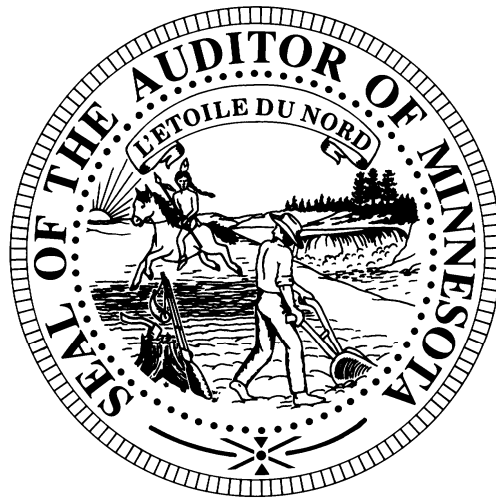


STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

METROPOLITAN COUNCIL
METRO TRANSIT
TWIN CITIES AREA, MINNESOTA

AGREED-UPON PROCEDURES

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**METROPOLITAN COUNCIL
METRO TRANSIT
TWIN CITIES AREA, MINNESOTA**

Year Ended December 31, 2016



Agreed-Upon Procedures

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Metro Transit
Twin Cities Area, Minnesota

Federal Transit Administration

We have applied the procedures, as described below, to the financial data and the Federal Funding Allocation Data included in Metro Transit's National Transit Database (NTD) report for the year ended December 31, 2016. Such procedures, which were agreed to and specified by the Federal Transit Administration (FTA) in Exhibit 65 of the *2016 Policy Manual* and were agreed to by Metro Transit, were applied solely to assist in evaluating whether the financial and non-financial data supporting and included in the NTD report and reported for the Federal Funding Allocation Data for the year ended December 31, 2016, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in Title 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 Policy Manual*.

We have also inspected the Sources of Funds - Funds Expended and Funds Earned form, the Uses of Capital form, the Operating Expenses forms, the Operating Expenses Summary form, and the Statement of Finances form included in the NTD report for the year ended December 31, 2016, required under Title 49 U.S.C. § 5335(a), for conformity, in all material respects, with the FTA requirements as set forth in the NTD *Uniform System of Accounts*.

Metro Transit's management is responsible for the policies, practices, and related financial and non-financial data supporting and included in the NTD report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures performed, as identified in the Federal Transit Administration's Exhibit 65 of the *2016 Policy Manual*, is solely the responsibility of the specified parties. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

The procedures described in this report were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled, fixed guideway and High Intensity Busway directional route miles, commencement date of revenue service, and operating expenses of Metro Transit's directly operated service motorbus and light rail modes and Metro Transit's purchased transportation service for the commuter rail mode for the year ended December 31, 2016.

The procedures performed and findings are as follows:

1. We read the Federal Transit Administration *2016 Policy Manual* (Policy Manual), in particular Exhibit 65, "Federal Funding Allocation Data Review Suggested Procedures."

The Policy Manual describes the following standards established by the FTA regarding the data reported in the Federal Funding Allocation Statistics forms of Metro Transit's National Transit Database report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured, and no systematic errors exist.
 - A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
 - Source documents are available to support the reported data and will be maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
 - A system of internal control is in place to ensure the data collection process is accurate and that the recording system and reported documents are not altered. Documents are reviewed and signed by a supervisor as required.
 - The data collection methods are those suggested by the FTA or meet FTA requirements.
 - The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
 - Data are consistent with prior reporting periods and other facts known about transit agency operations.
2. We applied specific procedures tailored to Metro Transit, listed as Procedures 3 through 28 of this report, based on the FTA's suggested procedures for the Federal Funding Allocation Data Review as set forth in the *2016 Policy Manual*.

3. We discussed with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data the procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 Policy Manual* (Policy Manual, Federal Funding Allocation Test *a*).
4. We discussed with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data the procedures referenced in Procedure 3 above. We inquired whether Metro Transit followed such procedures on a continuous basis and whether it believed such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 Policy Manual*. We were informed that, to the best of its knowledge, Metro Transit has followed such procedures on a continuous basis and that the procedures result in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 Policy Manual* (Policy Manual, Federal Funding Allocation Test *b*).
5. Personnel assigned the responsibility of supervising the preparation and maintenance of NTD data were asked about the retention policy followed by Metro Transit with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics forms. We were informed that source documents are retained for at least three years following the FTA's acknowledged receipt of the NTD report (Policy Manual, Federal Funding Allocation Test *c*).
6. Based on a description of Metro Transit's procedures obtained in Procedures 3 and 4 above, the following source documents were identified that will be retained by Metro Transit for a minimum of three years:
 - general ledger support,
 - accounts payable voucher support,
 - fare revenue support,
 - vehicle mileage reports (revenue and service miles),
 - vehicle hours reports (revenue and service hours),
 - passenger miles traveled support,
 - fixed guideway support,
 - transit system maps,
 - published timetables/schedules,
 - bus stop templates,
 - driver exception reports,
 - trip sheets,
 - run guides, and
 - timecards/time sheets.

The sample months of February, July, and October were haphazardly selected for the year ended December 31, 2016, and we observed that each type of source document exists for each of these periods (Policy Manual, Federal Funding Allocation Test *d*).

7. We discussed the system of internal controls with Metro Transit's staff. We inquired as to whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness, and how often such reviews are performed. We were informed that individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness on a regular basis (Policy Manual, Federal Funding Allocation Test *e*).
8. For the sample months of February, July, and October 2016, we haphazardly selected a sample of Metro Transit's source documents and ascertained that supervisors' signatures were present as required by a system of internal controls. We inquired how supervisory reviews are documented when supervisors' signatures are not required, and were informed that providing upper management with the data is Metro Transit's determination that the data has been reviewed and approved (Policy Manual, Federal Funding Allocation Test *f*).
9. We obtained from staff the worksheets utilized by Metro Transit to prepare the final data that are transcribed on the Federal Funding Allocation Statistics forms. We compared the periodic data included on the worksheets to the periodic summaries prepared by Metro Transit and proved the arithmetical accuracy of the summarizations.

We determined the amounts used on the FFA-10 Federal Funding Allocation Statistics form for motorbus directly operated did not tie to the support for vehicle revenue miles. These errors were subsequently corrected by Metro Transit prior to final submission (Policy Manual, Federal Funding Allocation Test *g*).

10. We discussed with Metro Transit's staff the procedure for accumulating and recording passenger miles traveled data in accordance with NTD requirements. We were informed that Metro Transit uses alternative statistical sampling procedures for both its motorbus and light rail modes, and the procedures used are designed to estimate passenger miles traveled based on statistical sampling meeting the FTA's 95 percent confidence and 10 percent precision requirements. A qualified statistician has determined in writing that the procedures meet the FTA's statistical requirements. We were informed that Metro Transit uses a 100 percent count of actual passenger miles traveled for its commuter rail mode (Policy Manual, Federal Funding Allocation Test *h*).
11. We discussed with staff the eligibility of Metro Transit to conduct statistical sampling for passenger miles traveled data every third year. We were informed that Metro Transit is not eligible to conduct statistical sampling for passenger miles traveled data every third year because it does not meet any of the three criteria necessary to qualify for such treatment. For

the current report year, Metro Transit estimated annual passenger miles traveled for motorbus mode by multiplying the number of local service passengers by the average local service trip length and by multiplying the number of express service passengers by the average express service trip length. Metro Transit estimated annual passenger miles traveled for light rail mode by multiplying average trip length by the number of trips run for the year. Metro Transit uses a 100 percent count of actual passenger miles traveled for its commuter rail mode (Policy Manual, Federal Funding Allocation Test *i*).

12. For both the motorbus and light rail modes, we obtained from staff a description of the sampling procedures for the estimation of passenger miles traveled data used by Metro Transit and a copy of Metro Transit's working papers used to select the actual sample of runs for recording passenger miles traveled data. We confirmed that average trip length was used for both modes, and we determined that the universe of runs was used as the sampling frames.

We inquired of the methodologies used to randomly select specific runs from the total population of runs and concluded that the methodologies resulted in a random selection of runs. We inquired of the procedures used to replace a missed sample run with a randomly selected replacement sample run and concluded that the replacement run was randomly selected. Metro Transit followed the stated sampling procedures for motorbus and light rail modes.

Metro Transit uses a 100 percent count of actual passenger miles traveled for its commuter rail mode. We obtained from staff a description of the procedures and the working papers used to compile passenger miles traveled data. Metro Transit followed the stated procedures for commuter rail mode (Policy Manual, Federal Funding Allocation Test *j*).

13. We selected samples of the source documents for accumulating motorbus, light rail, and commuter rail mode passenger miles traveled data to determine that the data are complete and the computations are accurate. A random number generator was used to select the samples for motorbus and light rail modes. The sample sizes selected were 13 and 21, respectively. For commuter rail mode, the sample months of April and November were haphazardly selected. We identified one error in a spreadsheet used to compile passenger miles traveled for light rail mode. The amount computed for passenger miles traveled was understated. This error was not corrected by Metro Transit as the effect was determined to be insignificant. Metro Transit does not accumulate passenger miles traveled data into accumulation periods (Policy Manual, Federal Funding Allocation Test *k*).
14. We discussed with staff the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles. We were informed that Metro Transit does not operate charter, school bus, or other ineligible services (Policy Manual, Federal Funding Allocation Test *l*).
15. We discussed with Metro Transit's staff the procedures for collecting and recording vehicle revenue miles data. We were informed that Metro Transit calculates vehicle revenue miles by multiplying total fleet service miles, which includes total scheduled and unscheduled

service without missed trips, by a system ratio of scheduled miles to scheduled revenue miles for its motorbus, light rail, and commuter rail modes. To determine that deadhead miles are excluded from vehicle revenue miles data, we traced recorded miles used in the system ratio to computer mileage printout sheets and confirmed that deadhead miles were not included in the scheduled revenue miles. To determine that missed trips were confirmed from vehicle revenue miles data, we recomputed daily total missed trips and determined that missed trips were excluded from the calculation. We also recalculated for mathematical accuracy. We noted no exceptions (Policy Manual, Federal Funding Allocation Test *m*).

16. We inquired of Metro Transit personnel and determined that Metro Transit uses locomotives in its commuter rail mode. We inspected Metro Transit's working papers used to compile actual vehicle revenue miles and observed that locomotive miles are not included in the computation. We inquired of Metro Transit personnel and determined that Metro Transit does not use locomotives in its light rail mode (Policy Manual, Federal Funding Allocation Test *n*).
17. We discussed with the personnel responsible for maintaining and reporting NTD data the procedures for accumulating and reporting fixed guideway or High Intensity Busway directional route miles. We were informed that Metro Transit's operations meet the FTA's definition of fixed guideway or High Intensity Busway service. As such, the service is light rail, commuter rail, and motorbus service operating over exclusive or controlled access rights-of-way where (1) access is restricted; (2) there is a legitimate need for restricted access as demonstrated by peak period level of service D or worse on the parallel adjacent highways; (3) restricted access is enforced for freeways, and priority lanes used by other high occupancy vehicles (HOV) demonstrate safe operation; and (4) high occupancy/toll (HO/T) lanes meet Federal Highway Administration requirements for traffic flow and use of toll revenues.

We discussed with the personnel responsible for maintaining and reporting NTD data whether Metro Transit has provided to the NTD a copy of the state's certification to the U.S. Secretary of Transportation that it has established a program for monitoring, assessing, and reporting on the operation of the HOV facility with HO/T lanes. We were informed that the Minnesota Department of Transportation (MnDOT) sends quarterly reports/certifications to the Federal Highway Administration (FHWA) monitoring, assessing, and reporting the HOV facilities. We confirmed that the FHWA is receiving the required reports from MnDOT (Policy Manual, Federal Funding Allocation Test *o*).

18. We discussed with the personnel responsible for maintaining and reporting Metro Transit's NTD data the measurement of fixed guideway and High Intensity Busway directional route miles. We were informed that fixed guideway and High Intensity Busway directional route mileage is computed in accordance with the FTA's definitions of fixed guideway and High Intensity Busway directional route miles. We were informed that there were additions and deletions during the year in directional route miles; however, they were not able to be processed due to the timing of when they were submitted to NTD. We recomputed the

average monthly directional route miles and reconciled the total to the fixed guideway and High Intensity Busway directional route miles reported on the Federal Funding Allocation Statistics forms (Policy Manual, Federal Funding Allocation Test *p*).

19. We inquired of the personnel responsible for reporting Metro Transit's NTD data whether there were any temporary interruptions in transit service that occurred during the report year and if the interruptions were due to maintenance or rehabilitation improvements to a fixed guideway segment. We were informed that there were no interruptions in transit service that lasted more than 12 months, and the interruptions were not due to maintenance or rehabilitation improvements to a fixed guideway segment (Policy Manual, Federal Funding Allocation Test *q*).
20. We inquired of the personnel responsible for maintaining and reporting Metro Transit's NTD data about additions to fixed guideway or High Intensity Busway directional route miles. We were informed that there were no additions processed in 2016 and, thus, no measuring of directional route miles was necessary (Policy Manual, Federal Funding Allocation Test *r*).
21. We inquired of the personnel responsible for reporting Metro Transit's NTD data whether other public transit agencies operate service over the same fixed guideway or High Intensity Busway segments as Metro Transit. We were informed that the Metropolitan Council, University of Minnesota Transit, City of Plymouth, SouthWest Transit, and Minnesota Valley Transit Authority operate service over some of the same fixed guideway and High Intensity Busway segments. Metro Transit will claim all, except those the University of Minnesota Transit, City of Plymouth, SouthWest Transit, and Minnesota Valley Transit Authority operate over exclusively, or as otherwise directed by NTD, on its Federal Funding Allocation Statistics forms (Policy Manual, Federal Funding Allocation Test *s*).
22. We discussed with the personnel responsible for maintaining and reporting Metro Transit's NTD data the information reported on the Fixed Guideway/High Intensity Busway Segments form. We were informed that the commencement date is the date when revenue service began. We determined that Metro Transit correctly entered the required data on the Fixed Guideway/High Intensity Busway Segments form and that reported fixed guideway and High Intensity Busway segments are summarized by like characteristics (Reporting Manual, Federal Funding Allocation Test *t*).
23. We reconciled operating expenses as reported on the Operating Expenses Summary form to operating expense information in the Metropolitan Council's audited financial statements after taking into account adjusting items in accordance with the procedures discussed in the *2016 Policy Manual* (Policy Manual, Federal Funding Allocation Test *u*).
24. We inquired of the personnel responsible for reporting Metro Transit's NTD data about the amount of purchased transportation-generated fare revenues. We reconciled purchased transportation fare revenues as reported on the Contractual Relationship form to purchased

transportation fare revenues reported on the Sources of Funds - Funds Expended and Funds Earned form and to worksheets supporting these amounts (Policy Manual, Federal Funding Allocation Test v).

25. We inquired of staff whether Metro Transit's NTD report contains data for purchased transportation services and were informed that it does. Metro Transit provides the required data and, thus, does not rely on data provided by the purchased transportation provider. Therefore, an additional certification of the purchased transportation services Federal Funding Allocation data by an independent auditor is not required (Policy Manual, Federal Funding Allocation Test w).
26. We inspected the contract for purchased transportation services and read it to determine that the contract specifies the specific public transportation services to be provided; the monetary consideration obligated by Metro Transit for the service; the period covered by the contract and that this period is the same as, or a portion of, the period covered by Metro Transit's NTD report; and is signed by representatives of both parties to the contract. We noted no exceptions.

We inquired of staff regarding the retention of the executed contracts and determined that copies of the contracts are retained for a minimum of three years (Policy Manual, Federal Funding Allocation Test x).

27. We inquired of staff whether Metro Transit provides service in more than one urbanized area or an urbanized area and a non-urbanized area. We were informed that Metro Transit provides service to only one urbanized area (Policy Manual, Federal Funding Allocation Test y).
28. We compared the data reported on the Federal Funding Allocation Statistics forms for the year ended December 31, 2016, to comparable data for the year ended December 31, 2015, and calculated the percentage change from the prior year to the current year.

Actual vehicle revenue miles, passenger miles traveled, and operating expenses data for motorbus mode did not increase or decrease by more than ten percent. Fixed guideway directional route miles decreased by more than ten percent.

Actual vehicle revenue miles, passenger miles traveled, operating expenses data, and fixed guideway directional route miles data for light rail mode did not increase or decrease by more than ten percent.

Actual vehicle revenue miles, passenger miles traveled, operating expenses data, and fixed guideway directional route miles data for commuter rail mode did not increase or decrease by more than ten percent.

We inquired of Metro Transit regarding the specifics of operations that led to the changes in the data relative to the prior reporting period. The explanation of the changes appeared reasonable and consistent with other information we obtained in performing the procedures referred to in this report (Reporting Manual, Federal Funding Allocation Test z).

* * * *

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial and non-financial data supporting and included in the NTD report. Accordingly, we do not express such an opinion or conclusion. However, based on the items traced, the Sources of Funds - Funds Expended and Funds Earned form, the Uses of Capital form, the Operating Expenses forms, the Operating Expenses Summary form, and the Statement of Finances form conform, in all material respects, with the FTA requirements as set forth in the NTD *Uniform System of Accounts*. In connection with performing the agreed-upon procedures, except for the findings described earlier in this report, the information included in the NTD report on the Federal Funding Allocation Statistics forms for the year ended December 31, 2016, is presented, in all material respects, in conformity with the requirements of the FTA's *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in Title 49 Code of Federal Regulations Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 Policy Manual*. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Metro Transit and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 22, 2017