

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR THE METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

YEAR ENDED DECEMBER 31, 2011

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 160 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 730 public pension funds; and

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

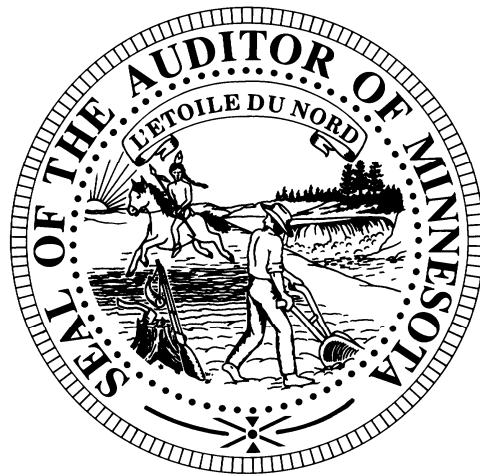
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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 OF
THE TWIN CITIES AREA**

Year Ended December 31, 2011



Management and Compliance Report

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

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Federal Transit Cluster	
Federal Transit Capital Investment Grants	CFDA #20.500
Federal Transit Formula Grants	CFDA #20.507
Federal Transit Formula Grants - ARRA	CFDA #20.507
Metropolitan Transportation Planning	CFDA #20.505
Formula Grants for Other than Urbanized Areas Cluster	
Formula Grants for Other than Urbanized Areas	CFDA #20.509
Formula Grants for Other than Urbanized Areas - ARRA	CFDA #20.509

The threshold for distinguishing between Types A and B programs was \$3,000,000.

The Metropolitan Council qualified as low-risk auditee? **No**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

10-1 **Subrecipient Monitoring**

Programs: Federal Transit Cluster (CFDA Nos. 20.500 and 20.507)

Criteria: OMB Circular A-133, Subpart D, § .400(d), identifies responsibilities for pass-through entities that provide federal awards to subrecipients. Included in these responsibilities are: (1) at the time of the award, identifying to the subrecipient the federal award information including the CFDA title and number, award name and number, award year, name of federal agency, and applicable compliance requirements; (2) monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers the federal award in compliance with federal requirements; and (3) ensuring that required audits are performed, if applicable, and requiring the subrecipient to take prompt corrective action on any audit findings.

Condition: The Metropolitan Council passed Federal Transit Cluster funding through to subrecipients including, cities, counties, and other local units of government. The Council has a manual in place that provides guidance to staff and subrecipients regarding subrecipient monitoring and compliance. Council staff is currently revising this manual to ensure all aspects of monitoring requirements are addressed. However, the Council was unable to provide us with documentation that all necessary monitoring procedures were being applied consistently. For example, we noted one instance in Metropolitan Transportation Services (MTS) where the subrecipient did not have a Circular A-133 audit performed, and MTS performed no additional procedures to ensure the entity complied with applicable compliance requirements. Also, in Metro Transit, we noted two instances where Circular A-133 audits were performed on subrecipients but the reports were not reviewed by Metro Transit staff.

Questioned Costs: None.

Context: Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipients to review financial and programmatic records and observe operations, reviewing the subrecipient's single audit or program specific audit results, and evaluating audit findings and the subrecipient's corrective action plan.

Effect: The Council has no assurance that its subrecipients are administering federal awards in compliance with applicable federal requirements.

Cause: The Council did not have policies and procedures in place that addressed all of its responsibilities in relation to subrecipient monitoring.

Recommendation: We recommend the Council establish controls and revise written policies and procedures to ensure compliance with subrecipient monitoring requirements.

Corrective Action Plan:

Name of Contact Persons Responsible for Corrective Action:

- *Mary Bogie, Chief Financial Officer*
- *Ed Petrie, Director of Finance, Metro Transit*
- *Gerri Sutton, Assistant Director, Metropolitan Transportation Services*

Corrective Action Planned:

- *Staff are updating the Managing Federally Funded Projects training manual to ensure all aspects of monitoring requirements are addressed. Metro Transit has created and implemented a Subrecipient Grants Checklist for monitoring all active subrecipient grants. The checklist contains information about the grant (i.e. CFDA #, start and end date, subrecipient name, amount of federal funds, project manager, project number, and project name) and provides a checklist for completion of subrecipient monitoring activities including review of annual audits, review of annual management letter, certifications and assurances, signed agreement on file, meeting minutes, and quarterly FTA reporting. The checklist is to be maintained and reviewed quarterly by the Metro Transit Grants Office and Finance.*
- *Additionally, Metro Transit has instituted a pre-grant meeting with the Metro Transit Grants Office, Finance, and respective project managers, the purpose of which is to discuss upcoming grants, determine whether a subrecipient relationship exists, ensure the project manager and grantee understand reporting and monitoring requirements, and provide necessary training before the subrecipient grant agreement is signed.*

- *Council Program Evaluation and Audit researched “best practice” subrecipient monitoring practices and provided recommendations for improving Council processes. Primary recommendations focus on policies, training, and information systems providing appropriate internal controls over grants management functions. In addition to updating the Managing Federally Funded Projects training manual, we plan to develop structured Project Manager training sessions.*
- *In May 2012, the Council kicked off a Grants Management Information System project which when fully implemented should greatly aid in efforts to standardize tracking, monitoring, and reporting of Council subrecipient grantees. The project plan calls for a phased implementation beginning in April 2013.*

Anticipated Completion Date:

- *Managing Federally Funded Projects manual update, December 2012.*
- *Subrecipient Grants Tracking Checklists, Metro Transit, Completed; MTS 3rd Qtr 2012.*
- *Project Manager Structured Training, April 2013.*
- *Grants Management Information System, phased implementation beginning April 2013.*

ITEMS ARISING THIS YEAR

11-1 Cash Management

Programs: Highway Planning and Construction (CFDA No. 20.205) and Formula Grants for Other than Urbanized Areas Cluster (CFDA No. 20.509 and 20.509 - ARRA)

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs. The OMB Circular A-133 Compliance Supplement 2011, Part 3, C. Cash Management states that when entities are funded on a reimbursement basis, the costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

Condition: We reviewed a sample of expenditures charged to the indicated programs to ensure they were paid prior to the request for reimbursement and noted the following:

- Highway Planning and Construction - There were three separate projects funded by this grant at the Metropolitan Council, two of which were administered by MTS and one by Metro Transit. A sample of 40 charges to the program was selected for testing across all three projects. The results of our tests showed 11 instances where the request for reimbursement was made prior to the disbursement of funds; all of these occurred in the projects administered by MTS.
- Formula Grants for Other than Urbanized Areas Cluster - There are two separate projects funded by this grant at the Council: a capital-related American Recovery and Reinvestment Act (ARRA) portion for bus purchases and an operating portion related to services provided for non-urbanized areas. Both of these projects were administered by MTS. A sample of 16 charges to the program was selected for testing across both projects. The results of our tests showed two instances where the request for reimbursement was made prior to the disbursement of funds. Council staff acknowledged that this requirement was not being monitored for this program.

Questioned Costs: None.

Context: While the Council receives nearly all of these grant funds passed through the State of Minnesota, the federal compliance requirement that costs be paid prior to requesting reimbursement still applies.

Effect: Noncompliance with federal cash management requirements. Interest earned on the funds requested early may need to be returned to the appropriate agency.

Cause: Policies and procedures have not been established to adequately ensure that expenditures are paid prior to the request for reimbursement.

Recommendation: We recommend the Council establish and implement policies and procedures to provide reasonable assurance that expenditures are paid prior to the time the request for reimbursement occurs.

Corrective Action Plan:

Name of Contact Persons Responsible for Corrective Action:

- *Mary Bogie, Chief Financial Officer*
- *Gerri Sutton, Assistant Director, Metropolitan Transportation Services*
- *Amy Vennewitz, Deputy Director, Metropolitan Transportation Services*

Corrective Action Planned:

All Metropolitan Transportation Services federal reimbursement requests will be routed through Regional Administration-Finance to ensure compliance with timing of disbursements and reimbursement requests.

Anticipated Completion Date:

Completed.

11-2 Review of Federal Reporting Forms

Programs: Highway Planning and Construction (CFDA No. 20.205) and Metropolitan Transportation Planning (CFDA No. 20.505)

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

Condition: We obtained an understanding of the controls in place for the indicated programs through inquiries of Council staff. During these discussions, we found that there are no established policies and procedures in place to provide for a review of quarterly reports by someone other than the preparer. A review by a supervisor or other individual familiar with the program requirements ensures the data reported is accurate and complete.

There are three separate projects funded by the Highway Planning and Construction grant at the Metropolitan Council and one project funded by the Metropolitan Transportation Planning grant. Each of these projects is required to submit quarterly reports of activity. Different Council staff members at varying levels of experience and authority are given the responsibility of familiarizing themselves with the program requirements and preparing these quarterly reports.

For the Highway Planning and Construction grant, one quarterly report from each of the three related projects was reviewed for program compliance. For two of the three reports reviewed, one each from MTS and Metro Transit, we noted the report had not been reviewed at the Council by anyone other than the preparer. For the Metropolitan Transportation Planning grant, which is administered by MTS, we found that none of the quarterly reports had been reviewed by someone other than the preparer.

Questioned Costs: None.

Context: Because of the lack of a formal review process for these grants, we performed a more detailed examination of the quarterly reports to ensure the data reported was accurate and complete. No exceptions were noted.

Effect: The lack of a formal review process increases the risk that errors or omissions may occur and not be detected prior to report submission.

Cause: For the reports we tested, formal policies and procedures requiring reviews of reports prior to submission were not in place for MTS or Metro Transit. By the end of 2011, Metro Transit had implemented a review process.

Recommendation: We recommend the Council establish and implement policies and procedures to provide reasonable assurance that federal reports are subject to review by someone other than the preparer prior to submission.

Corrective Action Plan:

Name of Contact Persons Responsible for Corrective Action:

- *Mary Bogie, Chief Financial Officer*
- *Ed Petrie, Director of Finance, Metro Transit*
- *Gerri Sutton, Assistant Director, Metropolitan Transportation Services*
- *Amy Vennewitz, Deputy Director, Metropolitan Transportation Services*

Corrective Action Planned:

Metro Transit implemented a formal review process in the 4th quarter of 2011. Regional Administration-Finance will work with Metropolitan Transportation Services to implement a review process immediately.

Anticipated Completion Date:

June 2012.

11-3 Support for Federal Reporting Forms

Program: Formula Grants for Other than Urbanized Areas Cluster (CFDA No. 20.509 and 20.509 - ARRA)

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

Condition: There are two separate projects funded by this grant at the Council: a capital-related ARRA portion for bus purchases and an operating portion related to services provided for non-urbanized areas. We tested reports from both components of the grant and noted the following issues relating to the operating portion:

- Data entry errors resulted in three instances of incorrect revenue hours being included in the request for reimbursement.
- The monthly passenger trips (miles) reported for two vendors did not agree with the database or the invoices.

Questioned Costs: None.

Context: The reports require that the system used to track the data be manipulated to include only the services eligible under this award. This manual manipulation of the data makes the reports more prone to errors.

Effect: Reporting errors on program operating reports.

Cause: Human error by the preparer when manipulating data from the system.

Recommendation: We recommend the Council establish and implement policies and procedures to ensure that the manual manipulation of data from the system is applied consistently among vendors. We further recommend that a detailed review of the final data be performed prior to submission of the reports.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Gerri Sutton, Assistant Director, Metropolitan Transportation Services

Corrective Action Planned:

The monthly process has been revised in response to audit findings. Each month the Contractor invoice is compared with reports, generated by APEX, that summarize the Trapeze PASS system. If the invoice and reports match, the reports are printed, initialed and dated. If the invoice and reports do not match, the invoice is returned to the contractor for revision. Also, data entry errors will be eliminated by ensuring the reporting matrix, which includes revenue miles, hours, fares, eligible trips, etc. for reimbursement, is reviewed carefully prior to submitting to MnDOT. Matrix data is now being reviewed in conjunction with the invoice/APEX report reconciliation process prior to entering the data in the MnDOT Public Transit Application. Finally, the original Trapeze report data used to determine the eligible trips will be retained as well as the final, manipulated dataset.

Anticipated Completion Date:

Completed.

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REBECCA OTTO
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)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Council Members
Metropolitan Council of the Twin Cities Area

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council, a component unit of the State of Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 27, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Metropolitan Sports Facilities Commission, as described in our report on the Metropolitan Council's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the Metropolitan Council is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Metropolitan Council complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Metropolitan Council members, audit committee, management, others within the Metropolitan Council, and federal awarding agencies and pass-through entities 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 27, 2012

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REBECCA OTTO
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)

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Council Members
Metropolitan Council of the Twin Cities Area

Compliance

We have audited the Metropolitan Council's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Metropolitan Council's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

The Metropolitan Council's basic financial statements include the operations of the Metropolitan Sports Facilities Commission component unit, which expended no federal awards during the year ended December 31, 2011. Our audit, described below, did not include the operations of the Metropolitan Sports Facilities Commission because the Commission was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Metropolitan Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Metropolitan Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 10-1, 11-1, and 11-3.

Internal Control Over Compliance

Management of the Metropolitan Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10-1, 11-1, 11-2, and 11-3. A significant deficiency in internal control over compliance is a deficiency, or

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council, a component unit of the State of Minnesota, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012. We did not audit the financial statements of the Metropolitan Sports Facilities Commission component unit as of and for the year ended December 31, 2011. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the Metropolitan Council's financial statements that collectively comprise the Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The SEFA has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Metropolitan Council's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Council's corrective action plans and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Metropolitan Council members, audit committee, management and others within the Council, and federal awarding agencies and pass-through entities 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 27, 2012

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct			
Shelter Plus Care	14.238	MN0046C5K010802	\$ 154,498
Shelter Plus Care	14.238	MN0046C5K011003	530,080
Shelter Plus Care	14.238	MN0068C5K030802	48,908
Shelter Plus Care	14.238	MN0068C5K031003	153,936
Shelter Plus Care	14.238	MN46C400001	192,219
Shelter Plus Care	14.238	MN0010C5K000802	506,989
Shelter Plus Care	14.238	MN0010C5K001003	<u>1,018,969</u>
Total CFDA #14.238			\$ 2,605,599
Sustainable Communities Regional Planning Grant Program	14.703	MNRIP002310	<u>\$ 216,583</u>
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	<u>\$ 51,718,849</u>
Passed Through City of Minneapolis			
Housing Opportunities for Persons with AIDS	14.241	C-28344	\$ 314,230
Housing Opportunities for Persons with AIDS	14.241	C-32012	<u>138,666</u>
Total CFDA #14.241			\$ 452,896
Total U.S. Department of Housing and Urban Development			
			\$ 54,993,927
U.S. Department of the Interior			
Direct			
National Spatial Data Infrastructure Cooperative Agreements Program	15.809	G10AC00239	<u>\$ 11,928</u>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	<u>\$ 2,354</u>
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Highway Planning and Construction 2004 Urban Guarantee Section 133	20.205	MN-90-X201	<u>\$ 53,216</u>
Federal Transit Cluster			
Federal Transit Capital Investment Grants			
2000 Section 5309	20.500	MN-03-0066	\$ 1,783,078
2003 Section 5309	20.500	MN-03-0086	66,177
2003 - 2004 Section 5309	20.500	MN-03-0106	9,172
2004 - 2005 Section 5309	20.500	MN-03-0123	734,868
2005 Section 5309	20.500	MN-03-0126	63,038

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Federal Transit Cluster			
Federal Transit Capital Investment Grants (Continued)			
2006 Section 5309	20.500	MN-03-0200	51,454,768
2007 Section 5309	20.500	MN-04-0012	818,254
2006 Section 5309	20.500	MN-04-0015	78,999
2006 Section 5309	20.500	MN-04-0017	18,820
2006 Section 5309	20.500	MN-04-0018	2,761,956
2006 Section 5309	20.500	MN-05-0018	5,861,513
2007 - 2008 Section 5309	20.500	MN-04-0026	84,215
2008 - 2009 Section 5309	20.500	MN-04-0033	3,917,059
2007 - 2008 Section 5309	20.500	MN-05-0019	266,556
2011 Section 5309	20.500	MN-05-0020	465,715
Total CFDA #20.500			\$ 68,384,188
Federal Transit Cluster			
Federal Transit Formula Grants			
2002 Section 5307	20.507	MN-90-X177	\$ 81
2003 Section 5307	20.507	MN-90-X185	38,150
2002 - 2003 Section 5307	20.507	MN-90-X190	19,647
2003 Section 5307	20.507	MN-90-X204	13,974
2004 - 2005 Section 5307	20.507	MN-90-X208	354,417
2003 - 2005 Section 5307	20.507	MN-90-X215	167,532
2005 Section 5307	20.507	MN-90-X224	(351)
2006 Section 5307	20.507	MN-90-X226	142,933
2006 Section 5307	20.507	MN-90-X230	2,876
2006 Section 5307	20.507	MN-90-X235	5,239,104
2006 Section 5307	20.507	MN-90-X238	2,134,449
2007 Section 5307	20.507	MN-90-X242	45,419
2007 - 2008 Section 5307	20.507	MN-90-X249	839,287
2007 - 2008 Section 5307	20.507	MN-90-X260	3,374,618
2010 Section 5307	20.507	MN-90-X274	46,359,068
2011 Section 5307	20.507	MN-90-X283	2,750,000
2007 Section 5307	20.507	MN-95-X002	(103)
2008 Section 5307	20.507	MN-95-X006	173,617
2008 Section 5307	20.507	MN-95-X007	17,963
2008 Section 5307	20.507	MN-95-X010	383,421
2011 CMAQ	20.507	MN-95-X018	659,056
2009 - 2010 Section 5307	20.507	MN-95-X019	72,445
2007 Section 5307	20.507	MN-95-X001	2,429,260
2010 CMAQ	20.507	MN-95-0020	6,196,835
2010 Section 5307	20.507	MN-90-X279	1,868,217
2006 Section 5307	20.507	MN-90-217	1,613,890
2006 Section 5307	20.507	MN-90-241	15,274

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Federal Transit Cluster			
Federal Transit Formula Grants (Continued)			
2007 - 2008 Section 5307	20.507	MN-90-250	1,282,053
2009 - 2010 Section 5307	20.507	MN-90-271	<u>3,916,716</u>
Total CFDA #20.507			\$ <u>80,109,848</u>
Federal Transit Cluster			
Federal Transit Formula Grants - ARRA			
2009 Section 5307	20.507	MN-96-002	\$ <u>48,097</u>
Transit Services Programs Cluster			
Job Access/Reverse Commute (JA/RC)			
2006 Section 5307	20.516	MN-37-011	\$ 202,011
2006 Section 5307	20.516	MN-37-011	<u>881,380</u>
Total CFDA #20.516			\$ <u>1,083,391</u>
Transit Services Programs Cluster			
New Freedom Program			
2011 JA/RC	20.521	MN-37-015	\$ 11,450
2006 - 2008 New Freedom	20.521	MN-57-002	<u>453,816</u>
Total CFDA #20.521			\$ <u>465,266</u>
Alternatives Analysis			
2008 Section 5339	20.522	MN-39-0002	\$ 968,326
2009 Section 5339	20.522	MN-39-0003	<u>308,572</u>
Total CFDA #20.522			\$ <u>1,276,898</u>
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions Cluster			
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions			
2011 Trigger	20.523	MN-88-0001	\$ <u>653,655</u>
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions - ARRA			
	20.523	MN-77-001	\$ <u>62,228</u>

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation (Continued)			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction			
Congestion Mitigation/Air Quality (CMAQ)			
2009 Section 5307	20.205	95112	\$ 1,578,945
Cycloplan	20.205	95122	<u>71,987</u>
Total CFDA #20.205			<u>\$ 1,650,932</u>
Metropolitan Transportation Planning			
Unified Planning Work Program (UPWP)			
2011 Section 5303	20.505	98158	<u>\$ 2,828,491</u>
Federal Transit Cluster			
Federal Transit Formula Grants			
Northstar Commuter Rail Funding Grant	20.507	MN-03-X201	\$ 4,210,959
Van Pool CMAQ 34	20.507	MN-95-001	<u>55,000</u>
Total CFDA #20.507			<u>\$ 4,265,959</u>
Formula Grants for Other Than Urbanized Areas Cluster			
Formula Grants for Other Than Urbanized Areas			
2010 Section 5311	20.509	95832	<u>\$ 609,000</u>
Formula Grants for Other Than Urbanized Areas - ARRA			
2010 Section 5311	20.509	MN-96-017	<u>\$ 384,558</u>
Total U.S. Department of Transportation			<u>\$ 161,875,727</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Public Facilities Authority			
Capitalization Grants for Clean Water - State Revolving Funds			
	66.458	MPFG -10-002t-R-FY11	<u>\$ 68,750,342</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)			
Passed Through Minnesota Department of Public Safety			
Homeland Security Grant Program	97.067	HSGP-23526-2008-10873	<u>\$ 57,711</u>
Rail and Transit Security Grant Program	97.075	2007-RL-T7-0002	\$ (7,585)
Rail and Transit Security Grant Program	97.075	2008-RL-T8-0014	223,828
Rail and Transit Security Grant Program	97.075	2009-RA-T9-0050	26,573
Rail and Transit Security Grant Program	97.075	2010-RA-T9-0044	84,670
Rail and Transit Security Grant Program	97.075	EMW-2011-RA-K0000890S01	<u>76,627</u>
Total CFDA #97.075			<u>\$ 404,113</u>

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA) Passed Through Minnesota Department of Public Safety (Continued)			
Rail and Transit Security Grant Program - ARRA	97.113	2009-RA-RA0088	\$ <u>373,457</u>
Total U.S. Department of Homeland Security			\$ <u>835,281</u>
Total Federal Awards			\$ <u>286,469,559</u>

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council. The Council's reporting entity is defined in Note I.A. to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan Council under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Metropolitan Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Metropolitan Council.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Metropolitan Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Federal Transit Cluster	\$	152,808,092
Transit Services Programs Cluster		1,548,657
Consumption and Greenhouse Gas Emissions Cluster		715,883
Formula Grants for Other Than Urbanized Areas Cluster		993,558

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

5. Subrecipients

Of the expenditures presented in the schedule, the Metropolitan Council provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.703	HUD Sustainable Communities	\$ 73,333
20.205	Highway Planning and Construction	71,987
20.500	Federal Transit Capital Investment Grants	940,053
20.507	Federal Transit Formula Grants	1,883,576
20.516	Job Access/Reverse Commute	282,076
20.521	New Freedom Program	465,266
20.522	Alternatives Analysis	976,238
	Total	<u>\$ 4,692,529</u>

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.