

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**METRO TRANSIT**  
**MINNEAPOLIS, MINNESOTA**

**AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

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**METRO TRANSIT  
MINNEAPOLIS, MINNESOTA**

**For the Year Ended December 31, 2004**



Agreed-Upon Procedures

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

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**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON  
STATE AUDITOR

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

Metro Transit  
Twin Cities Area, Minnesota

We have applied the procedures, as described below, to the data used for the Federal Funding Allocation Statistics forms included in Metro Transit's National Transit Database (NTD) report for the year ended December 31, 2004. Such procedures, which were agreed to and specified by the Federal Transit Administration (FTA) in the Declarations section of the *2004 Reporting Manual* and were agreed to by Metro Transit, were applied solely to assist in evaluating whether Metro Transit complied with the FTA standards. We have also reviewed the Sources of Funds - Funds Expended and Funds Earned form, the Uses of Capital form, and the Operating Expenses forms required under 49 U.S.C. § 5335(a) and included in the NTD report for conformity with the FTA requirements as set forth in the NTD *Uniform System of Accounts*. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

This report is intended solely for your information and that of the FTA in determining that the information included in the NTD report Federal Funding Allocation Statistics forms for the year ended December 31, 2004, conform in all material respects with the FTA requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 C.F.R. pt. 630, *Federal Register*, January 15, 1993, and as presented in the *2004 Reporting Manual* and is not intended to be, and should not be, used for any other purpose. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this 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 vehicle revenue miles, fixed guideway directional route miles, passenger miles, commencement date of revenue service, and operating expenses of Metro Transit's directly operated service motorbus and light rail modes for the year ended December 31, 2004.

The procedures performed and findings are as follows:

1. We read the Federal Transit Administration *2004 National Transit Database Reporting Manual* (Reporting Manual), in particular Exhibit 26, "Federal Funding Allocation Data Review - Suggested Procedures."

The Reporting Manual describes the following standards established by the FTA regarding the data reported in the Federal Funding Allocation Statistics forms of Metro Transit's NTD 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 are 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 controls is in place to ensure the accuracy of the data collection process and that the recording system and reported comments 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 27 of this report, based on the FTA's suggested procedures for the Federal Funding Allocation Data Review as set forth in the *2004 Reporting Manual*.
  3. We reviewed Metro Transit's procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in Title 49 C.F.R. pt. 630, *Federal Register*, January 15, 1993, and as presented in the *2004 Reporting Manual* (Reporting 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 49 C.F.R. pt. 630, *Federal Register*, January 15, 1993, and as presented in the *2004 Reporting 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 49 C.F.R. pt. 630, *Federal Register*, January 15, 1993, and as presented in the *2004 Reporting Manual* (Reporting 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 (Reporting Manual, Federal Funding Allocation Test *c*).
6. Based on a description of Metro Transit's procedures obtained in Procedures 3 and 4 above, we identified the following source documents 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 support
  - fixed guideway support
  - transit system maps
  - published timetables/schedules
  - bus stop templates
  - driver exception reports
  - trip sheets
  - timecards/time sheets
  - run guides
  - fuel reports
  - fleet inventory reports

We selected the months of July, August, and November for the year ended December 31, 2004, and observed that the appropriate source documents exist for these periods (Reporting 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 (Reporting Manual, Federal Funding Allocation Test *e*).
8. We selected a sample of Metro Transit's source documents and determined that supervisors' signatures or other evidence of independent review exists as required by a system of internal controls (Reporting Manual, Federal Funding Allocation Test *f*).
9. We obtained from staff the worksheets utilized by Metro Transit to prepare the final data 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 noted no exceptions (Reporting Manual, Federal Funding Allocation Test *g*).
10. We discussed with Metro Transit's staff the procedure for accumulating and recording passenger mile data in accordance with NTD requirements. We were informed that the procedures used are designed to estimate passenger miles based on statistical sampling meeting the FTA's 95 percent confidence and ten percent precision requirements. Metro Transit uses alternative statistical sampling procedures for both its bus and light rail modes. A qualified statistician has determined in writing that the procedures meet the FTA's statistical requirements (Reporting Manual, Federal Funding Allocation Test *h*).
11. We discussed with staff the eligibility of Metro Transit to conduct statistical sampling for passenger mile data every third year. We were informed that Metro Transit is not eligible to conduct statistical sampling for passenger mile 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 for bus 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 for light rail mode by multiplying average trip length by the number of trips run for the year (Reporting Manual, Federal Funding Allocation Test *i*).
12. For both the bus and light rail modes, we obtained from staff a description of the sampling procedures for the estimation of passenger mile 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 mile data. We noted that average trip length was used for both modes, and we determined that the universe of runs was used as the sampling frames. We reviewed the methodologies used to randomly select specific runs from the total population of runs and determined that the methodology resulted in a random selection of

runs. We reviewed the procedures used to replace a missed sample run with a randomly selected replacement sample run and determined that the replacement run was randomly selected. Metro Transit followed the stated sampling procedures, except as follows.

We were unable to determine that the selection process was random for one of the 19 bus runs and one of the five light rail runs selected for testing (Reporting Manual, Federal Funding Allocation Test *j*).

13. We selected a random sample of the source documents for accumulating bus and light rail mode passenger mile data. We determined that the data were complete and computations were accurate. Metro Transit does not accumulate passenger mile data into accumulation periods (Reporting 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 did not operate charter, school bus, or other ineligible service (Reporting Manual, Federal Funding Allocation Test *l*).
15. We discussed with Metro Transit's staff the procedures for collecting and recording vehicle revenue mile data. We were informed that Metro Transit calculates vehicle revenue miles by multiplying total fleet service miles by a system ratio of scheduled miles to scheduled revenue miles for both its bus and light rail modes. To determine that deadhead miles are excluded from vehicle revenue mile data, we traced a sample of recorded miles used in the system ratio to computer mileage printout sheets and determined that deadhead miles were not included in the scheduled revenue miles. We also tested for mathematical accuracy. No exceptions were noted (Reporting Manual, Federal Funding Allocation Test *m*).
16. Based on inquiries of Metro Transit personnel, we were informed that Metro Transit does not use locomotives in its light rail mode, and thus, locomotive miles are not included in the computation for vehicle revenue miles (Reporting Manual, Federal Funding Allocation Test *n*).
17. We discussed with the personnel responsible for maintaining and reporting the NTD data Metro Transit's procedures for accumulating and reporting fixed guideway directional route miles. We were informed that Metro Transit's operation meets the FTA's definition of fixed guideway service. As such, the service is light rail and bus 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, and (3) restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles demonstrate safe operation (Reporting Manual, Federal Funding Allocation Test *o*).

18. We discussed with the personnel responsible for reporting the NTD data the measurement of fixed guideway directional route miles. We were informed that fixed guideway directional route mileage is computed in accordance with the FTA's definitions of fixed guideway and directional route miles. We were informed that service changes during the year resulted in an increase in directional route miles. We re-computed the average monthly directional route miles and the total agreed to the fixed guideway directional route miles reported on the Federal Funding Allocation Statistics forms (Reporting Manual, Federal Funding Allocation Test *p*).
19. We measured a sample of 2004 additions to fixed guideway directional route miles from maps and by retracing routes (Reporting Manual, Federal Funding Allocation Test *q*).
20. We inquired of the personnel responsible for reporting the NTD data whether other public transit agencies operate service over the same fixed guideway as Metro Transit. We were informed that the Metropolitan Council operates service over some of the same fixed guideways. Both Metro Transit and the Metropolitan Council identify all fixed guideway directional route miles they operate over. Metro Transit claims all, except those the Metropolitan Council operates over exclusively, on its Federal Funding Allocation Statistics form (Reporting Manual, Federal Funding Allocation Test *r*).
21. We discussed with the personnel responsible for maintaining and reporting the NTD data the information reported on the Transit Way Mileage 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 Segments form supporting the Transit Way Mileage form and that reported fixed guideways are summarized by like characteristics (Reporting Manual, Federal Funding Allocation Test *s*).
22. We compared operating expenses, taking into account reconciling items, as reported on the Federal Funding Allocation Statistics forms of the NTD report to preliminary operating expense information provided by Metro Transit for the audit. The financial statement audit is not yet complete, so we are unable to determine at this time whether there will be differences between the amounts reported on the Federal Funding Allocation Statistics forms and the final audited financial statements (Reporting Manual, Federal Funding Allocation Test *t*).
23. Metro Transit does not purchase transportation services from outside providers (Reporting Manual, Federal Funding Allocation Test *u*).
24. Metro Transit does not purchase transportation services from outside providers (Reporting Manual, Federal Funding Allocation Test *v*).
25. Metro Transit does not purchase transportation services from outside providers (Reporting Manual, Federal Funding Allocation Test *w*).

26. 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 (Reporting Manual, Federal Funding Allocation Test x).
27. We compared the data reported on the Federal Funding Allocation Statistics form for Metro Transit's motorbus mode for the year ended December 31, 2004, to comparable data for the year ended December 31, 2003, and calculated the percentage change from the prior year to the current year. Operating expense data did not increase or decrease by more than ten percent. Vehicle revenue miles and passenger miles both decreased by more than ten percent. Fixed guideway directional route data did not increase or decrease by more than one percent. We inquired of Metro Transit personnel regarding the specifics of operations that led to the decrease in the vehicle revenue miles and passenger miles 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.

We were unable to compare the data reported on the Federal Funding Allocation Statistics form for Metro Transit's light rail mode for the year ended December 31, 2004, to comparable data for the year ended December 31, 2003, because this was the first year of service for light rail (Reporting Manual, Federal Funding Allocation Test y).

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We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. However, for the items reviewed, the Sources of Funds - Funds Expended and Funds Earned form, the Uses of Capital form, and the Operating Expenses forms 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, 2004, 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 49 C.F.R. pt. 630, *Federal Register*, January 15, 1993, and as presented in the *2004 Reporting 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/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: April 13, 2005