(b)**

Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

### **2 CFR 200.332 Requirement for pass-through entities**

A pass-through entity must:

(e) Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a pass-through entity must:

(1) Review financial and performance reports.

(2) Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.

(3) Issue a management decision for audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521.

(f) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters;

(2) Performing on-site reviews of the subrecipient's program operations; and

(3) Arranging for agreed-upon-procedures engagements as described in §200.425.

*FTA Circular 5010.1E, Ch. II, Section 3.a.(2)-(4), (7) Roles and Responsibilities of the Management of Awards*

Recipients are responsible for the day-to-day management of their Awards that provide assistance for eligible activities or projects. FTA monitors Awards and the federally assisted projects thereunder to confirm that recipients establish and follow procedures that comply with Federal requirements and the terms and conditions outlined. Chapter III of this circular describes the mechanics and requirements for administration of FTA Awards, Chapter IV describes the requirements for managing FTA Awards and Projects, and Chapter VI describes the requirements for the financial management of FTA Awards and Projects.

a. Recipient Role. In addition to FTA's responsibility to monitor FTA Awards and the federally assisted projects thereunder, recipients must monitor federally assisted activities to ensure compliance with applicable Federal requirements. This includes the administration and management of the Award in compliance with Federal regulations, the Grant or Cooperative Agreement, and applicable FTA circulars. A recipient is also responsible for Federal assistance that "passes through" to a subrecipient. In general, submission of the annual Certifications and Assurances stands in lieu of detailed FTA oversight before approval of an Award; however, the results of ongoing or routine FTA oversight activities also will be considered as applicable. Annual, independent, organization-wide audits, 2 CFR part 200, subpart F, "Audits", audits of recipients, and other recurring and specialized reviews provide FTA an opportunity to verify the recipient's Certifications and Assurances (See Chapter V, "Oversight," of this circular).

The recipient's responsibilities include, but are not limited to, actions that:

(1) Demonstrate the legal, financial, and technical capacity to carry out the program, including safety and security aspects of the program;