

METROPOLITAN COUNCIL
390 North Robert Street, St. Paul, Minnesota 55101

QUARTERLY MEETING OF THE AUDIT COMMITTEE
Wednesday, September 26, 2007

Committee Members Present Chair Lynette Wittsack, Russ Susag, Gene VanOverbeke, Jean McGann, Chuck Denninger

CALL TO ORDER

A quorum being present, Committee Chair Lynette Wittsack called the quarterly meeting of the Council's Audit Committee to order at 12:00 p.m. on Wednesday, September 26, 2007.

APPROVAL OF AGENDA AND MINUTES

It was moved by Russ Susag, seconded by Chuck Denninger to approve both the minutes of the June 4, 2007 Audit Committee meeting and today's agenda. **The motion carried.**

BUSINESS - CONSENT LIST

2007-A10 Senior Community Services PBF Contracts

Celina Davidson gave a presentation of the report to the Committee. Arlene McCarthy, Director of Metropolitan Transportation Services answered questions regarding the Management Response given by MTS. Benjamin Withaart, Director of Senior Community Services gave the attached prepared statement to the Committee and it has been noted in both the report and the project file. It was moved by Russ Susag, seconded by Jean McGann to approve the report. **The motion carried.** *For more information on SCS go to www.SeniorCommunity.org*

2007-A12 Timekeeping System Implementation Audit

Arleen Schilling gave a presentation of the report to the Committee. Mary Bogie, Controller answered questions regarding the PeopleSoft aspect of the audit. John Fitzgibbon, Manager of Business Systems answered questions regarding the Management Response. Subject to a few word changes within the report, Chuck Denninger moved to approve the report, seconded by Gene VanOverbeke. **The motion carried.**

2007-A13 Metro Transit Garage Stockrooms Audit – Fred T. Heywood, Nicollet, R. J. Reuter

Bob Lundberg gave a presentation of the report to the Committee. It was moved by Russ Susag, seconded by Jean McGann to approve the report. **The motion carried.**

2007-A11 State Auditor's Report Year End 2006

State Auditor, Randy Vogt gave a presentation of the report to the Committee. It was moved by Russ Susag, seconded by Chuck Denninger to approve the report. **The motion carried.**

BUSINESS - NON-CONSENT LIST

INFORMATION

It was moved by all, seconded by all to adjourn the meeting at 2:14 p.m.

Respectfully submitted,
Mary New, Recording Secretary

The Met Council recently completed a Program Audit of 5 transportation programs operated by Senior Community Services (SCS) . The oldest of these contracts (Delano and Westonka) go back over 20 years. The Audit is very critical of record keeping procedures/ methods. In the case of Delano the Met Council has made some very serious charges about misrepresenting the ridership in reports. 100% of the rides reported were actually delivered. Buses full of transit dependent individuals occur every day. None of the Met Council funds were ever used for anything else but rides.SCS began the Delano Area and the Westonka Rides transportation programs many years ago, . We started both services with donated vans and donated funds. Met Council funding came later as did programs in other areas.

During all those years there has never been a workshop, seminar, or training session on how records should be maintained to meet Met Council expectations. The two staff people operating our Delano Area program have been with us for many, many years and are dedicated to providing service . Gail Sinkel, Center Director has been named Delano Citizen of the year for her tireless work. Her assistant, Linda Zimmerman is also highly regarded. These women are of the highest ethical standards and motivated by wanting to help people needing service. The accusations made in the report are unnecessary.

Let us be perfectly clear, transportation funds have been used for transportation...nothing else. The report makes it sound like the Delano staff have been stealing funds; nothing could be further from the truth. Our focus has been to deliver rides to those who need them at the most reasonable cost possible. We have used vehicles that were donated, Met Council vans and volunteer drivers using their own cars. Our Delano staff have worked very hard to provide as many rides as possible with the funds available.

While conducting the audit, Met Council auditors were informed by Gail and Linda that using the volunteer receptionist phone log was not an accurate way to assess ridership. They stated that drivers receive calls in route, making additional pick ups, and many of the calls in the volunteer log reference only an address...many times there will be more than one person at that stop.

A complete report on the number of riders is entered in the computer at the end of the day. Audit staff chose to ignore this information because the divers didn't keep their hand written clip board information. If we had known that this was a requirement it would have been saved, and is now being saved. . We have not annually tracked the split between metro vs. non-metro riders as it was agreed years ago with Regional Transit Board RTB staff in a study that showed 90% of ridership should be used. We have not been asked to do another study of individual riders since that time. We tally the number of riders and divide the cost based upon this long ago agreed upon formula.. If Met Council wants us to now do it differently we will certainly comply.

To this day approximately 90% of our total costs are incurred in Hennepin County as that is where most of our mileage occurs. There has been a huge misunderstanding. We certainly will change if given the chance. Charges of lies and fraud made after a short site visit certainly do much to destroy over 20 years of good service and some very good people.

We agree Hennepin County riders may not constitute 90% of the current 2007 ridership but percentage is significantly more than the 20% claimed in the audit. We ask for an opportunity to set up a data collection system that would accurately collect this ridership information.

There was never, nor has there ever been any intent to lie or defraud on the part of SCS staff. SCS is very willing to implement changes in our record keeping and procedures....now that we know what is expected. We welcome a chance to work cooperatively with Met Council staff. The recommended action of shutting down the service seems draconian and only serves to hurt those who depend on the transportation service.

SCS has proven that it is responsive and can meet Met Council standards. When informed years ago of the Drug testing process requirements we followed these instructions to a "T". We worked closely, and still do, with Met Council staff to make sure we are in 100% compliance.

We ask for an opportunity to work cooperatively with the Council to assure that all the concerns raised in the report are addressed. This report hit us like a lightning strike out of the blue. We have operated these programs for over 20 years...never, never, has anyone raised any of these issues or made these suggestions to us, or offered training during that time. We just found out last week at the Committee meeting the nature and seriousness of this report.

The focus and mission of SCS staff and our volunteers has always been to provide transportation to those who need it at the best cost possible. The staff involved in the Delano program are of the highest integrity and honesty.

Our staff accountant of many years retired in March of this year. Since that time SCS has been working with Frank Consulting, PLLP, an outsourced controller and CFO firm. In addition to taking over our daily and monthly accounting duties, they have been updating and improving our internal controls and procedures. Frank Consulting, PLLP has a great deal of experience in internal control work as they have been performing Sarbanes-Oxley compliance work for several publicly traded companies over the past four years. Metro Council staff responded that they would like us to hire a consultant by January 2008 to develop procedures and processes to address concerns raised in the audit.

SCS makes the following offer to the Council: Let us work with Frank Consulting PLLP between now and next February 1, 2008. We will use that time to have all procedures and processes put in place. We request a re-audit at that time. Now that we know what is

expected we are confident that we will pass that audit with flying colors. There is no need to wait until the end of 2008 to make changes. We are ready and willing to act quickly and decisively. We want to cooperate and continue to be a partner with the Council in providing transportation to those needing it.

We also ask the Council for time to develop a written response to the audit and an opportunity to meet with staff to discuss our response. There are several points we feel need additional information and some that reach incorrect conclusions. SCS has not had time to prepare this report and simply asks for an opportunity to respond.

I thank you for the opportunity to address the committee today.