



Memphis Area Transit Authority

City of Memphis

May 2025
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1

Executive Summary

Executive Summary: Scoping

Scope: PwC was engaged by the City of Memphis to perform forensic consulting services related to Memphis Area Transit Authority (MATA) with a scope period of 7/1/2018-12/31/2024. PwC commenced our services in January 2025 with three distinct phases:



Phase 1

Scoping & Analysis

- Initial scoping was performed using public information, including, but not limited to, MATA's board meeting minutes, audited financial statements, federal funding data, and news articles.
- Initial interviews were conducted with MATA employees at the Chief and Director level.
- MATA provided initial documentation including, but not limited to, trial balance and general ledger data, disbursement register, vendor lists, examples of grant awards and internal grant reports, and the latest triennial review report dated March 20, 2024. PwC analyzed the information MATA provided to understand MATA's more significant vendors based on historical financial data.



Phase 2

Targeted Analysis

- After analysis of Phase 1 documentation, PwC selected 73 payments (checks, wires, and AMEX payments) for further analysis using a risk-based approach.
- PwC requested supporting documentation* to analyze each selected transaction to evaluate the use of funds, business purpose, and approval(s) related to the transaction, as well as MATA's control environment (e.g., contracts/agreements, invoice and payment review, fair market value, contracted amounts vs. paid actuals, and budgets vs. actuals).
- PwC was on-site in Memphis at various times during Phase 2. The purpose of our on-site work included having additional conversations and interviews with MATA employees, accessing MATA-provided documentation, and visiting both MATA headquarters and Levee Road facility.



Phase 3

Reporting

- PwC developed this report to summarize the observations from the interviews and risk-based transaction analysis. This report highlights specific themes from the interviews and transaction analysis, as well as provides specific examples of transactions PwC tested.

Executive Summary: Summarized Themes

Based upon interviews conducted, documents received, and 73 selected transactions analyzed, the following themes regarding MATA's financial activity were identified:

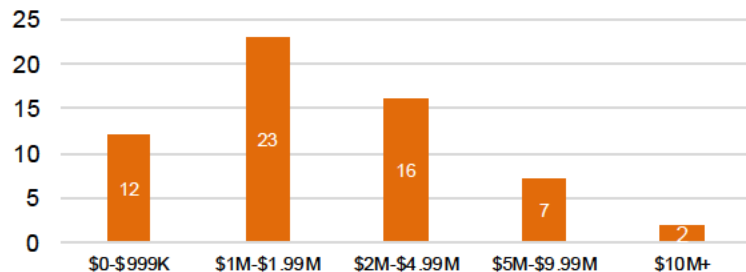
1	Unstructured budget process and control environment	MATA did not prepare departmental budgets for fiscal year 2025 and has not had an established budget since October 2023. Prior to October 2023, budgets were individually developed by the CFO and CEO, with little to no input from the Finance team or other departments. Department heads were not consistently informed of or required to adhere to the budget.
2	Aged and overlooked policies and procedures	Several MATA policies appear outdated or misaligned with current systems and practices, making it challenging for MATA employees to understand and adhere to the policies. Through the analysis of select transactions, it was noted that MATA employees did not consistently follow or enforce documented policies and procedures.
3	Inconsistently applied procurement process and documentation	Procurement activities were not always executed in accordance with MATA's documented processes and federal compliance regulations. There are instances of non-competitive procurement and other documentation discrepancies, such as purchase orders (POs) dated after corresponding invoices and independent cost estimates being completed after invoices were received.
4	Technology is the second highest spend category after bus / vehicle spend	MATA has made significant investments in technology, including replacing their Enterprise Resource Planning (ERP) system, ABS, with Munis in 2023. Additional clarity around scope, procurement, integration and independent evaluation could improve assessing both the fair market value and business purpose of the technology spend.
5	Incomplete or nonexistent documentation supporting financial transactions	MATA was unable to consistently provide documentation requested by PwC for selected transactions. This includes required approvals, certain financial documentation (e.g., purchase orders and invoices) and other supporting documentation (e.g., contracts) to assess business purpose and/or proof of performance for payments to vendors.
6	Expenses that are lacking a clear business purpose	Transaction testing identified spending that lacked clear documentation linking it to MATA's operational objectives. Examples include the McSwain Consulting invoice, the sponsorship of the Memphis Grizzlies and suite, food and drinks at Memphis Grizzlies basketball games or events, items delivered to personal residences, and employee morale related spending, such as spa treatments, holiday party items, and flowers.
7	Federal and State grant compliance risks	MATA manually tracks grant expenditures outside the ERP system, increasing risks associated with inaccurate tracking (e.g., commingling or lack of clarity of available funding sources). Unexplained variances were noted between MATA's spreadsheets and TRaMS reports. PwC's selections were associated with about \$232M in grant funding from federal, state, and local governments per MATA's documentation. Further, there are instances where MATA may not be utilizing their equipment paid for by grants as intended, increasing risk of clawbacks.

2

Summary of Observations *Financial Analysis & Transaction Testing*

Overall Observations: Checks

Figure A: Count of MATA Vendors by Aggregated Spending Level, 7/1/2018 – 12/31/2024
(Total paid to selected Vendors in Checks Testing Population)



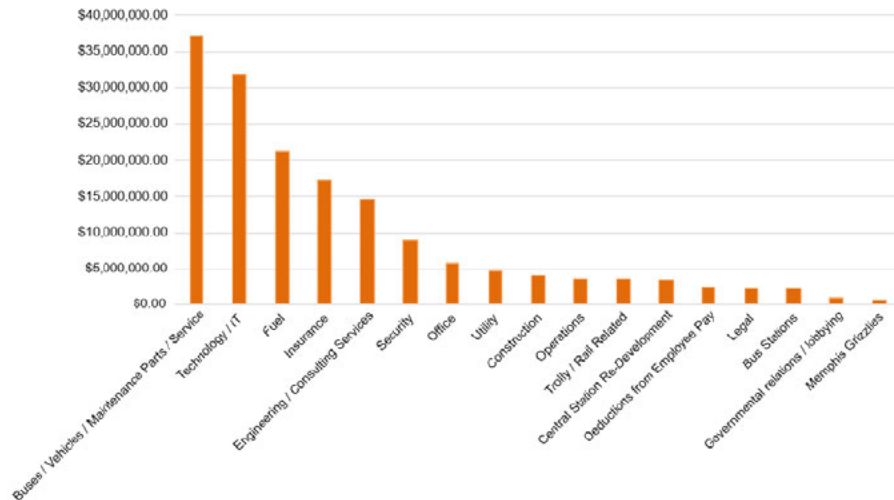
Selection Criteria:

- MATA provided a list of check payments from both ABS and Munis financial systems from 7/1/2018-12/31/2024.
- Our check payment selections were based on data analytics and professional judgement, but focused on vendors with more significant aggregate spend, as shown in Figure A above.

Summary of Selections:

- Selected 60 check payments for further analysis.
 - Total vendor spend through check payments from 7/1/2018 to 12/31/2024 was \$253,393,756.
 - Total vendor spend associated with selected check PwC transactional testing: \$17,253,426 (7% of total check spend for scope period).
 - 18 different federal, state, or city grants were utilized for funding the selected check payments.
- Requested supporting documentation for each check payment:
 - 270 invoices received or identified related to the 60 check payments.
 - 148 POs received or identified related to the 60 check payments.

Figure B: MATA Spend by Category, 7/1/2018 – 12/31/2024
(Total paid to selected Vendors in Checks Testing Population)



Key Observations:

- MATA was unable to provide 6 of the 270 identified invoices. Of the 264 invoices received, 119 (45%) are missing evidence of invoice approval as required by MATA policy.
- MATA was unable to provide POs for 93 (34%) of the identified invoices, therefore it could not be confirmed that the POs were generated as required by MATA policy. Of the 126 POs provided by MATA, 44 POs were dated after the invoice date or the date in which services were provided.
- 37 of the selected check payments were missing approval on at least one of the underlying invoices, POs, or payment documentation.
- The invoices comprising two selected check payments appear to be underpaid by MATA based upon transaction documentation.
- MATA was unable to provide proof of performance (i.e., bill of lading, timesheet, detailed invoice) for 71 (26%) invoices.

Overall Observations: Wires

Selection Criteria:

- MATA provided trial balance data from both ABS and Munis systems from 7/1/2018 – 12/31/2024.
- MATA stated that wires are identified in the Trial Balance with "JV23" as part of the description and PwC relied upon MATA to identify wires within their Trial Balance. PwC's scope did not include any wires related to payroll, only wires paid to third-party companies or individuals.
- Selections were made from the identified population of wire payments using professional judgment of risk factors, including high value, payment of third parties by wire who have typically been paid by check, and wire payments made to individuals.

Summary of Selections:

- Selected 9 wire payments for further analysis
 - Total expended through selected wire payments - \$1,295,870.
 - The selected wire payments had invoices dated between 02/15/2023 – 10/8/2024. Based on discussions with MATA employees, wires were more common post-ERP cutover from ABS to Munis that occurred on 7/1/2023, therefore, the selections were made from the Munis data. Further, given the wire payments were identified by MATA via trial balance transactions, it is difficult to discern wire payments to vendors from other journal entries, payroll payments, etc., therefore, it was difficult to make a representative graphic of wire payments from the original data.
 - The 9th transaction selected was recorded as a wire payment, however it was a check payment.
- Requested supporting documentation for each wire payment:
 - 37 invoices received or identified related to the 9 wire payments.
 - Per MATA, none of the wire selections were grant funded.

Key Observations:

- MATA was unable to provide POs for 27 of 37 (73%) of the identified invoices, therefore it could not be confirmed that the POs were generated as required by MATA policy. The POs provided for 2 of 9 (22%) wire payments did not authorize funds sufficient to cover the total wire value.
- MATA was unable to provide contracts for transactions related to 7 of the 9 (78%) payments.
- MATA was unable to provide procurement initiation documentation (i.e., purchase requisition, request for proposal/quote, cost analysis, bids, evaluation) for any of the selected transactions related to wire payments.
- MATA was unable to provide a cover sheet for 3 of the 9 payments, however one was actually a check payment where no cover sheet is needed. MATA was unable to provide a check image for that payment.
- 4 of the selected wire payments were missing approval on at least one of the underlying invoices, POs, or payment documentation.
- Several vendors have at times been paid by both wire and check. None of the wires selected appear to be duplicative to check payments.

Overall Observations: AMEX

Selection Criteria:

- From 7/1/2018 to 12/31/2024, we received MATA credit card statements detailing \$2,518,689.95 of payments towards American Express (AMEX) card balances.
- MATA provided excel-based AMEX statements, containing charge-level transactions and corporate card remittance payments, beginning in 2023. MATA represented to PwC that these statements were obtained directly from AMEX.

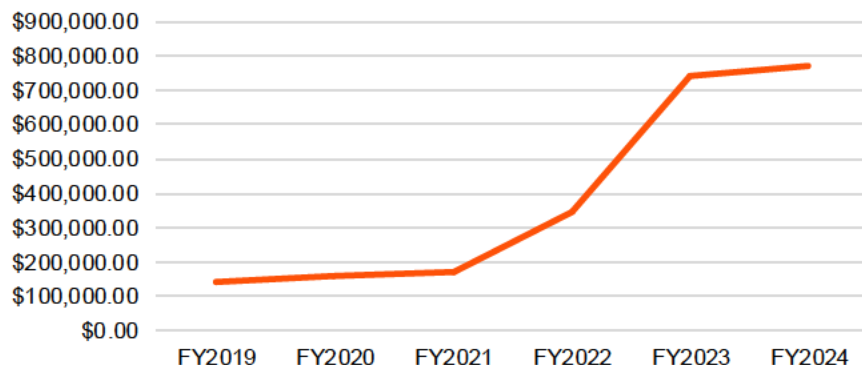
Summary of Selections:

- PwC selected four summary payments made to AMEX for two MATA credit cards, totaling \$214,118. Each AMEX payment covers approximately one month of activity with a total of 209 associated AMEX charges.
- None of the selections appear to be funded by federal or state grants and instead, the money used to make the payments to AMEX appears to come from the operating budget provided by the City or fare revenues.

Key Observations:

- Both card owners were the MATA CEO at the time of their respective payments.
- MATA was unable to provide detailed receipts for 92 (44%) of the 209 charges.
- MATA was unable to provide any expense reports that supported the spend associated with the AMEX payments or charges tested.
- MATA was unable to provide business purpose/context for 142 (68%) of 209 charges, therefore assessment of the business purpose could not be performed for all charges tested.
- Corporate card, travel, and conference procedures lack safeguards against personal use.
- There does not appear to be a standardized process for recording and storing pre-approvals required for travel. A MATA employee advised that approvals are typically verbal or over email. Per MATA's Travel Reimbursement Policy, all business travel must be approved in advance by the employee's supervisor then endorsed by the General Manager/Chief Executive Officer.
- MATA employee advised that the Finance team does not receive receipts when reviewing AMEX expenses. A quarterly review by Finance of the AMEX transactions is a requirement outlined in the 2020 MATA Internal Controls Policy, however we were not able to confirm if this was performed in practice.

MATA's Annual AMEX Payment Total FY2019 - FY2024



The above chart shows payments made towards AMEX balances from 7/1/2018 – 6/30/2024 for comparability purposes across full fiscal years.

Overall Observations: AMEX (continued)

The table below includes representative examples of categories of spend within the four summary AMEX payments totaling \$214,118 that were selected by PwC. Each payment covers approximately one month of activity with a total of 209 associated charges.

Representative Examples of AMEX Card Swipes From PwC Selections	Additional Comments	Count of Related Transactions	Total Expenditure Amount
Expense categories generally routed through Procurement rather than purchased with AMEX (software, office equipment, mobile phone)		9	\$92,277.71
Travel expenses (airfare, ground transport, hotels)* <i>Includes trips to San Jose, CA; Washington, DC; Cleveland, OH; Houston, TX; Birmingham, AL; Tucson, AZ; Las Vegas, NV; Portland, OR; Livermore, CA; Minneapolis, MN; and Atlanta, GA</i>	PwC understands the trip to Livermore, CA was a pre-production planning trip prior to the purchase of a bus. PwC understands one of the Washington, DC trips was for an industry conference. Trips to Tucson, AZ were for a bus review. PwC did not receive documentation on the purpose of the other trips.	88	\$56,621.26
Food at Grizzlies games	These transactions include food and beverages for three games in two suites. This does not include the price of tickets.	6	\$11,269.22
Employee morale (holiday parties, spa treatments, games, books, decorations, flowers)		34	\$8,958.20
Food (restaurants, catering/group orders, office snacks)		20	\$3,942.51
Items delivered to personal residences		5	\$1,022.09
Smart watch	MATA was unable to provide documentation regarding the purchase of the Smart watch.	1	\$394.00
AMEX charges not aligned with specific PwC theme above		46	\$20,123.26
Overpayment to AMEX		N/A	\$19,509.75

3

Summary of Observations *Representative Examples of Elevated Risk Transactions*

Representative Examples of Elevated Risk Transactions - *Lack of Key Financial Documentation*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
AT&T Mobility	PO(s) not provided		6/11/22	\$1,005.48	\$30,623.22	7/7/22	Check
		Invoice not provided					
		Invoice not provided					

MATA was unable to provide POs and two of three invoices for this payment to AT&T. PwC received a contract that outlined options for services, but it was unclear which services MATA opted for, and the contract was not executed. Due to the missing support for two transactions tested related to AT&T within the selected AMEX payments and lack of executed contract, it is unclear what services are being provided and who is utilizing the services.

Gant Systems LLC	PO(s) not provided	7/16/23	\$15,099.28	\$25,219.41	8/8/23	Check
		7/31/23	\$2,000.00			
		Invoice not provided				
		Invoice not provided				

MATA purchased managed IT services from Gant Systems, a computer services company located in Memphis, TN. For the selected transactions, MATA was unable to provide any POs and was only able to provide half of the invoices tied to the payment. The invoices provided reference an agreement, but MATA was unable to provide a contract or procurement documentation. The invoices charge for billable time, but there is no supporting documentation referencing how many hours were charged, from which resources, or for what activities were associated with the billable time.

Representative Examples of Elevated Risk Transactions - Large Technology Vendors

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
nMomentum	9/5/18	\$737,304.00	6/28/21	\$25,735.00	\$261,195.00	10/21/21	Check
			6/30/21	\$33,670.00			
	9/5/18	\$750,805.20	6/28/21	\$36,535.00			
			6/30/21	\$61,795.00			
	5/30/20	\$1,000,000.00	10/16/21	\$103,460.00			

MATA obtained the services of nMomentum, originally piggybacking off of Nashville Transit Authority's contract, to help with procurement and implementation of a new fare collection system, ERP/EAM project, and a new computer-aided dispatch / automatic vehicle location (CAD/AVL) system. nMomentum worked to coordinate projects with other vendors, including Tyler Technologies, AmericanEagle, Datamatics, Heartland, Swiftly, and Ineo Systrans. Four of the five selected invoices appear to have been funded by Federal Transit Administration (FTA) grant TN-2021-030-01 based on MATA's grant spreadsheets, however, only one PO indicates a grant number. nMomentum appears to coordinate with other vendors and charges MATA for travel, increasing compliance requirements and risks if funded by federal grants. MATA expended \$7,058,317.59 to nMomentum between 7/1/2018 and 12/31/2024, 22% of total technology spend over this period. Per MATA, the vendor is currently suing MATA for non-payment of several invoices.

Americaneagle.com	10/17/19	\$0.01	10/17/19	\$213,574.90	\$213,574.90	10/18/19	Check
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MATA entered a contract with Americaneagle.com for the creation of a next generation fare collection system, coordinated by nMomentum. This transaction is the payment for Milestone #1 and the Project Kickoff. The PO line item is for 0.01 (however the description is for a \$4,271,497.97 project related to the installation of a Next Generation Fare System) and is dated for the same day as the invoice. This work includes interactions with subcontractors; the contract states interactions with subcontractors must be approved, but information about and approval of subcontractors has not been documented. Similar to nMomentum, Americaneagle.com billed MATA for subcontractor fees/expenses, including \$54k in travel expenses related to Datamatics. This transaction appears to be funded through a City of Memphis grant, specifically for the new generation fare system.

Representative Examples of Elevated Risk Transactions - *Non-Competitive Procurement*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
Heavy Duty Lift & Equipment	1/2/20	\$339,984.00	5/27/20	\$339,984.00	\$339,984.00	8/6/20	Check

MATA purchased a drive-on lift from Heavy Duty Lift and Equipment for approximately \$340,000, funded by two separate grants from the FTA. The only procurement documentation provided by MATA was a PO. Without receiving any contract or procurement documentation, PwC cannot conclude if the transaction was adequately procured in accordance with 2 CFR 200, including 2 CFR 200.318-20, or competitively procured in compliance with MATA's Procurement Manual (per MATA's policy, formal requests for bids or proposals must be issued for purchases over \$50,000).

ImageWorks Commercial Interiors	PO(s) not provided	Not dated	\$55,726.31	\$98,545.32	8/17/23	Check
		6/21/23	\$1,363.75			
		6/28/23	\$39,849.40			
		7/18/23	\$1,605.86			

ImageWorks provided MATA with furniture for the office space at One Commerce Square; the invoices are for commercial furniture. MATA was unable to provide a purchase requisition, approval or competitive pricing analysis. Two of the four invoices are missing approvals and one of the invoices is missing a date. In an interview with a MATA employee, the interviewee noted that the furniture order for the One Commerce Square office did not go through the procurement department and instead was led by the executive team at the time. This is consistent with the documentation PwC received, as PwC did not receive any procurement documentation. MATA spent \$1,214,402.57 with ImageWorks between 7/1/2022 and 12/31/2024.

Related Observations

There were several instances of incomplete independent cost estimates (ICE) received that were signed off as if complete. The ICE is used by MATA to review the competitiveness of the price for the goods/services received in instances where the Procurement Manual does not require bidding. Further, there were multiple instances when the ICE was not completed in advance of the PO or invoice. For example, the selected transaction for Rush Truck Centers dated the PO, invoice, and ICE all on 8/16/2023. Additionally, the selected transaction for Freeland Chevy had an invoice date of 5/23/2023, but the ICE is dated 7/23/2023.

Representative Examples of Elevated Risk Transactions - *Contract and Purchase Order Considerations (1 of 2)*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
Bank of America	10/2/22	\$623.91	6/14/21	\$623.91	\$35,202.19	10/7/22	Check
	10/4/22	\$40,653.28	8/8/22	\$40,653.28			
			8/16/22	(\$6,075.00)			

MATA purchased engine parts and software services from Cummins. Cummins was inadvertently input to the system as "BANK OF AMERICA" though this was a payment to the vendor's Bank of America account. Two invoices predate their respective dated POs; one PO is dated two months after the invoice and one PO is dated 16 months after the invoice. MATA was unable to provide any procurement information related to this transaction, including requests for proposals (RFPs), competitive bidding documents, or contracts. PwC received grant documentation for TN-2021-009-02, and while the invoice is not explicitly recorded to MATA's internal grant spreadsheet for the award, the grant's award number is included on the PO. PwC was told "*Maintenance expenses are sometimes captured under a grant for Preventive Maintenance. Would need the General Ledger account used to pay these invoices.*" Without procurement documentation, PwC cannot determine if the transaction was procured in accordance with 2 CFR 200, specifically, 2 CFR 200.318-20, or bid competitively according to MATA's Procurement Manual.

Representative Examples of Elevated Risk Transactions - *Contract and Purchase Order Considerations (2 of 2)*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
Tyler Technologies Inc.	PO(s) not provided		12/31/22	\$155,783.00	\$248,652.22	5/15/24	Check
			12/31/22	\$119,791.00			
			Not provided	(\$27,922.00)			

Tyler Technologies provided MATA with the implementation of Munis, their new ERP system as of July 2023. This transaction was funded by an FTA grant TN-2021-009-02. Tyler Technologies' invoices refer to contracted amounts, but MATA was unable to provide a contract with this entity. Additionally, MATA was unable to provide any purchase orders or competitive bidding documentation related to these services. The invoices indicate MATA was invoiced for two years of service on the same date, with nine months remaining in the second service year. There was an unexplained manual adjustment made to the total on the second invoice, and it was paid with three months of service remaining. On MATA's internal grant spreadsheet, the invoices are noted as "(ERP Implementation) Partial Payment." The dates of the invoices and services are within the grant's period of performance.

In interviews with MATA personnel, PwC learned that there are limitations with this new ERP system including, but not limited to, its lack of ability to interact with Trapeze, their Enterprise Asset Management system (EAM), and its inability to record transactions to specific grants (currently the grants department works manually on spreadsheets). nMomentum coordinated with Tyler Technologies on the implementation.

Representative Examples of Elevated Risk Transactions - *Business Purpose Not Evident or Documented (1 of 2)*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
KQ Communications	PO(s) not provided		5/14/24	\$25,000.00	\$25,000.00	5/14/24	Check

MATA expended \$720,593 to the vendor KQ Communications between 7/1/2020 and 12/31/2024. MATA was unable to provide a contract or procurement documentation related to this vendor. The transaction does not appear to be funded by a federal grant. Based upon invoices and a set of emails received from the interviewee for the selected transaction, it appears that KQ Communications had been providing public relations/communication services to MATA. This invoice was also dated 5/14/2024 for services performed between 5/15/2025-6/15/2025. Based on emails received, the vendor also appeared to be involved and paid by MATA for the preparation of the Former Interim CEO's personal campaign and presentation efforts for a July 2024 interview for the role of permanent MATA CEO in late June and early July 2024.

McSwain Consulting Group LLC	PO(s) not provided		Not dated	\$9,600.00	\$9,600.00	9/6/24	Check
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Based on documentation received, McSwain Consulting appears to have solely provided services preparing Former Interim CEO's personal campaign and presentation efforts for a July 2024 interview to become permanent MATA CEO. MATA was unable to provide a contract defining services. The invoice did not provide detail supporting the charges. This is the only MATA transaction with this vendor during PwC's scope period.

Representative Examples of Elevated Risk Transactions - *Business Purpose Not Evident or Documented (2 of 2)*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
Memphis Grizzlies	PO(s) not provided		9/25/23	\$75,299.00	\$293,098.00	11/22/23	Check
			9/25/23	\$75,299.00			
			10/5/23	\$142,500.00			

MATA became a sponsor of the Grizzlies in March 2023. Based on conversations with MATA employees and a contract received, MATA licensed a suite with 16 tickets in May 2023 for a year with the option to extend. The suite included all Grizzlies and Tigers home games and all concerts and events at FedEx Forum. Tickets were distributed to a variety of employees, but the use of each individual ticket was not traceable based on a set of emails received. PwC was informed that a separate third party, another MATA vendor ("Vendor A"), typically received eight of the 16 tickets, and PwC did receive documentation that these transfers occurred, including at least one instance where Vendor A received 16 tickets in one transfer. PwC identified MATA paying two of the three suite installments to the Memphis Grizzlies and we did not identify in MATA's ERP system or receive information from MATA that Vendor A reimbursed MATA for tickets received. PwC did receive confirmation that another third party paid for half of MATA's third installment for the suite. There is no formal agreement governing the use of the tickets with these additional parties. MATA's Director of Communications believes that another third party (believed to be a client of Vendor A), however, PwC was unable to verify this relationship. AMEX transactions indicate refreshments were frequently expensed during game attendance as outlined in Section 2.

Representative Examples of Elevated Risk Transactions - *Grant Compliance Risks*

Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
Tolar Manufacturing Co. Inc.	8/9/21	\$162,550.00	12/28/21	\$174,950.00	\$187,816.00	3/31/22	Check
	10/18/21	\$12,516.00	Invoice not provided				

MATA purchased multiple bus shelters from Tolar Manufacturing between March 2021 and March 2023. MATA incurred the costs for this equipment and then recorded them to grant TN-2016-002-05. In addition to the transaction selected for testing above, in 2023 MATA purchased bus shelters, benches, and trashcans from Tolar Manufacturing and recorded them to another federal grant (TN-2023-010-03). MATA typically lists the grant award number on a PO, however, the two POs associated with the 2023 payment list a different grant (TN-2021-009) than the grant (TN-2023-010-03) that the expenses have been recorded to per the internal grant spreadsheet and drawdown requests.

When PwC conducted a site visit to the Levee Road facility and observed bus shelters, trashcans, and benches stored in the back of the parking lot. Per discussions with MATA, these items were manufactured by Tolar Manufacturing and charged to the grants noted above. Specifically, MATA purchased twenty-five 13ft shelters in January 2023 and thirty 9ft shelters in March 2023. At the time of ordering, MATA held less than five bus shelters in existing inventory, with the sizes of the shelters undetermined. As of end of April 2024, MATA's records show eighteen 13ft shelter and twenty-four 9ft shelters remain in inventory. A physical inventory count conducted by MATA showed a different total, with twenty-one 13ft shelters and thirty-eight 9ft shelters remaining in inventory. PwC did not receive a count of trashcans or other items ordered from Tolar Manufacturing, however, the items were recorded to grant TN-2023-010 and similar items are currently stored at Leve Road.

There are risks associated with receiving federal, state, and local grant reimbursement for the purchase of items, such as these, that were not in use nearly two years later. It is unclear if MATA currently has a plan to complete the installation of these items.

See slide on Grants in Section 4 for related observations



Representative Examples of Significant Spend Transactions - *Central Station Collaborative (1 of 2)*

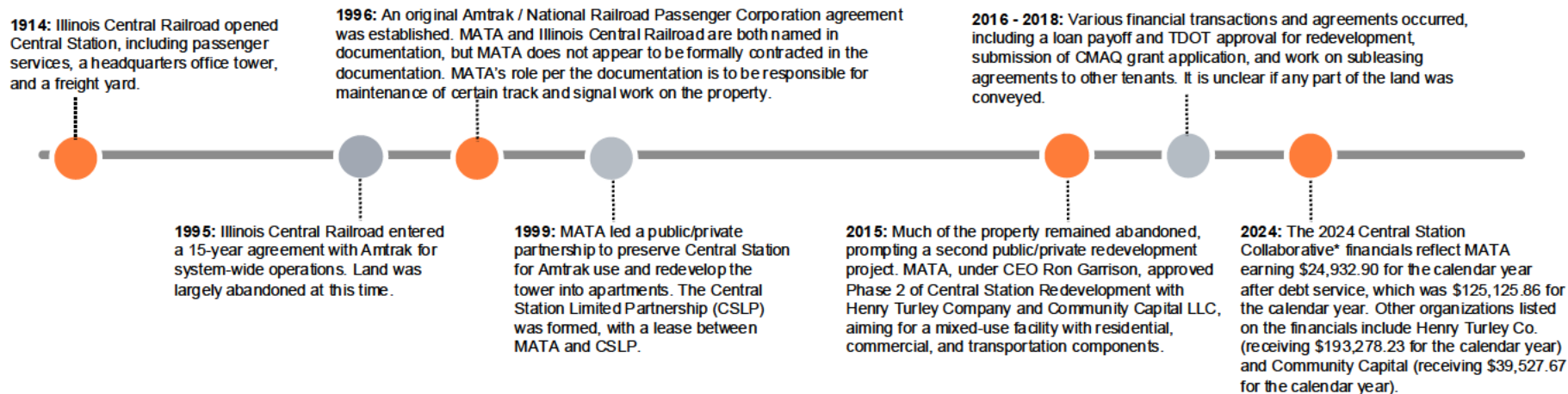
Vendor Name	PO Date(s)	PO Amount(s)	Invoice Date(s)	Invoice Amount(s)	Payment Amount	Payment Date	Payment Type
Central Station Collaborative	7/12/17	\$3,000,000.00	11/30/19	\$686,089.10	\$1,046,258.55	3/31/22	Check
			2/28/20	\$52,250.74			
			3/31/20	\$307,918.71			

One of the transactions selected for analysis was a payment MATA made to Central Station Collaborative.* The invoices provided by MATA are drawdown confirmations from a Congestion Mitigation and Air Quality (CMAQ) grant. The CMAQ grant funding was intended to be used for improving the South Main Transit Center, Transit Connector Concourse, and pedestrian / bike-friendly streetscape improvements. According to additional research, MATA is involved in a re-development project for Central Station, as detailed in the timeline below. MATA applied for a CMAQ grant and paid the received grant funding to Central Station Collaborative; however, total payments to Central Station Collaborative are slightly greater than the \$3M grant/PO. Expenses towards this grant appear to be related to contractors, both construction and engineering, traffic control, and a data network system. The invoices (drawdown confirmations) do not specify which part of the grant each contractor was working on. The redevelopment project involved several entities, most notably, Henry Turley Company and Community Capital. There are potential risks with this complex arrangement as the current City administration and current MATA personnel are largely unfamiliar with or unaware of the ongoing arrangement. Further, the documentation analyzed is vague in regards to how MATA benefits from the arrangement.



Source: centralstationmemphis.com

Representative Examples of Significant Spend Transactions - *Central Station Collaborative (2 of 2)*



4

Summary of Observations

Governance, Processes, and Controls

Observations: Finance Organization, Policies, and Procedures

01

Absence of Organizational / Departmental Budgets: Since the departure of the last permanent CFO in October 2023, the transit authority has operated without defined budgets for individual departments, leading to potential inefficiencies and lack of accountability in financial management.

02

Limited Finance Team Involvement: Historically, other than the CFO, the Finance team has been excluded from the budgeting process, undermining their ability to provide oversight and contribute to strategic financial planning and monitoring. Finance has not been proactively provided with copies of budgets, suggesting budget to actual tracking may not be effective.

03

Relaxed Expenditure Controls: Internal controls related to expenditures have been weakened, as demonstrated by procurement process not being followed, lack of required approvals and inconsistent supporting documentation to support the business purposes related to spend.

04

Commingling of Funds: Federal, state, and local funding, including grants and operating budget allocations, are being co-mingled without clear delineation or tracking, complicating compliance with funding requirements and hindering transparent financial reporting. Some grants have expenditures tracked manually in excel spreadsheets.

Policies & Procedures

PwC requested policies and procedures at the start of the engagement. MATA provided the following:

Policy and Procedure Document	Effective Date on Document
Approval Levels for Purchases	Undated
Finance Policies & Procedures	Revised 2019
Financial Closing Process	2020
Fixed Asset Capitalization Policy Procedure	Revised 2011
Grant Procedures Narrative with Update	2024
Internal Control Manual	Revised 2020
Investments Policy	1995
Procurement Manual	2020
MTM Handbook	2002, Revised 2014
Travel Policy	2023

The majority of MATA policies and procedures received were over five years old. Additionally, since the new ERP system transitioned from ABS to Munis in July 2023, many of these policies and procedures no longer reflect current practices. The new ERP processes and limitations, along with changes in personnel, have contributed to many of the old processes no longer being followed.

Observations: Procurement Processes

MATA inconsistently follows its defined procurement process and/or steps are completed out of order, decreasing the effectiveness of the control environment.

Figure 1: Procurement Process per MATA Procurement Manual*

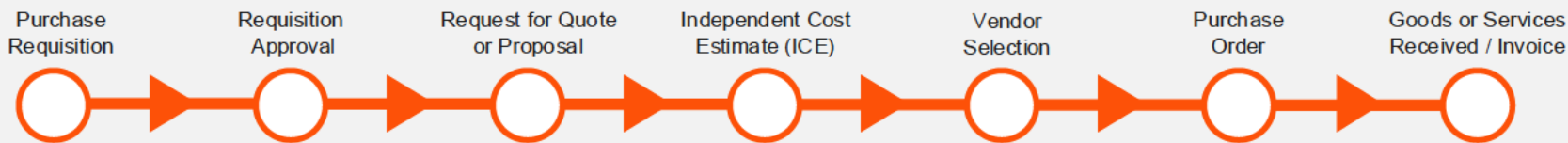
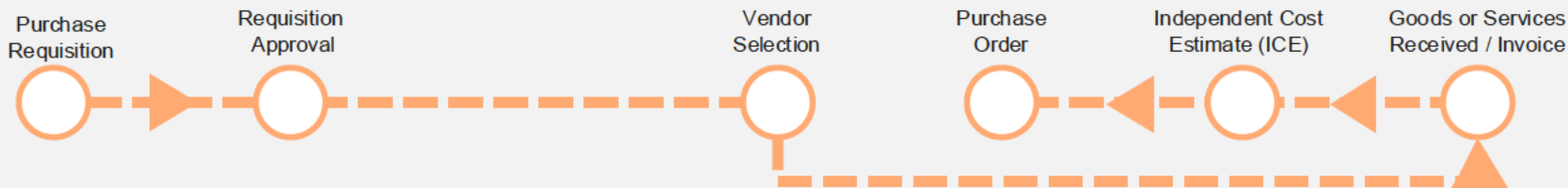


Figure 2: Example Deviation from MATA Procurement Process Observed in Transaction Testing



As outlined in the process flows above, MATA's procurement process faces structural and operational challenges. As outlined in the example (Figure 2), deviations from MATA's procurement process (Figure 1) include: 1) departments not producing a Request for Proposal or not completing the competitive bidding process; 2) inconsistent use of ICEs; 3) missing or incomplete procurement documentation and lack of centralized contract records; 4) departments bypassing procurement processes particularly for urgent or maintenance-related purchases which results in retroactive PO requests and limiting oversight; and 5) invoices often being dated before POs are issued, especially for micro-purchases (transactions under \$2,499).

While Maintenance has stated that they are following MATA's procurement processes, even for micro-purchases, the pause in MATA's daily re-order report (which Procurement used to bid parts) has made it challenging for PwC to verify that all purchases are being routed through the appropriate channels. In some cases, documentation of necessary approvals is absent or unclear and there are cases where supporting materials to justify pricing and vendor selection are missing. Staff are not trained on procurement policies or systems.

Observations: Grants (1 of 2)

Grant Processes and Controls

MATA has three resources dedicated to tracking federal, state, and local grant funding, managing applications, and filing drawdown requests. The grants are manually tracked in disparate excel spreadsheets, recording the total grant award followed by an itemized listing of expenses applied against that grant. MATA has explained that the manual nature of tracking grants is due to limitations in Munis, their new ERP system. The manual nature of these processes allows for increased risk of clerical errors, mistakes regarding eligibility of costs against a given grant, and over/under drawing funds. PwC compared remaining funding amounts by grant per MATA's tracking spreadsheets to the Federal Transit Authority's (FTA's) records and noted variances for select grants.

Procurement

Federal grant recipients must follow strict procurement standards under 2 CFR § 200.317–.327, including competitive bidding, written conflict of interest policies, and documented cost or price analysis for purchases. Noncompliance can result in disallowed costs, grant repayment, or audit findings. MATA currently lacks necessary procurement controls, creating compliance risk.

Trolley Example

MATA suspended its trolley service in August 2024. MATA purchased six pickup trucks at an average price of \$44,200 per truck, \$265,200 in total spend, on May 23, 2023. An additional truck was purchased for \$119,050 on November 21, 2023 in a transaction outside of PwC's transaction selections, for a total spend of \$384,250. The vehicles were purchased using federal grant funds under award TN-2023-010-03. Within the grant application, the stated purpose of the vehicles was to support rail (trolley) operations. According to discussions with MATA, while the vehicles are still in daily use for line maintenance, they are no longer supporting active trolley operations due to the suspension of service. As the original justification for the purchase was tied to trolley operations, and there is currently no formal plan to resume service, there is a risk that these expenditures—and other trolley-related costs—may be subject to federal funding clawback.

Observations: Grants (2 of 2)

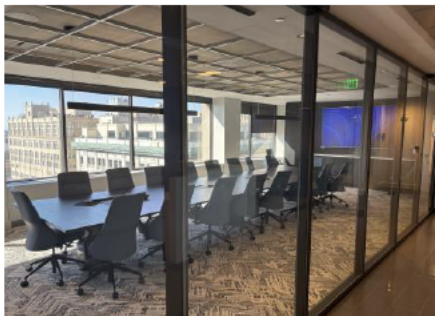
Remaining Funding Amount by Grant – Comparison of MATA and FTA Records

MATA provided a printout from the FTA system, which was compared against MATA's internal grant tracking spreadsheets. MATA noted anticipated discrepancies between the two sources, explaining that internal spreadsheets include state/local funding, whereas the FTA reflects only federal funds. This raises a concern that MATA may be inappropriately commingling funding sources. PwC was unable to determine whether the discrepancies are due to delays in submitting drawdown requests or errors in tracking. The variances suggest there is risk that MATA may either overdraw federal grant funds or fail to fully utilize available funding. Within the table below, a positive variance indicates remaining grant funding per FTA system is less than the amount per MATA's records, where a negative variance indicates remaining grant funding per FTA is more than the amount per MATA's records. There may be a slight timing difference between MATA's spreadsheets and the federal database.

Select Grants	Amount Remaining Per MATA's Records	Unliquidated Amount per FTA TRaMS Report	Variance
TN-2016-025-01	\$1,466,598	\$1,005,325	\$461,273
TN-2017-037-00	\$605,478	\$550,570	\$54,908
TN-2017-040-02	\$93,479	\$92,014	\$1,465
TN-2019-008-01	\$248,732	\$817,312	(\$568,580)
TN-2020-028-02	\$177,833	\$287,406	(\$109,573)
TN-2020-039-02	\$295,843	\$976,837	(\$680,994)
TN-2021-009-02	\$160,436	\$117,839	\$42,597
TN-2021-033-00	\$18,906,245	\$15,298,276	\$3,607,969
TN-2021-042-00	\$2,174,440	\$2,644,176	(\$469,736)
TN-2022-023-00	\$24,010,018	\$17,672,515	\$6,337,503
TN-2023-010-03	\$2,041,448	\$2,206,044	(\$164,596)

Observations: Administrative Office Space

MATA currently leases two floors at One Commerce Square. Per PwC's observations, most office staff sit on the 12th floor, which is at around 80% occupancy, and the 13th floor is largely unoccupied, raising questions on why this much square footage was secured. In 2023, MATA pre-paid the base rent for ten years for the 12th floor and it is unclear what arrangement is in place for the 13th floor. Rent to One Commerce Square total \$4,623,610 between 1/25/2022 and 12/31/2024 and include the prepaid rent, rent for temporary space before the lease began, utilities and insurance. MATA also has rented storage cages in the basement for records. Furthermore, MATA paid \$1,214,402.57 to one vendor, Imageworks, for office space design, furniture and labor for moving in and setting up the furniture. The images below were taken during PwC's site visit to One Commerce during March 2025:



Large conference room, 12th floor



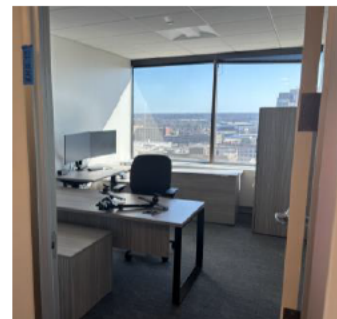
Cubicle area, 13th floor



Large conference room, 13th floor



Executive office, 12th floor



Office, 13th floor

Observations: Levee Road

In contrast with the One Commerce office space for MATA's administrative functions, its operational facilities have been in need of additional resources for an extended period of time. Per PwC's discussions with onsite TransPro and MATA personnel, MATA's facility at Levee Road is sinking and may be inoperable soon, even with additional funding to support facility and site modifications. The images below were taken during PwC's site visit to Levee Road during April 2025:



A TransPro team member verbally informed the PwC team that buses were previously able to enter this bus bay from the other side, then pull forward. However, given the sinking ground, buses now must back out of the bay.



A TransPro team member verbally informed the PwC team that MATA has had to purchase additional asphalt to raise the ground level to the building's level to ensure buses are able to enter the facilities. Even with additional asphalt, buses must enter slowly, as to not bottom out, or damage will be caused to the buses. PwC did not test or review any asphalt or concrete specific transactions.



A side view of the building and space from the ground.

5

Recommendations

Recommendations

Establishing a strong internal control environment is foundational to MATA's long-term operational effectiveness, fiscal responsibility, and public trust. The internal control environment is not merely a collection of procedures—it is the culture, structure, and accountability framework that supports sound decision-making at all levels of the organization. These recommendations are not isolated process improvements—they represent an integrated approach to establishing control as a shared organizational value.

Establishing a Culture of Control and Accountability

- **Clarify Roles and Delegation:** Clearly define and communicate lines of authority and accountability and decision-making thresholds across departments. Reinforce internal controls as part of day-to-day expectations. Staff should understand who is responsible, what they are responsible for, and why internal controls matter in their daily work.
- **Institutionalize Training and Onboarding:** Institutionalize comprehensive annual training on ethics, financial management, procurement regulations, and grant compliance. Make this training a core part of both onboarding and ongoing staff expectations and professional development to reinforce a culture of responsibility.
- **Recruiting and Hiring Practices:** Implement or deepen formal background checks for all new hires, including leadership, to ensure the integrity of individuals entrusted with public funds and sensitive responsibilities.

Embedding Controls into Processes and Systems

- **Policy Alignment with Practice:** Undertake a full review of MATA's financial, procurement, and grant policies and revise them to align with current systems and practices. Policies should be living documents that are regularly updated, communicated, and consistently enforced.
- **ERP-Driven Compliance:** Leverage the full capabilities of the Munis ERP system to automate controls, such as approval workflows, budget checks, and document retention triggers. Embedding rules into systems reduces risk and supports consistent execution and application of policies.
- **Centralized and Secure Documentation:** Implement a centralized digital repository for documentation supporting financial transactions (e.g., contracts and other procurement records, purchase orders, and invoices). Define and enforce a standardized document retention schedule that accounts for federal and grant-specific requirements (e.g., retain for at least 3 years post-closeout).

Enabling Strong Financial Oversight

- **Budget Ownership at All Levels:** Re-establish a formal budgeting process that involves departments in planning and monitoring. Require monthly departmental reviews of actual spend against budget to hold leaders accountable for budget adherence. Ensure budget oversight resides with the Finance team as a whole and budget visibility is maintained across the MATA organization for transparency (not siloed to certain individuals).
- **Transaction-Level Controls:** Require documented business purpose and pre-approval for all expenditures, including "micro-purchases" and corporate credit card usage. Enforce budget checks at the purchase request stage, ensuring requests are tied to specific budget lines to ensure spending aligns with MATA's approved priorities and funding sources.
- **Data-Driven Monitoring:** Conduct quarterly reviews to monitor spending patterns and identify potential waste or control lapses. These reviews should include receipt to invoice validation and trend analysis of financial data, and inform continuous improvement to policies, procedures and controls.
- **Major Technology Investments:** Establish a cross-functional process (i.e., involving IT and other impacted departments) to evaluate technology investments and upgrades. Require documentation of business need and total investment cost for all technology purchases. Prevent duplicate or ineffective technology purchases by confirming compatibility with existing systems prior to contracting.

Recommendations (continued)

Establishing a strong internal control environment is foundational to MATA's long-term operational effectiveness, fiscal responsibility, and public trust. The internal control environment is not merely a collection of procedures—it is the culture, structure, and accountability framework that supports sound decision-making at all levels of the organization. These recommendations are not isolated process improvements—they represent an integrated approach to establishing control as a shared organizational value.

Enhancing Grant Management Discipline

- **Improve Oversight of Grant-Funded Assets and Cost Eligibility:** Implement a structured approach to monitor the use and deployment of grant-funded assets, ensuring they are used as intended and remain in compliance with grant requirements. Clearly define eligible costs during the grant planning phase to reduce ambiguity and ensure consistent application across departments. Standardize how grant expenditures are documented at the time of transaction initiation (i.e., requisitions and bid process) to confirm that all expenses charged to grants are allowable, eligible, and properly documented prior to billing, minimizing risk of noncompliance or funding clawbacks.
- **Systematize Grant Tracking:** Transition from manual grant tracking and oversight to structured, project-based accounting modules within the ERP. This allows for better understanding of actual expenditures, prevents overspending by funding source, and supports audit readiness.
- **Reconcile with Grantor Records:** Conduct monthly reconciliations between internal records and state/federal grant systems to prevent drawdown errors and ensure compliance with funding terms.
- **Clarify Trolley Asset Oversight:** Engage the FTA to resolve any outstanding compliance questions related to federally funded trolley infrastructure and to determine the appropriate future path for those operations.

Reinforcing Procurement Integrity

- **Standardize Pre-Award Protocols:** Require consistent use of Independent Cost Estimates (ICEs), vendor selection documentation, and price justification for all procurements. Establish escalation procedures for emergency purchases and enforce their use.
- **Enhance Training & Awareness:** Provide targeted training on procurement policy, workflows and expectations to MATA staff annually. Create a user-friendly procurement manual with visual workflows and FAQs.
- **Prohibit Off-Process Transactions:** Reaffirm that no purchase should occur outside the defined procurement lifecycle. Financial commitments must be preceded by documented approvals and procedures. Ensure procurements are done in accordance with Uniform Grant Guidance (UGG) as applicable. Conduct spot audits of procurement records for documentation compliance.
- **Integrate Procurement Systems:** Strengthen system integration between Trapeze and Munis to promote end-to-end transparency in the procurement process and support a seamless eProcurement environment.

Fostering External Partnership and Oversight

- **City Collaboration:** Develop a joint implementation plan with the City of Memphis to operationalize these recommendations. Schedule regular check-ins to review progress, ensure alignment, and build shared accountability.
- **Enhanced Financial Oversight by the City:** In the near term, recommend that the City conduct quarterly budget-to-actual reviews to provide independent oversight, support fiscal discipline, and assist in building MATA's internal capacity.

Thank you

May 2025

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Appendix

Documentation Requested for Risk-Based Transaction Testing

Below is a list of the documentation PwC requested from MATA as part of Phase 2's transaction testing. For each check payment, wire payment, and AMEX payment selected, PwC requested:

Financial

- Purchase Order
- Invoice(s) with department approval(s) and payment request(s) prior to payment
- Proof of payment (e.g., Check Stubs / Wire Confirmation demonstrating payment, along with the payment run detail if multiple invoices were paid together to reconcile to checks/wires and bank statement)
- Bank Statement showing the disbursement from MATA's account

Grant

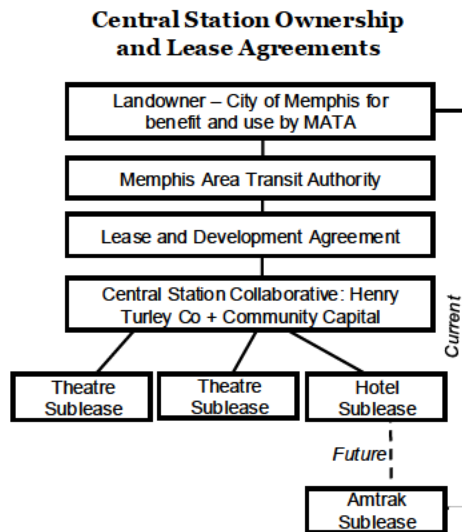
- Relevant grant award details (if applicable)
- Grant spreadsheets (if applicable)
- Required grant reporting

Procurement

- Executed Contract
- Procurement's cost/price analysis
- Procurement's selection & evaluation criteria

Central Station Ownership and Lease Agreement Diagram

Below is a diagram of the Central Station ownership and lease agreements in an undated document provided by MATA.



Ownership and lease agreement structure based on a found internal MATA document. It is unclear if and when ownership and lease agreement structures have changed.

Scope per PwC's Engagement Letter with the City of Memphis (1 of 2)

Pursuant to the Parties' contract for forensic accounting support services Agreement, which is incorporated herein by reference, Consultant will perform the following forensic analysis activities covering cash flows and transactions between January 1, 2019 and June 30, 2024 ("the Scope Period"), for the purpose of reviewing Memphis Area Transit Authority's financial condition and its capacity to provide transit services consistent with Transit Vision Plan adopted by the City of Memphis:

Phase 1: Scoping (2 to 3 weeks)

1. Consultant will conduct up to 12 interviews and walkthroughs with current Client and Memphis Area Transit Authority ("MATA") personnel (or professional advisors and subcontractors) to enhance Consultant's understanding of MATA's operations and how funds were allocated, spent, and accounted for during the Scope Period.
2. Consultant will perform a review of information pertaining to the Scope Period provided by Client and MATA, including but not limited to, audited financial statements, budgets, contracts and mandates outlining conditions and requirements on the use of relevant funding sources (e.g., City, federal, state), and mandated audits and performance audits.

Phase 2: Targeted Analysis (6 to 8 weeks)

1. Consultant will perform data analysis on MATA datasets including, but not limited to, expenditures and disbursements listings and general ledger extracts, to assess the disbursement of funds by expense category (e.g., payroll, vendors) to assess how funds were allocated, spent and accounted for during the Scope Period. The data analysis will be separated into two tranches and include select analytics across each tranche to identify trends, patterns, and anomalies within the data.
 - a) Funds allocated from Client to MATA.
 - b) Funds allocated from other governmental sources (e.g., federal, state) to MATA.
2. Based on the analytics performed, Consultant will select a risk-based sample of up to 100 MATA expenditure transactions from the Scope Period and analyze supporting documentation provided by Client and MATA to test for improprieties or potential issues with the use of funds, business purpose, approval, and/or controls (e.g., contracts/agreements, invoice and payment review, fair market value (FMV), contracted amounts vs. paid actuals, budgeted amount vs. Actuals).

Scope per PwC's Engagement Letter with the City of Memphis (2 of 2)

3. Assess documentation of key processes and controls for Client and MATA, including but not limited to the:
 - a) Contractual relationship between Client and MATA
 - b) MATA's budget process and associated assumptions;
 - c) Process of transferring funds between Client and MATA;
 - d) Various funding mechanisms of MATA (e.g., City, federal, state);
 - e) Monitoring controls in place by the Client and/or MATA to ensure the proper usage of funds; and
 - f) Requirements and conditions of how allocated funds are mandated to be spent from other governmental sources (e.g., City, federal, state).
4. Analyze the monitoring controls in place by Client for funds allocated to MATA (e.g., reporting and documentation, audits) and consider enhancements for improvement.
5. Based on the information received from Client and MATA and further informed by the findings of the transaction and document analysis, as needed, conduct up to 3 additional interviews with relevant Client and MATA employees to discuss the factual accuracy of potential issues or findings.

Phase 3 Reporting (2 weeks)

1. In an agreed upon format with the Client, Consultant will provide an executive summary (typically less than 20 pages) written report at the end of the analysis that would typically include:
 - a) Factual observations, and
 - b) Recommended control enhancement opportunities for Client's consideration