

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

METROPOLITAN COUNCIL
METRO MOBILITY
TWIN CITIES AREA, MINNESOTA

AGREED-UPON PROCEDURES

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

Year Ended December 31, 2017



Agreed-Upon Procedures

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

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Metro Mobility
Twin Cities Area, Minnesota

Federal Transit Administration

We have applied the procedures, as described below, to the financial data and the Federal Funding Allocation Data included in Metro Mobility's National Transit Database (NTD) report for the year ended December 31, 2017. Such procedures, which were agreed to and specified by the Federal Transit Administration (FTA) in Exhibit 68 of the *2017 Policy Manual* and were agreed to by Metro Mobility, were applied solely to assist in evaluating whether the financial and non-financial data supporting and included in the NTD report and reported for the Federal Funding Allocation Data for the year ended December 31, 2017, 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 *2017 Policy Manual*.

We have also inspected the Sources of Funds - Funds Expended and Funds Earned form, the Uses of Capital form, the Operating Expenses form, the Operating Expenses Summary form, and the Statement of Finances form included in the NTD report for the year ended December 31, 2017, required under Title 49 U.S.C. § 5335(a), for conformity, in all material respects, with the FTA requirements as set forth in the NTD *Uniform System of Accounts*.

Metro Mobility's management is responsible for the policies, practices, and related financial and non-financial data supporting and included in the NTD report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures performed, as identified in the Federal Transit Administration's Exhibit 68 of the *2017 Policy Manual*, is solely the responsibility of the specified parties. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

The procedures described in this report were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled, and operating expenses of Metro Mobility's purchased transportation service demand response mode for the year ended December 31, 2017.

The procedures performed and findings are as follows:

1. We read the Federal Transit Administration *2017 Policy Manual* (Policy Manual), in particular Exhibit 68, "Federal Funding Allocation Data Review Suggested Procedures."

The Policy Manual describes the following standards established by the FTA regarding the data reported in the Federal Funding Allocation Statistics form of Metro Mobility's NTD report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured, and no systematic errors exist.
 - A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
 - Source documents are available to support the reported data and will be maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
 - A system of internal control is in place to ensure the data collection process is accurate and that the recording system and reported documents are not altered. Documents are reviewed and signed by a supervisor as required.
 - The data collection methods are those suggested by the FTA or meet FTA requirements.
 - The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
 - Data are consistent with prior reporting periods and other facts known about transit agency operations.
2. We applied specific procedures tailored to Metro Mobility, listed as Procedures 3 through 28 of this report, based on the FTA's suggested procedures for the Federal Funding Allocation Data Review as set forth in the *2017 Policy Manual*.
 3. We discussed with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data the procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2017 Policy Manual* (Policy Manual, Federal Funding Allocation Test a).

4. We discussed with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data the procedures referenced in Procedure 3 above. We inquired whether Metro Mobility followed such procedures on a continuous basis and whether it believed such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2017 Policy Manual*. We were informed that, to the best of its knowledge, Metro Mobility 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 *2017 Policy Manual* (Policy Manual, Federal Funding Allocation Test *b*).
5. Personnel assigned the responsibility of supervising the preparation and maintenance of NTD data were asked about the retention policy followed by Metro Mobility with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics form. We were informed that source documents are retained for at least three years following the FTA's acknowledged receipt of the NTD report (Policy Manual, Federal Funding Allocation Test *c*).
6. Based on a description of Metro Mobility's procedures obtained in Procedures 3 and 4 above, the following source documents were identified that will be retained by Metro Mobility for a minimum of three years:
 - general ledger support,
 - accounts payable voucher support,
 - billing invoices,
 - fare revenue reports,
 - purchased transportation expense reports,
 - vehicle mileage reports (revenue and service miles),
 - vehicle hours reports (revenue and service hours),
 - passenger miles traveled support,
 - driver manifests,
 - purchased transportation contracts, and
 - fleet inventory reports.

The sample months of February, June, and October were haphazardly selected for the year ended December 31, 2017, and we observed that each type of source document exists for each of these periods (Policy Manual, Federal Funding Allocation Test *d*).

7. We discussed the system of internal controls with Metro Mobility's staff. We inquired as to whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness, and how often such reviews are performed. We were informed that individuals, independent of the individuals preparing the source

documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness on a regular basis (Policy Manual, Federal Funding Allocation Test *e*).

8. For the sample months of February, June, and October 2017, we haphazardly selected a sample of Metro Mobility's source documents 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*).
9. We obtained from staff the worksheets utilized by Metro Mobility to prepare the final data that are transcribed on the Federal Funding Allocation Statistics form. We compared the periodic data included on the worksheets to the periodic summaries prepared by Metro Mobility and proved the arithmetical accuracy of the summarizations (Policy Manual, Federal Funding Allocation Test *g*).
10. We discussed with Metro Mobility's staff the procedure for accumulating and recording passenger miles traveled data in accordance with NTD requirements. We were informed that Metro Mobility used a 100 percent count of actual passenger miles traveled (Policy Manual, Federal Funding Allocation Test *h*).
11. We discussed with staff the eligibility of Metro Mobility to conduct statistical sampling for passenger miles traveled data every third year. We were informed that Metro Mobility 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 the current report year, Metro Mobility did not conduct statistical sampling but instead used a 100 percent count of actual passenger miles traveled (Policy Manual, Federal Funding Allocation Test *i*).
12. We determined in Procedure 11 that Metro Mobility used a 100 percent count of actual passenger miles traveled. We obtained from staff a description of the procedures and the working papers used to compile passenger miles traveled data. Metro Mobility followed the stated procedures (Policy Manual, Federal Funding Allocation Test *j*).
13. We determined in Procedure 11 that Metro Mobility used a 100 percent count of actual passenger miles traveled. Metro Mobility was unable to provide the data for actual passenger miles traveled for individual routes from the Trapeze database system to compare to source documents. We were therefore unable to determine that the data was complete and that the computations were accurate. We were informed that Metro Mobility's accumulation period is one year (Policy Manual, Federal Funding Allocation Test *k*).
14. We discussed with staff the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles. We were informed that Metro Mobility does not operate charter, school bus, or other ineligible services (Policy Manual, Federal Funding Allocation Test *l*).

15. We discussed with Metro Mobility's staff the procedures for collecting and recording vehicle revenue mile data. We were informed that Metro Mobility and its providers use the Trapeze database system as a vehicle log to electronically track actual trip data for purchased transportation services. Trip data is entered into Trapeze as calls for service are received.

We compared the total vehicle revenue miles for all routes for the year from the APEX reports (produced from the Trapeze database system) with the total on the NTD Standard Report and found it did not agree by an insignificant amount of about 4 percent of total vehicle revenue miles. We were informed that the difference is due to edits, for which the system is unable to provide documentation.

From the APEX reports, we selected a sample of 25 routes using a random number generator to determine that deadhead miles have been correctly computed and systematically excluded from vehicle revenue miles. We reconciled the individual routes' vehicle revenue miles in the APEX reports to the Vehicle Surveying Report (driver manifest). We identified 6 routes that did not reconcile. We also observed 4 differences in deadhead miles between the APEX report and the provider report that were larger than 1 mile and up to 3.7 miles (Policy Manual, Federal Funding Allocation Test *m*).

16. We inquired of Metro Mobility personnel and determined that Metro Mobility 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*).
17. We discussed with the personnel responsible for maintaining and reporting the NTD data and were informed that fixed guideway and High Intensity Busway directional route miles are not reportable for a demand response mode (Policy Manual, Federal Funding Allocation Test *o*).
18. We discussed with the personnel responsible for maintaining and reporting the NTD data and were informed that fixed guideway and High Intensity Busway directional route miles are not reportable for a demand response mode (Policy Manual, Federal Funding Allocation Test *p*).
19. We discussed with the personnel responsible for maintaining and reporting the NTD data and were informed that fixed guideway and High Intensity Busway directional route miles are not reportable for a demand response mode (Policy Manual, Federal Funding Allocation Test *q*).
20. We discussed with the personnel responsible for maintaining and reporting the NTD data and were informed that fixed guideway and High Intensity Busway directional route miles are not reportable for a demand response mode (Policy Manual, Federal Funding Allocation Test *r*).
21. We discussed with the personnel responsible for maintaining and reporting the NTD data and were informed that fixed guideway and High Intensity Busway directional route miles are not reportable for a demand response mode (Policy Manual, Federal Funding Allocation Test *s*).

22. We discussed with the personnel responsible for maintaining and reporting the NTD data and were informed that Metro Mobility does not operate over fixed guideways and High Intensity Busway directional routes and, therefore, does not track revenue service dates for such guideways (Policy Manual, Federal Funding Allocation Test *t*).
23. We reconciled operating expenses as reported on the Federal Funding Allocation Statistics form 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 *2017 Policy Manual* (Policy Manual, Federal Funding Allocation Test *u*).
24. We inquired of the personnel responsible for reporting the NTD data about the amount of purchased transportation-generated fare revenues. We reconciled purchased transportation fare revenues as reported on the Contractual Relationship form to worksheets supporting these amounts (Policy Manual, Federal Funding Allocation Test *v*).
25. We inquired of staff whether Metro Mobility's NTD report contains data for purchased transportation services and were informed that it does. Metro Mobility provides the required data and thus does not rely on data provided by the 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*).
26. 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 Metro Mobility for the service; the period covered by the contract and that this period is the same as, or a portion of, the period covered by Metro Mobility's NTD report; and is 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*).

27. We inquired of staff whether Metro Mobility provides service in more than one urbanized area or an urbanized area and a nonurbanized area. We were informed that Metro Mobility provides service to only one urbanized area (Policy Manual, Federal Funding Allocation Test *y*).
28. We compared the data reported on the Federal Funding Allocation Statistics form for the year ended December 31, 2017, to comparable data for the year ended December 31, 2016, and calculated the percentage change from the prior year to the current year.

Actual vehicle revenue miles and passenger miles traveled did not increase or decrease by more than ten percent. Operating expenses increased by more than ten percent. Fixed guideway directional route data is not applicable to Metro Mobility.

We inquired of Metro Mobility regarding the specifics of operations that led to the change in operating expenses relative to the prior reporting period. The explanation of the change 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. However, based on the items traced, the Sources of Funds - Funds Expended and Funds Earned form, the Uses of Capital form, the Operating Expenses form, the Operating Expenses Summary form, and the Statement of Finances form conform, in all material respects, with the FTA requirements as set forth in the NTD *Uniform System of Accounts*. In connection with performing the agreed-upon procedures, except for the findings described earlier in this report, the information included in the NTD report on the Federal Funding Allocation Statistics form for the year ended December 31, 2017, 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 *2017 Policy Manual*. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

/s/Rebecca Otto

/s/Greg Hierlinger

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STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 8, 2018