

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

METROPOLITAN COUNCIL
METROPOLITAN TRANSPORTATION SERVICES
TWIN CITIES AREA, MINNESOTA

AGREED-UPON PROCEDURES

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 public pension funds; and

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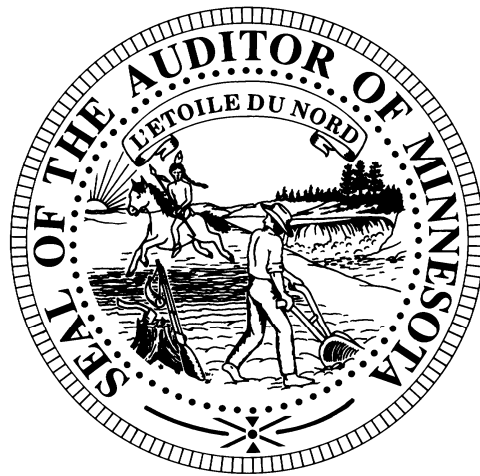
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

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**METROPOLITAN COUNCIL
METROPOLITAN TRANSPORTATION SERVICES
TWIN CITIES AREA, MINNESOTA**

Year Ended December 31, 2018



Agreed-Upon Procedures

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

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**METROPOLITAN COUNCIL
METROPOLITAN TRANSPORTATION SERVICES
TWIN CITIES AREA, MINNESOTA**

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JULIE BLAHA
STATE AUDITOR

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)

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FEDERAL FUNDING ALLOCATION DATA

Metropolitan Council
Twin Cities Area, Minnesota

Federal Transit Administration

We have applied the procedures, as described below, to the Federal Funding Allocation Data included in the Metropolitan Council's National Transit Database (NTD) report for the year ended December 31, 2018. Such procedures, which were agreed to and specified by the Federal Transit Administration (FTA) in Exhibit 79 of the *2018 NTD Policy Manual* and were agreed to by the Metropolitan Council, were applied solely to assist in evaluating whether the data supporting and included in the NTD report and reported for the Federal Funding Allocation Data for the year ended December 31, 2018, 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 *2018 NTD Policy Manual* based on the following assertions by the Metropolitan Council's management:

- 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 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 otherwise 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.

The Metropolitan Council's management is responsible for the policies, practices, and related 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 79 of the *2018 NTD 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 by mode and type of service to each of the information systems used to develop fixed guideway and high intensity busway directional route miles, actual vehicle revenue miles, passenger miles traveled, and operating expenses of the Metropolitan Council's purchased transportation service motor bus, demand response, and vanpool modes for the year ended December 31, 2018.

The agreed-upon procedures and associated findings are as follows:

1. We applied specific procedures tailored to the Metropolitan Council, listed as Procedures 2 through 27 of this report, based on the FTA's suggested procedures for the Federal Funding Allocation Data Review as set forth in the *2018 NTD Policy Manual*.
2. The procedures to be applied to each applicable mode and type of service, directly operated, and purchased transportation are: Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2018 NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

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 *2018 NTD Policy Manual* (Policy Manual, Federal Funding Allocation Test a).

3. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
 - The extent to which the transit agency followed the procedures on a continuous basis, and
 - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2018 NTD Policy Manual*.

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 NTD requirements. We inquired whether the Metropolitan Council followed such procedures on a continuous basis and whether it believed such 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 *2018 NTD Policy Manual*. We were informed that, to the best of its knowledge, the Metropolitan Council 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 *2018 NTD Policy Manual* (Policy Manual, Federal Funding Allocation Test *b*).

4. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form(s).

Personnel assigned the responsibility of supervising the preparation and maintenance of NTD data were asked about the retention policy followed by the Metropolitan Council 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*).

5. Based on a description of the transit agency's procedures from items (2) and (3) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Based on a description of the Metropolitan Council's procedures obtained in Procedures 2 and 3 above, the following source documents were identified that will be retained by the Metropolitan Council for a minimum of three years:

- general ledger support,
- invoices (passenger miles traveled support),
- ridership reports,
- vehicle mileage reports (revenue and service miles),
- vehicle hours reports (revenue and service hours),
- purchased transportation contracts, and
- fixed guideway segment support.

The sample months of April, July, and November were haphazardly selected for the year ended December 31, 2018, and we observed that each type of source document exists for each of these periods with one noted exception. For the van pool mode, data for the vehicle revenue hours was not maintained (Policy Manual, Federal Funding Allocation Test *d*).

6. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

We discussed the system of internal controls with the Metropolitan Council'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*).

7. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

For the sample months of April, July, and November 2018, we haphazardly selected a sample of one provider for each mode and ascertained that supervisors' signatures or other evidence of independent review were present as required by a system of internal controls (Policy Manual, Federal Funding Allocation Test *f*).

8. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form(s). Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

We obtained from staff the worksheets utilized by the Metropolitan Council 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 the Metropolitan Council and proved the arithmetical accuracy of the summarizations. We noted two exceptions. For vanpool mode, the summary information of passenger miles traveled, vehicle revenue miles, and operating expenses did not tie to source data. Additionally, the allocation of statistics between fixed guideway and non-fixed guideway on the motor bus Federal Funding Allocation Statistics form was not accurately calculated due to a calculation error of vehicle revenue miles. Both items identified were subsequently corrected by the Metropolitan Council (Policy Manual, Federal Funding Allocation Test g).

9. Discuss the procedure for accumulating and recording passenger miles traveled data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2018 NTD Policy Manual*.

We discussed with the Metropolitan Council's staff the procedure for accumulating and recording passenger miles traveled data in accordance with NTD requirements. We were informed that 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. For all modes, we were informed that the Metropolitan Council conducts a statistical sample for estimating passenger miles traveled based on procedures set forth in the sampling template/plan provided by NTD (Policy Manual, Federal Funding Allocation Test *h*).

10. Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for passenger miles traveled data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating passenger miles traveled data every third year rather than annually. Specifically:
 - According to the 2010 census, the public transit agency serves an urbanized area with a population less than 500,000.
 - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size urbanized area).
 - Service purchased from a seller is included in the transit agency's NTD report.
 - For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year and determine that statistical sampling was conducted and meets the 95 percent confidence and plus or minus 10 percent precision requirements.
 - Determine how the transit agency estimated annual passenger miles traveled for the current report year.

We discussed with staff the eligibility of the Metropolitan Council to conduct statistical sampling for passenger miles traveled data every third year. We were informed that the Metropolitan Council is eligible to conduct statistical sampling for passenger miles traveled data every third year because it directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size urbanized area).

For motor bus, demand response, and vanpool modes, the Metropolitan Council used FTA-approved sampling methods that met the 95 percent confidence and 10 percent precision requirements.

We inspected the NTD documentation for demand response, motor bus, and vanpool modes for the most recent sampling year (2017). For the current report year, the Metropolitan Council estimated annual passenger miles traveled for demand response, motor bus, and vanpool modes by using average trip length as determined in 2017 and multiplying it by actual unlinked passenger trips reported for 2018 (Policy Manual, Federal Funding Allocation Test *i*).

11. Obtain a description of the sampling procedure for estimation of passenger miles traveled data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording passenger miles traveled data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

We determined in Procedure 10 that the Metropolitan Council is eligible to conduct statistical sampling to estimate passenger miles traveled data every third year. We determined the extent the Metropolitan Council followed the stated sampling procedures for demand response, motor bus, and vanpool modes for the 2017 sampling year, which was the most recent sampling year. We obtained from staff a description of the sampling procedures for the estimation of passenger miles traveled data used by the Metropolitan Council and a copy of the Metropolitan Council'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 all modes, and we determined that the universe of runs was used as the sampling frame.

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 run and concluded that the replacement run was randomly selected. The Metropolitan Council followed the stated sampling procedures for its demand response, motor bus, and vanpool modes for the 2017 sampling year (Policy Manual, Federal Funding Allocation Test *j*).

12. Select a random sample of the source documents for accumulating passenger miles traveled data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

We determined in Procedure 10 that the Metropolitan Council is eligible to conduct statistical sampling to estimate passenger miles traveled data every third year. We determined the extent the Metropolitan Council followed the stated sampling procedures for demand response, motor bus, and vanpool modes in Procedure 11 for the 2017 sampling year, which was the most recent sampling year. We selected a sample for each mode using a random number generator. The sample sizes selected were 11 for vanpool, 26 for motor bus, and 16 for demand response.

We documented omissions and data entry errors in electronic spreadsheets used to compile passenger miles traveled data, as follows:

- The passenger count for one vanpool route was entered incorrectly on the spreadsheets used by the Metropolitan Council to accumulate sampling results, which resulted in the incorrect calculation of passenger miles traveled.
- Two motor bus routes were not included on the spreadsheets used by the Metropolitan Council to accumulate sampling results.
- Three demand response routes' odometer readings were entered incorrectly on the Sampling Results Spreadsheet, which resulted in incorrect calculation of miles traveled and passenger miles traveled.

All of these errors were corrected with the following results: passengers increased by one for vanpool mode and decreased by two for demand response mode (Policy Manual, Federal Funding Allocation Test *k*).

13. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

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 the Metropolitan Council does not operate charter, school bus, or other ineligible services (Policy Manual, Federal Funding Allocation Test *l*).

14. For actual vehicle revenue mile data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual vehicle revenue miles are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed vehicle revenue miles. Test the arithmetical accuracy of the summary.
- If actual vehicle revenue miles are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual vehicle revenue miles are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

We discussed with the Metropolitan Council's staff the procedures for collecting and recording vehicle revenue mile data. We were informed that the Metropolitan Council calculates motor bus mode vehicle revenue miles based on schedules. Adjustments are made for significant scheduling changes. Missed trips are reported by providers and monitored by the Metropolitan Council. We traced and compared total actual vehicle revenue miles and actual vehicle miles and checked for mathematical accuracy and found them to be correct.

We were informed that the demand response service providers use the Metropolitan Council's Trapeze scheduling software to set up and record their trips. The software schedules the trips, and actual information is entered based on driver-input data as the trip is run. Odometer readings are tracked when the driver pulls out of the garage, at the first pick up, at the last drop off, and at return to the garage. The Metropolitan Council uses Business Intelligence (reporting software) to summarize data from Trapeze. Both software systems exclude deadhead miles systematically. We haphazardly selected a sample of 25 demand response routes to recalculate and compare the revenue miles and deadhead miles to the run itinerary from Trapeze. We were able to observe odometer readings for first pick up through last drop off and to the garage each day as well as confirm that total miles for the day exceeded revenue miles.

We were informed that the Metropolitan Council calculates vanpool mode vehicle non-revenue (deadhead) miles on a trip-by-trip basis based on odometer readings. Each trip is recorded from home to work or work to home, which is all revenue miles. We recalculated vehicle revenue miles for all trips and determined that deadhead miles were excluded from vehicle revenue mile data (Policy Manual, Federal Funding Allocation Test *m*).

15. For rail modes, review the recording and accumulation sheets for actual vehicle revenue miles and determine that locomotive miles are not included in the computation.

We inquired of Metropolitan Council personnel and determined that the Metropolitan Council does not have rail modes. Thus, locomotive miles are not included in the computation for vehicle revenue miles (Policy Manual, Federal Funding Allocation Test *n*).

16. If fixed guideway or high intensity busway directional route miles are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of fixed guideway or high intensity busway in that the service is:

- Rail, trolleybus, ferryboat, or aerial tramway; or
- Bus (motor bus, commuter bus, or bus rapid transit) service operating over exclusive or controlled access rights-of-way; and
 - Access is restricted;
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway; and
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (i.e., vanpools, carpools) must demonstrate safe operation.

We discussed with the personnel responsible for maintaining and reporting the NTD data the procedures for accumulating and reporting fixed guideway and high intensity busway directional route miles. We were informed that the Metropolitan Council's purchased transportation motor bus operation meets the FTA's definition of fixed guideway or high intensity busway service. As such, the service is motor 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, and priority lanes used by other high occupancy vehicles (HOV) demonstrate safe operation (Policy Manual, Federal Funding Allocation Test *o*).

17. Discuss the measurement of fixed guideway and high intensity busway directional route miles with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of fixed guideway and high intensity busway and directional route miles. Inquire of any service changes during the year that resulted in an increase or decrease in directional route miles. If a service change resulted in a change in overall directional route miles, re-compute the average monthly directional route miles, and reconcile the total to the fixed guideway and high intensity busway directional route miles reported on the Federal Funding Allocation Statistics form(s).

We discussed with the personnel responsible for reporting 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 miles are computed in accordance with the FTA's definitions of fixed guideway directional route miles. In 2018, there were no service changes that resulted in an increase or decrease in directional route miles. We reconciled the total directional route miles to the total directional route miles reported on the Federal Funding Allocation Statistics form for motor bus. No exceptions were found (Policy Manual, Federal Funding Allocation Test *p*).

18. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a fixed guideway segment(s), the following apply:
 - Report directional route miles for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the fixed guideway and high intensity busway segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the fixed guideway and high intensity busway directional route miles lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the directional route miles.

We inquired of the personnel responsible for reporting the Metropolitan Council'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 or high intensity busway 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 or high intensity busway segment (Policy Manual, Federal Funding Allocation Test *q*).

19. Measure fixed guideway and high intensity busway directional route miles from maps or by retracing route.

We inquired of the personnel responsible for maintaining and reporting the Metropolitan Council's NTD data about additions to fixed guideway or high intensity busway directional route miles. We were informed the Metropolitan Council did not add any new segments for 2018, however, there were two segments added in 2017 that were not approved by NTD until 2018. At the time the segments were added, we recalculated the fixed guideway and high intensity additions and determined they were properly supported. We compared the 2017 reported segments to the 2018 reported segments to confirm the only change is the segment additions noted above (Policy Manual, Federal Funding Allocation Test *r*).

20. Discuss whether other public transit agencies operate service over the same fixed guideway and high intensity busway as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the directional route miles for the segment of fixed guideway and high intensity busway are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual vehicle revenue miles, passenger miles traveled, and operating expense for the service operated over the same fixed guideway and high intensity busway.

We inquired of the personnel responsible for reporting the Metropolitan Council's NTD data whether other public transit agencies operate service over the same fixed guideway and high intensity busway segments as the Metropolitan Council. We were informed that Metro Transit, University of Minnesota Transit, the City of Plymouth, SouthWest Transit, and the Minnesota Valley Transit Authority operate service over some of the same fixed guideway and high intensity busway segments. The Metropolitan Council identifies all segments over which it operates, but only claims those over which it exclusively operates (Policy Manual, Federal Funding Allocation Test s).

21. Review the fixed guideway and high intensity busway segments form. Discuss the agency revenue service start date for any segments added in the 2018 report year with the persons reporting NTD data. This is the commencement date of revenue service for each fixed guideway and high intensity busway segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the original date of revenue service if the transit agency is not the original operator. If a segment was added for the 2018 report year, the agency revenue service date must occur within the transit agency's 2018 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway and high intensity busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an agency revenue service start date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

We discussed with the personnel responsible for maintaining and reporting the Metropolitan Council's NTD data the information reported on the Fixed Guideway/High Intensity Busway Segments form. No segments were added in the 2018 report year; however, there were two segments added in 2017 that were not approved by the NTD until 2018. We were informed that the commencement date is the same date as when revenue service began. The Metropolitan Council reported fixed guideway and high intensity busway segments summarized by like characteristics (Policy Manual, Federal Funding Allocation Test t).

22. Compare operating expenses with audited financial data after reconciling items are removed.

We reconciled operating expenses as reported on the Federal Funding Allocation Statistics forms of the NTD report to operating expenses on the Metropolitan Council's audited financial statements after taking into account adjusting items in accordance with the procedures discussed in the *2018 NTD Policy Manual* (Policy Manual, Federal Funding Allocation Test *u*).

23. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation-generated fare revenues. The purchased transportation fare revenues should equal the amount reported on the Contractual Relationship form.

We inquired of the personnel responsible for reporting the Metropolitan Council's NTD data about the amount of purchased transportation 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*).

24. If the transit agency's report contains data for purchased transportation services and assurances of the data for those services are not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation Data regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the purchased transportation data.

We inquired of staff whether the Metropolitan Council's NTD report contained data for purchased transportation services and were informed that it does. The Metropolitan Council provides most of the required data and provides training/review of data that comes from purchased transportation providers. 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*).

25. If the transit agency purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

We inspected the contracts for purchased transportation services and read them to determine that the contracts specify the specific public transportation services to be provided; the monetary consideration obligated by the Metropolitan Council 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 the Metropolitan Council's NTD report; and are signed by representatives of both parties to the contract. No exceptions were found.

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).

26. If the transit agency provides service in more than one urbanized area, or between an urbanized area and a non-urbanized area, inquire of the procedures for allocation of statistics between urbanized areas and non-urbanized areas. Obtain and review the fixed guideway segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

We inquired of staff whether the Metropolitan Council provides service in more than one urbanized area (UZA) or an urbanized area and a non-urbanized area. We were informed that the Metropolitan Council provides service to one urbanized area and a non-urbanized area for its demand response mode. We inquired of staff about the procedures for allocation of statistics between the urbanized area and the non-urbanized area. We inspected the worksheets, route maps, and urbanized area boundaries used for allocating the statistics and determined that the stated procedure was followed. However, we noted two instances where the computation was not correct. For one month, the amount of non-urbanized area passengers was incorrectly entered into a spreadsheet (entered as 618 instead of 661). The Metropolitan Council opted not to change the data entry error. Second, statistics are being allocated between the urbanized area and non-urbanized area based on a ridership report that shows rides in the urbanized area and rides out of the urbanized area. However, the total rides on this report does not tie to the total rides reported in the NTD, and therefore, it is unknown if the allocation is accurate (Policy Manual, Federal Funding Allocation Test y).

27. Compare the data reported on the Federal Funding Allocation Statistics form(s) to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual vehicle revenue miles, passenger miles traveled or operating expenses data that have increased or decreased by more than 10 percent, or fixed guideway directional route mile data that have increased or decreased, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

We compared the data reported on the Federal Funding Allocation Statistics forms for the year ended December 31, 2018, to comparable data for the year ended December 31, 2017, and calculated the percentage change from the prior year to the current year.

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

Actual vehicle revenue miles for demand response mode did not increase or decrease by more than ten percent. Passenger miles traveled decreased by more than ten percent. Operating expenses increased by more than ten percent. Fixed guideway directional route data is not applicable to demand response mode.

Actual vehicle revenue miles, passenger miles traveled, and operating expenses for vanpool mode decreased by more than ten percent. Fixed guideway directional route data is not applicable to vanpool mode.

We inquired of the Metropolitan Council 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 (Policy 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. 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, 2018, 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 *2018 NTD 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 the Metropolitan Council and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 17, 2019



JULIE BLAHA
STATE AUDITOR

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)

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FINANCIAL DATA

Metropolitan Council
Twin Cities Area, Minnesota

Federal Transit Administration

We have applied the procedures, as described below, to the financial data included in the Metropolitan Council's National Transit Database (NTD) report for the year ended December 31, 2018. Such procedures, which were agreed to and specified by the Federal Transit Administration (FTA), in accordance with Title 49 U.S.C. §5335 (a) and the requirements set forth in the *Uniform System of Accounts* and the *2018 NTD Policy Manual* and were agreed to by the Metropolitan Council, were applied solely to assist the Metropolitan Council and the FTA in determining conformance with the *Uniform System of Accounts* requirements based on the following assertion by Metropolitan Council's management:

The accounting system from which the NTD reports for the year ended December 31, 2018, were derived, uses the accrual basis of accounting and is directly translated, using a clear audit trail, to the accounting treatment and categories specified by the *Uniform System of Accounts*.

The Metropolitan Council's management is responsible for the policies, practices, and conformance with the requirements described above. 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 *Uniform System of Accounts* and the *2018 NTD 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 agreed-upon procedures and associated findings are as follows:

1. NTD Crosswalk

- a. Obtain the following NTD Reporting Forms prepared by management for the year ended December 31, 2018:
 - NTD Form F-10, Sources of Funds – Funds Expended and Funds Earned (USOA Section 2)
 - NTD Form F-20, Uses of Capital (USOA Section 3)
 - NTD Form F-30, Operating Expenses (USOA Section 4, 5, and 6 and Appendix A)
 - NTD Form F-40, Operating Expenses Summary
 - NTD Form F-60, Financial Statement

We obtained NTD Form F-10, Sources of Funds – Funds Expended and Funds Earned; NTD Form F-20, Uses of Capital; NTD Form F-30, Operating Expenses; and NTD Form F-40, Operating Expenses Summary prepared by management for the year ended December 31, 2018. The NTD Form F-60, Financial Statement, is not applicable for the Metropolitan Council. The Metropolitan Council reports as a “Local Government” organization type, which is not one of the organization types specified in the *2018 NTD Policy Manual* required to report Form F-60 data.

- b. Obtain the reconciliation documentation management prepares (referred to as “the crosswalk” throughout this report) to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents such as Excel spreadsheets (collectively referred to as the accounting system) to the respective NTD Reporting Forms identified above.

We obtained the reconciliation documentation management prepared to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents to the respective NTD Reporting Forms identified above.

- c. Inquire of management as to whether the crosswalk obtained in procedure 1.b. is supported by the accounting system.

We inquired of management as to whether the crosswalk was supported by the accounting system. We were informed that the crosswalk linked the general ledger accounting strings with the NTD account numbers.

- d. For a transit agency that is part of a larger reporting entity, inquire of management as to whether the crosswalk includes the full cost of providing transit service, including costs incurred by the larger reporting entity to specifically support the agency’s transit service.

We inquired of management as to whether the crosswalk includes the full costs of providing transit service. We were informed that the crosswalk included accounting strings that are used for internal cost allocation, which account for costs incurred by the larger reporting entity to support transit services.

- e. Inspect the crosswalk to determine that it incorporates NTD reporting using the applicable modes and types of service identified in the bulleted list below:
- Sources of Funds, Form F-10 – Funding sources, passenger fares by mode and service type, passenger fares by passenger paid or by organization paid fares, revenue object class, and funds expended on operations and capital fund types
 - Uses of Capital, Form F-20 – Type of use, asset classifications, and modes and service types
 - Operating Expenses, Form F-30 – Modes, service types, object classes and functions
 - Operating Expenses Summary, Form F-40 – Expense reconciling items
 - Financial Statement, Form F-60 – Current assets, non-current assets, deferred outflows of resources, current liabilities, non-current liabilities, and deferred inflows of resources.

We inspected the crosswalk to determine that it incorporated NTD reporting using applicable modes and types of service for the above listed forms, except for Form F-60, Financial Statement, which is not applicable to the Metropolitan Council.

No exceptions were found as a result of the procedures performed, as noted above, related to the NTD Crosswalk.

2. Accrual Accounting

- a. Obtain the most recent audited financial statements that include the transit agency and inspect the notes to the financial statements to determine whether the accrual basis of accounting was used.

We obtained the most recent financial statements and determined that the accrual basis of accounting was used.

- b. Inquire of management as to whether the accrual basis of accounting has continued to be used since the last audited reporting period and that it is used for NTD reporting in the current period.

We inquired of management and were informed that the accrual basis of accounting has continued to be used since the last audited reporting period and is being used for NTD reporting in the current period.

- c. If the notes to the financial statements indicate that an accrual basis of accounting is not being used, or the results of the inquiry to management in procedure 2.b. indicate the accrual basis of accounting is not being used in the current period, inspect the crosswalk to determine that the transit agency made adjustments to convert to an accrual basis for NTD reporting.

The notes to the financial statements indicated that an accrual basis of accounting was being used and management indicated that the accrual basis of accounting is being used in the current period; therefore, this procedure is not applicable.

No exceptions were found as a result of the procedures performed, as noted above, related accrual accounting.

3. Specific Reporting Forms

A. Sources of Funds (Form F-10)

1. Trace and agree total sources of funds from Form F-10 to revenue reported in the accounting system using the crosswalk.

We traced and agreed the amounts on the Form F-10, Sources of Funds, to revenue reported in the accounting system utilizing the trial balance and crosswalk for the related fund.

2. Inspect the crosswalk for a written reconciliation between total revenues reported in the audited financial statements or the accounting system and the total revenues reported on Form F-10.

We inspected the crosswalk and found a written reconciliation between total revenues reported in the audited financial statements and the total revenues on the Form F-10, Sources of Funds. We inquired of management about the reasons for the reconciling items, and the explanations were reasonable and consistent with other information obtained.

3. Trace and agree the two largest directly generated fund passenger fare revenue modes (all service types) from Form F-10 to the accounting system.

The two largest directly generated passenger fare revenue modes are purchased transportation for both motor bus mode and demand response mode. We traced and agreed all fare revenue from Form F-10, Sources of Funds, to the accounting system using the crosswalk and trial balances provided.

4. Trace and agree the largest revenue object class (other than passenger fares) in the following major categories of funds from Form F-10 to the accounting system: (1) Local Government; (2) State Government; (3) Federal Funds; and (4) Other Directly Generated Funds (i.e., 4100 and 4200 combined).

We traced and agreed all revenue object classes from Form F-10, Sources of Funds, to the accounting system for the categories of Local Government, State Government, Federal Funds, and Other Directly Generated Funds.

5. Inspect the crosswalk to determine that it identifies, evaluates, and classifies financial transactions into categories of funds expended on operations and funds expended on capital (USOA Section 2) for the reporting year.

We inspected the crosswalk and determined that it identified, evaluated, and classified financial transactions into categories of funds expended on operations and funds expended on capital for the reporting year.

No exceptions were found as a result of the procedures performed, as noted above, related to the NTD Form F-10, Sources of Funds.

B. Uses of Capital (Form F-20)

1. Obtain accounting system documentation on capital asset additions for the reporting period.

We obtained documentation from the general ledger accounting system for capital outlay accounts to support the capital asset additions for the reporting period.

2. Trace and agree total uses of capital from Form F-20 to the crosswalk reconciliation of total capital asset additions.

We traced and agreed the total uses of capital from Form F-20, Uses of Capital, to the related capital asset additions in the general ledger.

3. Trace and agree types of use (existing service and expansion of service) from Form F-20 to the crosswalk or other supporting documentation reflecting the nature of the uses of capital.

We traced and agreed the type of use, which for the current year only related to existing service, from Form F-20, Uses of Capital, to supporting documentation.

4. Trace and agree asset classifications (guideway, revenue vehicles, etc.) from Form F-20 to the crosswalk or other documentation reflecting the asset classes of capital additions.

We traced and agreed the asset classifications from Form F-20, Uses of Capital, to the asset classes of capital additions identified in the crosswalk and other supporting documentation.

5. For the largest mode/service type, trace and agree the type of use classification and asset classification from Form F-20 to the crosswalk or other documentation reflecting the uses of capital.

The largest mode/service type was motor bus purchased transportation. We traced and agreed the type of use classification and asset classification for the purchased transportation motor bus mode, as well as the remaining modes/service types to supporting documentation.

We identified two amounts for demand response that were included as motor bus. Demand response revenue vehicle capital expenses were understated and motor bus revenue vehicle capital expenses were overstated by \$1,768,993. This was subsequently corrected by the Metropolitan Council.

6. If capital projects support multiple modes/types of services and/or asset classifications, inquire of management as to whether management reported the use of capital considering the predominant use rules as described in the “Predominant Use” section of the *2018 NTD Policy Manual*.

We inquired of management as to whether capital projects support multiple modes/types of services and/or asset classifications. We were informed that there were no capital projects that supported multiple modes, types of services, or asset classifications. As a result, the Metropolitan Council did not utilize the “Predominant Use” rules.

7. If capital projects involve:
 - 1) Rehabilitation/Reconstruction/Replacement/Improvement for Existing Service; and
 - 2) Expansion of Service;inquire of management as to whether project costs were allocated between the two project purposes and whether such allocation was documented in the crosswalk or other supporting documentation.

We inquired of management and were informed that capital projects did not involve both existing service and expansion of service. For the current year, all project costs related to existing service, and thus, no allocation between two project purposes was required.

Except as identified in Procedure 3.B.5., no other exceptions were found as a result of the procedures performed, as noted above, related to the NTD Form F-20, Uses of Capital.

C. Operating Expenses (Form F-30)

1. For the two largest modes/type of services, trace and agree functions (vehicle operations, vehicle maintenance, etc.) from Form F-30 to the crosswalk or other written documentation of functional expenses.

The two largest modes/types of service are purchased transportation motor bus mode and purchased transportation demand response mode. We traced and agreed functions for the two largest modes/type of services and the remaining modes/types of services from Form F-30, Operating Expenses, to the crosswalk.

For demand response mode, a data entry error resulted in the following: vehicle operations was understated by \$282,423; vehicle maintenance was overstated by \$334,746; facility maintenance was understated by \$9,941; and general administration was understated by \$42,382. This was subsequently corrected by the Metropolitan Council.

For motor bus mode, a data entry error resulted in the following: vehicle operations was overstated by \$393,564; vehicle maintenance was overstated by \$101,266; facility maintenance was understated by \$616,322; and general administration was overstated by \$121,492. This was subsequently corrected by the Metropolitan Council.

2. For the two largest modes/type of services, trace and agree object classes (natural expenses) from Form F-30 to the crosswalk or other written documentation of object class categories.

The two largest modes/types of service are purchased transportation motor bus mode and purchased transportation demand response mode. We traced and agreed object classes from Form F-30, Operating Expenses, for all modes/types of services to the general ledger using the crosswalk.

3. If management allocated shared operating expenses, inquire of management as to whether (1) the operating expenses are split between direct and shared costs; (2) shared costs were allocated across modes, services types, and functions; (3) the allocation was documented in the crosswalk or other supporting documentation; and (4) the driving variables used are updated annually.

We inquired of management and were informed that management allocated shared operating expenses. The (1) shared operating expenses were split between direct and shared costs; (2) shared costs were allocated across modes, services types, and functions; (3) the allocation was documented in the crosswalk; and (4) the driving variables used were updated for 2018.

Except as identified in Procedure 3.C.1., no other exceptions were found as a result of the procedures performed, as noted above, related to the NTD Form F-30, Operating Expenses.

D. Operating Expenses Summary (Form F-40)

1. Obtain total expenses from the accounting system for the reporting period. Trace and agree total expenses from Form F-40 to the accounting system using the crosswalk.

We traced and agreed total expenses from Form F-40, Operating Expense Summary, to the accounting system utilizing the trial balances and crosswalk for the related funds.

2. Trace and agree the reconciling items appearing on Form F-40 through the crosswalk to the accounting system.

We traced and agreed total expenses from Form F-40 to the accounting system utilizing the trial balances and crosswalk for the related funds.

No exceptions were found as a result of the procedures performed, as noted above, related to the NTD Form F-40, Operating Expenses Summary.

E. Financial Statement (Form F-60)

1. Trace and agree (1) Current Assets; (2) Non-Current Assets; (3) Deferred Outflows of Resources; (4) Current Liabilities; (5) Non-Current Liabilities; and (6) Deferred Inflows of Resources appearing on Form F-60 to the crosswalk or other supporting documentation.

We inquired of the Metropolitan Council staff regarding Form F-60, Financial Statement, and were informed that, in conformity with the *2018 NTD Policy Manual*, this reporting form is not required to be completed by the Metropolitan Council based on its organization type.

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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 data supporting and included in the NTD report. Accordingly, we do not express such an opinion or conclusion.

In connection with performing the agreed-upon procedures, the information as detailed in these procedures included in the NTD report for the year ended December 31, 2018, is presented, in all material respects, in conformity with the requirements set forth in the *Uniform System of Accounts* and the *2018 NTD 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 the Metropolitan Council and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
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June 17, 2019