

**METROPOLITAN COUNCIL
AUDIT ENTRANCE MEETING
YE 12/31/2011**

Date: Tuesday, October 25, 2011

Time: 2:30 p.m.

Location: Robert Street offices

Present: Met Council - Audit Committee
Mary Bogie – Chief Financial Officer
OSA - Randy Vogt – Audit Director
Amy Ames – Staff Specialist

1. Staffing/Administration

- A. Returning staff, new staff, and staff timing.
- B. Audit status meetings.

2. SAS No. 114 - The Auditor's Communications With Those Charged With Governance

Statement on Auditing Standards (SAS) No. 114, defines “those charged with governance” and establishes communication requirements between auditors and those charged with governance. At the Met Council we’ve identified those charged with governance as the members of the Metropolitan Council and the Audit Committee. Our audit engagement letter covers the specific matters to be communicated with those charged with governance, including:

- A. Auditor’s responsibilities under generally accepted auditing standards:
 - Forming and expressing opinions on the financial statements and on compliance with federal program requirements.
 - Performing the audit in accordance with:
 - 1. generally accepted auditing standards (issued by the American Institute of Certified Public Accountants);
 - 2. standards for financial audits contained in *Government Auditing Standards* (issued by the Comptroller General of the United States);

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2. **SAS No. 114 - The Auditor's Communications With Those Charged With Governance**

A. Auditor's responsibilities under generally accepted auditing standards:

- Performing the audit in accordance with (Continued):
 3. the Single Audit Act Amendments of 1996;
 4. provisions of Office of Management and Budget (OMB) Circular A-133; and
 5. legal provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.
- Considering the Council's internal controls over financial reporting and the major federal programs, but not for the purpose of expressing opinions on the effectiveness of the internal control.
- Communicating significant matters related to the audit.

B. Client's responsibilities:

- Establishing and maintaining internal controls, including evaluating and monitoring the ongoing activities.
- The selection and application of accounting principles.
- The fair presentation of the financial statements.
- Compliance with applicable laws and regulations and the provisions of contracts and grant agreements.
- Identifying government award programs, and understanding and complying with the compliance requirements.
- Preparing the Schedule of Expenditures of Federal Awards (SEFA).
- Identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information.

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2. **SAS No. 114 - *The Auditor's Communications With Those Charged With Governance***

B. Client's responsibilities (Continued):

- Making all management decisions and performing all management functions relative to the financial statements, the SEFA, and related notes, and accepting full responsibility for them.
- Designating a qualified management-level individual to be responsible and accountable for overseeing our services.
- Making sure all financial records and related information is accurate, complete, and available for audit.
- Designing and implementing programs and controls to prevent and detect fraud.
- Informing us about all known or suspected fraud or illegal acts.
- Preparing the supplementary information reported in the financial statements in accordance with generally accepted accounting principles.
- Adjusting the financial statements to correct material misstatements.
- Establishing and maintaining a process for tracking the status of audit findings and recommendations.
- Identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives or our audit as discussed in the engagement letter, and relaying to us corrective actions taken to address significant findings and recommendations identified as a result of those audits or studies.
- Providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

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2. **SAS No. 114 - The Auditor's Communications With Those Charged With Governance**
(Continued)

- C. Overview of the planned scope and timing of the audit:
- Financial statements of the Metropolitan Council.
 - The Housing and Redevelopment Authority's Financial Data Schedule.
 - Agreed-upon procedures for the Federal Funding Allocation Statistics forms included in National Transit Database (NTD) reports for Metro Mobility, Metropolitan Transportation Services, and Metro Transit.
- D. All audit findings will be communicated to management at our bi-weekly status meetings. We will also communicate any significant audit findings to the Audit Committee at the Committee's June 2012 meeting.
- E. Communications about significant accounting policies, sensitive accounting estimates, significant audit adjustments, disagreements with management, difficulties encountered in performing the audit, and other significant issues arising from the audit will be communicated to those charged with governance in a separate letter at the conclusion of the audit.

3. **Single Audit**

At this point we anticipate testing the Federal Transit Capital Improvement and Formula Grants for compliance with federal requirements.

4. **Other Items**

- A. Update on prior year management letter comment titled "Federal Transit Cluster – Subrecipient Monitoring."
- B. Any questions, comments, or concerns?