

# STATE OF MINNESOTA

## Office of the State Auditor



**Julie Blaha**  
**State Auditor**

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**METROPOLITAN COUNCIL**  
**METRO TRANSIT**  
**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

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

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

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

**Year Ended December 31, 2018**



**Agreed-Upon Procedures**

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

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

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# STATE OF MINNESOTA

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

Metro Transit  
Twin Cities Area, Minnesota

Federal Transit Administration

We have applied the procedures, as described below, to the Federal Funding Allocation Data included in Metro Transit'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 Metro Transit, 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 Metro Transit'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.

Metro Transit'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 separately to each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled, fixed guideway and high intensity busway directional route miles, commencement date of revenue service, and operating expenses of Metro Transit's directly operated service motor bus and light rail modes and Metro Transit's purchased transportation service for the commuter rail mode for the year ended December 31, 2018.

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

1. We applied specific procedures tailored to Metro Transit, 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 Metro Transit followed such procedures on a continuous basis and whether it believed such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2018 NTD Policy Manual*. We were informed that, to the best of its knowledge, Metro Transit has followed such procedures on a continuous basis and that the procedures result in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in Title 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *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 Metro Transit with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics forms. We were informed that source documents are retained for at least three years following the FTA's acknowledged receipt of the NTD report (Policy Manual, Federal Funding Allocation Test *c*).

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

- general ledger support,
- accounts payable voucher support,
- fare revenue support,
- vehicle mileage reports (revenue and service miles),
- vehicle hours reports (revenue and service hours),
- passenger miles traveled support,
- fixed guideway and high intensity busway support,
- transit system maps,
- published timetables/schedules,
- bus stop templates,
- driver exception reports,
- trip sheets,
- run guides, and
- timecards/time sheets.

The sample months of January, June, 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 (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 Metro Transit's staff. We inquired as to whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness, and how often such reviews are performed. We were informed that individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness on a regular basis (Policy Manual, Federal Funding Allocation Test *e*).

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 January, June, and November 2018, we haphazardly selected a sample of Metro Transit's source documents and ascertained that supervisors' signatures or other evidence of independent review were present as required by a system of internal controls. We inquired how supervisory reviews are documented when supervisors' signatures are not required, and were informed that providing upper management with the data is Metro Transit's determination that the data has been reviewed and approved (Policy Manual, Federal Funding Allocation Test *f*).

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 Metro Transit to prepare the final data that are transcribed on the Federal Funding Allocation Statistics forms. We compared the periodic data included on the worksheets to the periodic summaries prepared by Metro Transit and proved the arithmetical accuracy of the summarizations (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 Metro Transit's staff the procedure for accumulating and recording passenger miles traveled data in accordance with NTD requirements. We were informed that Metro Transit uses alternative statistical sampling procedures for both its motor bus and light rail modes, and the procedures used are designed to estimate passenger miles traveled based on statistical sampling meeting the FTA's 95 percent confidence and 10 percent precision requirements. A qualified statistician has determined in writing that the procedures meet the FTA's statistical requirements. We were informed that Metro Transit uses a 100 percent count of actual passenger miles traveled for its commuter rail mode (Policy Manual, Federal Funding Allocation Test *h*).

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 Metro Transit to conduct statistical sampling for passenger miles traveled data every third year. We were informed that Metro Transit is not eligible to conduct statistical sampling for passenger miles traveled data every third year because it does not meet any of the three criteria necessary to qualify for such treatment. For the current report year, Metro Transit estimated annual passenger miles traveled for motor bus mode by multiplying the number of local service passengers by the average local service trip length and by multiplying the number of express service passengers by the average express service trip length. Metro Transit estimated annual passenger miles traveled for light rail mode by multiplying average trip length by the number of trips run for the year. Metro Transit uses a 100 percent count of actual passenger miles traveled for its commuter rail mode (Policy Manual, Federal Funding Allocation Test *i*).

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.

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

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

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

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 accumulation periods that were tested. Test the arithmetical accuracy of the summary.

We selected samples of the source documents for accumulating motor bus, light rail, and commuter rail mode passenger miles traveled data to determine that the data are complete and the computations are accurate. A random number generator was used to select the samples for motor bus and light rail modes. The sample sizes selected were 13 and 15, respectively. For commuter rail mode, the sample months of June and November were haphazardly selected. We identified no errors or misstatements in the sampling of local trip passenger miles. Metro Transit does not accumulate passenger miles traveled data into accumulation periods (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 Metro Transit 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 Metro Transit's staff the procedures for collecting and recording vehicle revenue mile data. We were informed that Metro Transit calculates vehicle revenue miles by multiplying total fleet service miles, which includes total scheduled and unscheduled service without missed trips, by a system ratio of scheduled miles to scheduled revenue miles for its motor bus, light rail, and commuter rail modes. To determine that deadhead miles are

excluded from vehicle revenue mile data, we traced recorded miles used in the system ratio to computer mileage printout sheets and confirmed that deadhead miles were not included in the scheduled revenue miles. To determine that missed trips were excluded from vehicle revenue mile data, we recomputed daily total missed trips and determined that missed trips were excluded from the calculation. We also recalculated for mathematical accuracy. No exceptions were found (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 Metro Transit personnel and determined that Metro Transit uses locomotives in its commuter rail mode. We inspected Metro Transit's working papers used to compile actual vehicle revenue miles and observed that locomotive miles are not included in the computation. We inquired of Metro Transit personnel and determined that Metro Transit does not use locomotives in its light rail mode (Policy Manual, Federal Funding Allocation Test *n*).

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 personnel responsible for maintaining and reporting Metro Transit's NTD data the procedures for accumulating and reporting fixed guideway and high intensity busway directional route miles. We were informed that Metro Transit meets the FTA's definition of fixed guideway and high intensity busway service. As such, Metro Transit is 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 maintaining and reporting Metro Transit's NTD data the measurement of fixed guideway and high intensity busway directional route miles. We were informed that fixed guideway and high intensity busway directional route mileage is computed in accordance with the FTA's definitions of fixed guideway and high intensity busway directional route miles. We recomputed the average monthly directional route miles and reconciled the total to the fixed guideway and high intensity busway directional route miles reported on the Federal Funding Allocation Statistics forms. We observed discrepancies between Metro Transit's support and the Reportable Segments Form; the discrepancies were due to additions and deletions that were not processed by the FTA in 2018 (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 Metro Transit's NTD data whether there were any temporary interruptions in transit service that occurred during the report year and if the interruptions were due to maintenance or rehabilitation improvements to a fixed guideway of 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 Metro Transit's NTD data about additions to fixed guideway or high intensity busway directional route miles. We were informed that Metro Transit processed two additions during 2018. We recalculated the fixed and high intensity busway guideway additions for 2018 and determined they are properly supported and are of an accurate length. We compared 2017 reported segments to 2018 reported segments and confirmed there were no changes other than the tested additions (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(s). 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 Metro Transit's NTD data whether other public transit agencies operate service over the same fixed guideway or high intensity busway segments as Metro Transit. We were informed that the Metropolitan Council, University of Minnesota Transit, the City of Plymouth, SouthWest Transit, and the Minnesota Valley Transit Authority operate service over some of the same fixed guideways and high intensity busway segments. Metro Transit will claim all, except those the Metropolitan Council, University of Minnesota Transit, the City of Plymouth, SouthWest Transit, and the Minnesota Valley Transit Authority operate over exclusively, or as otherwise directed by the NTD, on its Federal Funding Allocation Statistics forms (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 Metro Transit's NTD data the information reported on the Fixed Guideway/High Intensity Busway Segments form. We were informed that the commencement date is the date when revenue service began. We determined that Metro Transit correctly entered the required data on the Fixed Guideway/High Intensity Busway Segments form and that reported fixed guideway and high intensity busway segments are summarized by like characteristics (Reporting Manual, Federal Funding Allocation Test *t*).

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

We reconciled operating expenses as reported on the Operating Expenses Summary form to operating expense information in the Metropolitan Council's audited financial statements after taking into account adjusting items in accordance with the procedures discussed in the *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 Metro Transit's NTD data about the amount of purchased transportation-generated fare revenues. We reconciled purchased transportation fare revenues as reported on the Contractual Relationship form to purchased transportation fare revenues reported on the Sources of Funds – Funds Expended and Funds Earned form and to worksheets supporting these amounts (Policy Manual, Federal Funding Allocation Test *v*).

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 Metro Transit's NTD report contains data for purchased transportation services and were informed that it does. Metro Transit provides the required data and, thus, does not rely on data provided by the purchased transportation provider. Therefore, an additional certification of the purchased transportation services Federal Funding Allocation data by an independent auditor is not required (Policy Manual, Federal Funding Allocation Test *w*).

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 contract for purchased transportation services and read it to determine that the contract specifies the specific public transportation services to be provided; the monetary consideration obligated by Metro Transit for the service; the period covered by the contract and that this period is the same as, or a portion of, the period covered by Metro Transit's NTD report; and is signed by representatives of both parties to the contract. No exceptions were found.

We inquired of staff regarding the retention of the executed contract and determined that a copy of the contract is 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 Metro Transit provides service in more than one urbanized area or an urbanized area and a non-urbanized area. We were informed that Metro Transit provides service to only one urbanized area (Policy Manual, Federal Funding Allocation Test y).

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 data for motor bus mode did not increase or decrease by more than ten percent. Fixed guideway directional route miles data did not increase or decrease.

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

Actual vehicle revenue miles, passenger miles traveled, and operating expenses data for commuter rail mode did not increase or decrease by more than ten percent. Fixed guideway directional route miles data did not increase or decrease (Reporting Manual, Federal Funding Allocation Test z).

\* \* \* \* \*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial and non-financial data supporting and included in the NTD report. Accordingly, we do not express such an opinion or conclusion. In connection with performing the agreed-upon procedures, 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 Metro Transit and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Julie Blaha*

*/s/Greg Hierlinger*

JULIE BLAHA  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 18, 2019

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# STATE OF MINNESOTA

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

Metro Transit  
Twin Cities Area, Minnesota

Federal Transit Administration

We have applied the procedures, as described below, to the financial data included in Metro Transit'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 Metro Transit, were applied solely to assist Metro Transit and the FTA in determining conformance with the *Uniform System of Accounts* requirements based on the following assertion by Metro Transit'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*.

Metro Transit'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 the 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; NTD Form F-40, Operating Expenses Summary; and NTD Form F-60, Financial Statement prepared by management for the year ended December 31, 2018.

- 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 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.

Metro Transit is part of a larger reporting entity, the Metropolitan Council. 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.

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 is being used and management indicated that the accrual basis of accounting is being used in the current period; therefore, this procedure is not considered applicable.

No exceptions were found as a result of the procedures performed, as noted above, related to 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 Form F-10, Sources of Funds, to revenue reported in the accounting system using the crosswalk.

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 total revenues reported on 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 fund passenger fare revenue modes are motor bus and light rail. We traced and agreed all fare revenue from Form F-10, Sources of Funds, to the accounting system.

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).

The largest revenue object class (other than passenger fares) from Form F-10, Sources of Funds, in the major categories of Local Government, State Government, Federal Funds, and Other Directly Generated Funds are: Other Taxes, State Transportation Funds, FTA Urbanized Area Formula Program, and



Auxiliary Transportation Funds – Advertising Revenues, respectively. We traced and agreed all of the revenue object classes on the Form F-10, Sources of Funds, to the accounting system for all 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 for capital outlay accounts that 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 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 types of use, which include both existing service and expansion of 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 crosswalk documentation of capital asset additions.

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.

Metro Transit's largest mode/service type is motor bus. We traced and agreed the type of use classification and asset classification for all modes and service types to supporting documentation.

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 service 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, Metro Transit 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 project costs included both existing service and expansion of service. The costs were allocated based on actual expenditures. We traced and agreed the allocation between the two project purposes to supporting documentation.

No 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.

Metro Transit's two largest modes/types of services are motor bus and light rail. We traced and agreed all functions for all modes/types of services from Form F-30, Operating Expenses, to the accounting system using the crosswalk.

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.

Metro Transit's two largest modes/types of services are motor bus and light rail. We traced and agreed all 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.

No 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 Expenses Summary, to the accounting system using the crosswalk.

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

We traced and agreed the reconciling items identified on Form F-40, Operating Expenses Summary, through the crosswalk to the general ledger.

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 traced and agreed (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, Financial Statement, to supporting documentation.

No exceptions were found as a result of the procedures performed, as noted above, related to the NTD Form F-60, Financial Statement.

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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 Metro Transit and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Julie Blaha*

*/s/Greg Hierlinger*

JULIE BLAHA  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 18, 2019