

**Program Evaluation and Audit
STATE AUDITOR'S REPORT ON THE METROPOLITAN COUNCIL: YEAR END 2011**

Executive Summary

Under Minnesota Law, the Metropolitan Council is required to have an annual audit performed by the Office of the State Auditor. This summarized the audit for 2011.

The State Auditor's review of the Council includes: an opinion as to the accuracy of financial statements, and a review of the Council's federal compliance under OMB circular A-133 (The Single Audit Act), and a review for accuracy of the Council's submissions of data to the National Transit Database (NTD).

Financial Audit

- An unqualified opinion on the financial statements.
- No material weaknesses or significant deficiencies found in the financial statements.

Federal Compliance (0 material weaknesses, 4 significant deficiencies; one deficiency is a repeat finding. The other three are new.)

1. Subrecipient monitoring (repeat finding) – In MTS, one subrecipient had not submitted their A-133 as required in the subrecipient agreement. MTS did not take additional actions to ensure that the A-133 was submitted as required. Metro Transit had three entities who submitted A-133s, but there was no evidence that the reports submitted were reviewed by MTS staff.

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

Corrective Actions

- *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 to reinforce reporting and monitoring requirements.*
- *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.*

Person(s) Responsible

*Mary Bogie, CFO
Gerri Sutton, Assistant Director, MTS*

Timeline

- *Federally Funded Projects Guides – completed*
- *Process changes completed.*
- *Project Manager Training by June 30, 2013.*
- *Grant Info System implementation begins April 2013*

2. Cash management – We found 13 total instances(for two separate federal grants) in MTS where the request for reimbursement predated the disbursement of funds.

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

MTS federal reimbursement requests will now go through RA Finance to ensure correct timing of disbursements and federal reimbursement.

Person(s) Responsible

*Gerri Sutton, Assistant Director, MTS
Mary Bogie, CFO*

Timeline:

Completed

3. *Review of Federal Reporting Forms*—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 two of the three reports reviewed, one each from MTS and Metro Transit, we noted the report had not been reviewed by anyone other than the preparer. For MTS none of the quarterly reports had been reviewed by someone other than the preparer.

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

*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.*

Person(s) Responsible

*Mary Bogie, CFO
Gerri Sutton, Assistant Director, MTS*

Timeline

June 2013

4. *Support for Federal Reporting Forms-- Support for Federal Reporting Forms--There are two separate projects funded by the Formula Grants for Other than Urbanized Areas Cluster: 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 there instances of incorrect revenue hours being included in lthe request for reimbursement.*
 - *The monthly passenger trip (miles) reported for two vendors did not agree with the database or the invoices.*

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

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 trip, 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.

Person Responsible

Gerri Sutton, MTS

Timeline

Complete