2025 RISK ASSESSMENT AND AUDIT PLAN

PROGRAM EVALUATION AND AUDIT

Contents

2025 RISK ASSESSMENT AND AUDIT PLAN

Introduction

Each year, the Metropolitan Council's Program Evaluation and Audit Department creates a risk-based audit plan for the next calendar year. Our risk-based approach is based on observations and experience throughout the year, regular meetings with executive leadership, and annual risk discussions with the Council's senior managers. This document describes our methodology, general and specific risk environments, and the 2025 Audit Plan.

Please contact Chief Audit Executive (CAE) Matt LaTour at *Matthew.LaTour@metc.state.mn.us* with any questions or comments.

Methodology

Each year, the Audit team completes the Minnesota Management and Budget's (MMB) Control System Assessment Tool (CSAT).[1] While the Council is not an executive branch agency, we believe it is good practice to use the MMB's CSAT to inform our work. The CSAT helps identify potentially riskier areas for the Council, which are then followed-up on in the risk assessment meetings.

After completing the CSAT, the Audit team meets with management and staff from around the Council in all divisions. Beginning in September, the Audit team met with around 20 Council departments. Given the breadth of the activities of the Metropolitan Council, Program Evaluation and Audit takes an inclusive approach to risk assessment and audit planning. Once the meetings were complete, Audit staff scored each area across six risk areas:

- **Financial Significance**: The level of budgeted annual expenditures and revenues. When complete financial information is not readily available, a metric of full-time employees (FTEs) and overall area impact is used.
- **External and Internal Risk**: Includes external risks such as political, economic, social, technological, legal compliance, environmental. Internal risks include capital, people, process, technology.
- **Information Technology Complexity**: Number of systems or mission critical information systems within the department.
- **Equity Impact:** A relative score that measures the degree to which each business process affects equity goals, outcomes, or objectives either internally or externally.
- **Time Since Last Audit**: Length of time since last known internal or external assurance services.
- **Directional Change:** Indicates if the area's leadership has changed or if there is significant staff turnover.

Each risk area has a different weight and is scored on a scale of 1 (low risk) to 3 (high risk) by the auditor who conducted the risk assessment meeting. The total scores present a general sense of the relative risk assigned to each line on the risk register. Finally, the CAE selects the projects and prepares the audit plan.

A draft audit plan was shared with executive leadership prior to presentation to the Audit Committee.

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[1] Minnesota Management and Budget. (April 2023). "Control System Assessment." Web. Link.

Coordination and Reliance

Under Institute for Internal Auditors (IIA) standard 2050 – Coordination and Reliance, the CAE should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts. GIA Standard 9.5 states the same. For the 2025 Risk Assessment, Audit will rely on the following providers in specific areas:
1. Talson Solutions – Capital Projects
2. AON – Environmental Services
3. IT Audit Labs – Information Services

Each vendor is conducting their own independent risk assessment. External, independent review and evaluation is one of the most reliable forms of evidence. As such, we relied on their work and specialized experience to enhance the 2025 Risk Assessment and Audit Plan.

Additional Resources

As part of the 2025 Risk Assessment, we considered other information sources as part of our review of the overall risk environment. You will see references to these materials throughout the assessment. These include:
- **IIA's Risk in Focus: Board Briefing**: Each year, the IIA surveys thousands of CAEs around the globe to identify what they see as the top risks facing their organizations and their priorities. This resource helps Audit review our risk assessment and audit plan to see if our audits are aligned with other audit shops around the globe.
- **Government Statistics**: For certain economic indicators, such as the region's unemployment rate, the risk assessment uses official statistics from agencies such as the U.S. Bureau of Labor Statistics from the Department of Labor.
- **Internal Statistics**: Audit considers the agency's internal data during our risk assessment. We use Human Resources' workforce data, Metro Transit's performance data, and other key performance indicators to review business units and processes.
- **Strategic Plans and other Council Planning Documents**: Audit considers agency, divisional, and departmental strategic plans as we align our work so as to add the best value to the organization. This includes, but is not limited to:
  - The Council's strategic vision, *Thrive MSP 2040*, and its 5 outcomes of Stewardship, Equity, Livability, Prosperity, and Sustainability. When *Imagine 2050* is complete, its values will be considered instead.
  - Regional Administration's strategic plan and its 3 pillars of Workforce, Technology, and Governance for the Council's shared services.
  - Metro Transit's strategic plan, *Forward*, and its 3 priorities of Employees, Experience, and Service.
  - Environmental Services' 2024 Strategy Map and its 7 priorities around Partnering, Planning, and Providing Services.
  - Human Resources' departmental strategic plan, *The HR Experience*.
  - Metro Transit's *Network Next*, a draft concept for what capital investments will be made through 2027.
  - The Council's Culture Assessment, a Council-wide employee survey that attempts to get a clearer picture of what is and is not working in the workplace.

General Risk Environment

Several Council-wide risks emerged after consulting with Council leadership, summarized here to provide a picture of the Council's general risk environment. Risks to specific program/policy areas of the Council will appear in the next section, "Risks to Specific Council Programs."

Equity

The Council continues to focus on equity initiatives. Along with the Disadvantaged Business Enterprise (DBE) program, the Council continues to operate the locally-funded Metropolitan Council Underutilized Businesses (MCUB) program so that the Council can help create opportunities for Minnesota businesses. The Council has set goals for 10% of all goods and services procurements and 14% of all construction and professional technical contracting to be performed by MCUB participants. Court rulings could impact these programs in the future.

The Council is in the process of updating its State Affirmative Action Plan and will begin work on updating its Title VI program this year.

Finally, the Council has contracted with a local business to assess the Council's culture. In May, the Council asked all employees to complete a survey to assess the Council's culture. The results specifically included equity and inclusion questions. According to the results, employees felt that 47% of department leaders considered equity in their decision making. 161 respondents said that the single, biggest improvement the Council could make is having better pay. 49 respondents said the biggest improvement would be supporting diversity, equity, and inclusion.

Climate Change

The changing climate continues to impact the Council's operations and long-term planning. Increasing temperatures and intense weather patterns (such as blizzards, heavy rains, and droughts) affect the Council's transit, wastewater, and housing operations along with its capital investments. Changing weather patterns and increased drought or flooding conditions have the potential to impact Environmental Services' operations. Intense storms may impact stormwater systems, including impacting sewer infrastructure's service lives.

According to the IIA's *Risk in Focus*, climate change ranked as a top five risk by 23% of global respondents. Overall, it ranked 13th out of 16. However, 39% of respondents felt it would be a top five risk three years from now, making the largest leap in the rankings in comparison to any other risk.[2] The risk drivers are emerging regulations, financial impacts of extreme weather, political differences, pressures around sustainability, and the social impacts on the people most vulnerable to changing climates.

Workforce

"Human Capital" is the third greatest global and second greatest North American risk according to the IIA's *Risk in Focus*.[3] The Council continues to invest in its workforce. Regional Administration, Metro Transit, and Environmental Services' strategic plans[4], frameworks[5], or maps[6] all have a focus on employees and workforce. For Regional Administration and Metro Transit, workforce and employees are one of the three pillars in their plans. For Environmental

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[2] The Institute of Internal Auditors (October 2024). "2025 Risk in Focus: Global Summary" Link.
[3] Ibid.
[4] Metropolitan Council (October 2024). "Regional Administration: Strategic Plan."
[5] Metropolitan Council (2024). "Metro Transit Forward."
[6] Metropolitan Council (November 2023). "Environmental Services Strategy Map 2024."

Services, strategic priority 7 focuses on building a great place to work. This work also ties into equity initiatives around the Council, and the Council's Affirmative Action Plan.

Turnover

Turnover continued to decline from the previous year.[7] Leadership turnover has also stabilized compared to last year. Notable openings in 2023 included the Regional Administrator, General Manager of Metro Transit, Deputy Regional Administrator and Chief Financial Officer, Deputy Chief Operations Officer – Operations, Deputy Chief Operations Officer – Maintenance, Chief of Police, Bus Transportation Director, the Enterprise Risk Officer, Real Estate Director, Chief Information Officer and the Chief Human Resources Officer. In 2024, most of these positions had been filled, but the Chief of Police turned over again.

Executive turnover can impact the control environment by creating gaps in leadership, oversight, and the organization's strategic direction. While many positions are now filled, the effects of this level of turnover—both positive and negative—can linger for several years.

Key Vacancies in 2023 and 2024 – Regional Administration and Metro Transit

Regional Administration	RA – Information Services	Metro Transit
• Regional Administrator • Deputy Regional Administrator • Chief Financial Officer • Chief Human Resources Officer • Deputy Chief Human Resources Officer • Chief Labor Relations Officer • Enterprise Risk Officer • Real Estate Director	• Chief Information Officer • Security Officer • Director of Applications • Director of Infrastructure Operations • Additional Director and Senior Management positions	• General Manager • Chief of Staff • Chief of Police • Deputy COO, Transportation • Deputy COO, Maintenance • Director, Bus Transportation

Recruitment and Selection

With the unemployment rate for the Minneapolis-St. Paul-Bloomington Statistical Area at 3.0%, the Council continues to face a tough hiring environment for key positions.[8]While impactful, risks associated with low staffing levels have been partially reduced. The Council has made strides in hiring bus and train operators in comparison to previous years. As the Council continues to

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[7] According to the Council's Human Resources Workforce Report, turnover as of October 31 was 11.8% overall. For 2023, the turnover rate was 15.3%.

[8] Bureau of Labor Statistics (October 2024). "Economy at a Glance: Minneapolis-St. Paul-Bloomington, MN-WI." United States Department of Labor. Web. Link. Retrieved October 31, 2024, September's unemployment rate was the most recent available.

invest in and expand the region's transit and wastewater systems, it will need more operators, support staff, and administrative staff to ensure proper stewardship of the region's resources.

Given the Council's rapid expansion, long-term growth remains an open risk. As such, hiring will continue to be a key process. Human Resources' departmental strategic plan identifies workforce needs (including recruitment, engagement, and employee development" as one of their cascading goals. Regional Administration's strategic plan pledges to implement a divisional, unified recruitment plan to improve hiring efficiency, while Metro Transit has already implemented a unified recruitment plan. Program Evaluation and Audit contributes to mitigating this risk by continuing its audit of the Recruitment and Selection Process, which began in the summer of 2024.

Collective Bargaining and Cost Allocation

2024 was a significant collective bargaining year for the Council. Ten of the Council's thirteen collective bargaining agreements expired in or by the end of 2023.This includes the Amalgamated Transit Union; American Federation of State, County, and Municipal Employees; and all law enforcement agreements. Three of the Council's unions, including its two largest, authorized strikes. While no unit stopped work, the impacts of the negotiations had demoralizing effects on all Council employees. Open collective bargaining agreements present uncertainty for Council employees, operations, and budgets.

With the collective bargaining agreements settled, the Council signed the largest yearly percentage increase that it has in the past two bargaining cycles. As head count continues to grow, all divisions should expect higher labor costs going into future years. With new, diverse funding sources from the Metropolitan-Area Sales Tax, federal sources, and the Motor Vehicles Sales Tax, the internal allocations for cross-divisional services should be considered. As Regional Administration and Metro Transit add additional staff, the impact on other, smaller divisions such as Community Development should be evaluated so as not to unfairly impact their administrative costs. While Metro Transit has a dedicated funding source, Community Development funding continues to be supported by a lagged formula with a low administrative cap.

Asset Management

The effective stewardship of public resources is one of the Council's core values.[9] The Council owns and maintains a large amount of assets – including wastewater plants, bus garages, office buildings along with all the things that help our services run. As the Council implements its capital programs, managing and maintaining the new assets will require cross-divisional coordination.

However, the Council must maintain its current assets as well. The Council has over 1,500 buses between Metro Transit and Metropolitan Transportation Services, along with several garages and support facilities. Environmental Services operates 9 wastewater recovery facilities along with numerous lift stations and interceptors. Community Development has approximately 150 units that it owns and operates. The Council also manages several inventories, including parts, technology, and other miscellaneous supplies. Risks associated with asset management include financial, budget, state of good repair, operational, fraud, reporting and insurance.

The Council is continuing its Business Process Systems Integration (BPSI) project. This project is a Council-wide, enterprise initiative to streamline multiple processes and systems across the

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[9] Metropolitan Council (May 2014). *Thrive MSP 2040.* Web. Link.

divisions. It includes timekeeping, absence management, asset management, and more.[10] Specifically, Enterprise Asset Management project will attempt to develop requirements and strategy for full asset lifecycle management, implement an integrated solution for strategy, and retire the Council's duplicative, aged asset management systems. However, this project does not include managing the Council's technology assets.

Government

After the 2024 elections, the Republican Party has unified control of the federal government for the first time since 2019. As a recipient of federal dollars, leadership changes at the federal level could impact the Council's funding, regulatory, and operating environments. This includes changes at the Department of Transportation, Housing and Urban Development, and Environmental Protection Agency. According to the IIA's *Risk in Focus*, regulatory change was the fifth greatest risk facing organizations this year.[11]

At the state level, Minnesota will retain its governor. The Democratic Party also retained control of the Minnesota Senate. However, control over the House of Representatives remains unclear. As of November 26, the House was split 67-67 and a speaker had not been named.[12] In 2023, the Council received changes to its funding streams via the metro-area sales tax increase for housing and transit, along with additional funding for some capital projects.

Cybersecurity, Digital Disruption, and Information Technology (IT)

Cybersecurity is the top global and North American risk according to an IIA survey of Chief Audit Executives.[13] Likewise, cybersecurity continues to be one of the Council's top risks as well. The Council's operating divisions increasingly rely on information technology to do their jobs efficiently, quickly, and accurately. It is important for the Council to maintain its complex information systems and to respond to new technology while protecting itself against emerging cyber threats. Phishing emails remain one of the most consistent social engineering attacks, while artificial intelligence (AI) based phishing is becoming more prominent.

Digital Disruption (including AI) was the 4th greatest risk facing organizations according to the IIA's *Risk in Focus*. While AI has the potential to improve the efficiency of the Council's operations, it also has the ability to increase the Council's existing cybersecurity, fraud, and human capital risks. The Council has a significant number of legacy systems that must be addressed. There are also significant governance and training gaps, as demonstrated by the several audit reports issued over the past few years. Some initiatives, such as Business Process Systems Integration (BPSI), are attempting to address the Council's technical debt. However, the Council currently retains heightened risk levels around cybersecurity and digital disruption until it improves the agency's technological competence.

To that end, the Council is continuously hiring for IT professionals. While the function has been understaffed, the issue is worsened due to the tight competition for qualified IT professionals. The Council has taken some steps to mitigate this risk by conducting a contracting a significant number of IT professionals (including the Chief Information Security Officer), performing a classification and compensation study, and authorizing budget amendments to hire additional

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[10] Metropolitan Council (September 2024). "Business Process Systems Integration Program." Internal Council website.

[11] The Institute of Internal Auditors (October 2024). "2025 Risk in Focus: Global Summary" Link.

[12] KSTP-TV, LLC (November 2024). "District 14B election results upheld after recount, confirming tied House of Representatives." Web. Link.

[13] The Institute of Internal Auditors (October 2024). "2025 Risk in Focus: Global Summary" Link.

staff. They have also made efforts to standardize by adopting 18 new standards that cover security, vendor management, and infrastructure.[14]

Given the Council's role in operating critical infrastructure such as wastewater treatment and transit systems, Audit has continued to dedicate resources to auditing the control environment. Previously audited areas included asset management, lifecycle management, user administration, and technology governance. Audit will continue to review the area in the coming year.

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[14] These standards are based on version 18 of the Center for Internet Security standards.

Risks Specific to Council Operations

Transit

Metro Transit's ridership continues to rebound from pandemic era lows.[15] Service remains reduced from its pre-pandemic highs due to a number of factors, including the increase in remote work and changing regional travel patterns. Core local routes are a higher percentage of ridership, and arterial bus rapid transit weekday ridership has been more resilient.[16]

Currently, Metro Transit's *Network Next* plan is in the public comment stage. Metro Transit's vision for bus and rail service investments through 2027, *Network Now,* is based off the Council's Transportation Policy Plan. It plans for four new Bus Rapid Transit lines by 2027, restoring 10-minute frequency to Blue and Green Lines, creating a new Key Express Network, and adding 8 new microtransit zones by 2027.[17]

Successfully implementing *Network Now* depends on Metro Transit's ability to hire employees, purchase vehicles, and obtain funding. Metro Transit will require around 370 new bus operators, 90 microtransit operators, and additional support staff to fully implement the plan. Increasing service would mean an additional 125 fixed route and 50 additional microtransit vehicles as well.[18] Since the document is more focused on Metro Transit, the increases do not include operators or vehicles for Metro Mobility.

The Council continues its work on several major capital projects, each of which carries a unique and substantial risk to the Council – the largest of which is the Green Line Extension. As in previous years, the Green Line Extension continues to manage through risks with civil and systems construction as it heads towards completion. As the project completes the construction phase, the risk will shift to systems testing and preparing for opening day. The Blue Line Extension and the Purple Line BRT are currently managing through design and environmental approval processes.

Metro Transit's B, E, and the first phase of the Gold Lines will be ready for operation in 2025. The Gold Line project continues its own right-of-way and station construction, and recently announced that they will be extending into Minneapolis in 2027. In addition to the complex risks associated with constructing bus lines, Metro Transit will need to plan for the increased staffing levels required to open and operate each line. This includes additional bus operators, mechanics, dispatchers, and facilities technicians.

Metropolitan Transportation Services began a new Metro Move service last year using Department of Human Services funding. This new program is expected to help offset operating costs but introduced new compliance and operations risks as riders and contracts transition to the new program.

Finally, in April 2023, the Council announced that it was creating a new transit infrastructure division to manage and oversee transit infrastructure projects.[19] This division was announced in part due to an internal focus on improving the decision-making process around capital programs. However, after leadership changes and internal discussions throughout 2024, the Council has decided not to create a sixth division.

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[15] Metro Transit (November 2024). "Performance." Web. Link.
[16] Metro Transit (September 2024). *Network Now*. Web. Link.
[17] Ibid.
[18] Ibid.
[19] Metropolitan Council (April 2023). "New Transit Infrastructure Division will Manage and Oversee Development and Construction of Major Infrastructure Projects." Web. Link.

Community Development

The Council administers ten rent assistance programs for low-income families, including the Family Affordable Housing Program, Section 8 voucher programs, and programs for people with disabilities to live independently. Community Development owns around 150 housing units. Community Development partners with Metro Transit Police Department's Homeless Action Team and Interagency Council on Homelessness as well to provide additional services for the Metro's vulnerable populations.

Any changes in regulations and/or funding from Housing and Urban Development may cause financial risk within the programs. Due to federal rules and lagged funding formulas, there is a structural funding deficit. As rents increase, Community Development can help fewer clients as the voucher percentage remains the same. Likewise, Community Development has caps on administrative costs that limit its operations and may be impacted by the internal cost allocation. Fortunately, Community Development receives some funding from the Metro-area sales tax.

The demand for affordable housing remains high, while the supply of both housing and vouchers remains low. Increasing rents and other inflationary cost of living pressures (such as healthcare, childcare, and everyday essentials) continue to impact tenants and the voucher program. Even if a family can receive a voucher, it can be a challenge to find landlords who will accept the voucher or the tenant's rental history.

Caseloads for Community Development staff have decreased from previous years as they were successfully able to hire additional staff. However, it takes time for new hires to get up to a full caseload, which temporarily increases the pressure on current employees. The division's housing team has worked on cross-training and has dedicated a team to work on quality control and payment reviews.

Environmental Services (ES)

Environmental Services continues to be a leader in the region and the state on water quality issues. As in previous years, changes in state regulations or changes at the Minnesota Pollution Control Agency or Environmental Protection Agency could affect MCES and water management in the region. Specifically, new PFAS regulations present new compliance risks for permits and health risks for the region. The cost of treating both PFAS specifically and wastewater in general could impact MCES' goal to keep wastewater charges low.

Like other capital assets, ES facilities and infrastructure are aging. In 2025, ES will undertake $368M in capital investment in the regional wastewater system. The Council is in the process of authorizing a total of $2.881B as part of its 2025 to 2030 Capital Program.[20] The Council is currently evaluating proposals for a fourth incinerator at the Metro Plant.

Regional Administration

Regional Administration's specific risks are subsets of the Council's general risks as it is home to the organization's human resources, information technology, and procurement functions. As such, effectively coordinating the Council's responses to the staffing, economic, and cybersecurity risks is paramount. Additionally, Regional Administration's reputation and relationships with the other divisions continue to be another set of challenges to overcome in order to effectively respond to the evolving risk landscape. Last year, the division introduced a

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[20] Metropolitan Council (October 2024). "Public Comment Operating Budget Update and 2025-2030 Capital Program Budget." Web. Link. This presentation was given at a regular meeting of the Metropolitan Council on October 9, 2024. Link.

new mission, vision, and values document for Regional Administration staff that promotes collaboration and being a strategic partner. Continuing this work, Regional Administration is currently finishing a 2025 – 2027 Strategic Plan that centers around the pillars of workforce, technology, and governance.

According to the IIA's *Risk in Focus*, Business Continuity was the second top global risk facing organizations.[21] Likewise, it's a key risk for the Council as well given that it operates critical infrastructure. Effectively planning for disruptions, outages, or other disasters is a key Council initiative.

External Audits or Other Reviews

As a state and federal funding recipient, the Metropolitan Council is routinely audited by external offices for compliance across numerous areas. External audits help test controls, identify areas for improvement, and provide additional audit coverage for the internal audit team. The IIA requires the CAE to coordinate activities and consider relying upon the work of other internal and external assurance providers.[22] This section discusses some of the audits that the state government, federal government, and third parties provide.

Federal Audits

Federal Highway Administration Transportation Management Area Certification Review

Every four years, the Federal Highway and Federal Transportation Administrations certify that each metropolitan planning organization (MPO) is carrying out their planning process in accordance with federal statutes and regulations.[23] Auditors will review the Council's planning process in November. This includes regulations and guidance covered under 23 CFR 450/49 CFR 613, FTA C 8100.1D, and the FAST Act.

Housing and Urban Development: Voucher Management System

Housing and Urban Development's Office of Public and Indian Housing's Quality Assurance Division reviewed the Council's Voucher Management System (VMS).[24] Each quarter, the Council submits monthly reports on its leasing and expense data to the federal government. This data is use to determine or modify the amount of housing choice voucher funds the Council receives. The audit's purpose was to validate the Council's VMS data submissions for certain housing programs. The audit occurred in July 2024, and the Council is awaiting the final report.

Upcoming: Federal Transportation Administration Triennial Review

The Federal Transportation Administration reviews the Council's transportation operations for compliance with various regulations every three years.[25] The review covers the Americans with Disabilities Act, Equal Employment Opportunity, Maintenance, Transit Asset Management, Satisfactory Continuing Control, and other areas. The Council is expecting to the information request in late 2024 and is expecting the onsite visits and report in mid-2025.

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[21] The Institute of Internal Auditors (October 2024). "2025 Risk in Focus: Global Summary" Web. Link.
[22] The Institute of Internal Auditors (January 2017). *International Standards for the Professional Practice of Internal Auditing: 2050 – Coordination and Reliance.* Web. Link.
[23] Federal Transportation Administration. "Certification Review." Web. Link.
[24] The U.S. Department of Housing and Urban Development. "Quality Assurance Division – About Us." Web. Link.
[25] Federal Transit Administration (March 2024). "Triennial Reviews." Web. Link.

State of Minnesota Audits

Office of the State Auditor (OSA)

The OSA annually audits the Council's financial statements. The state auditors test financial internal controls, federal programs, and major funds related to financial reporting. Last year, the OSA increased the Council's rating to a "high risk auditee" due to documentation errors in the federal housing cluster. In 2024, there were again documentation issues in the federal housing cluster, specifically on 3 missing criminal background checks and one file missing a "Debts Owed" form out of 40 case files. The OSA determined the issues to be a significant deficiency.

Office of the Legislative Auditor (OLA)

The OLA continues to review several aspects of the Green Line Extension's project management. The financial audit of the Green Line Extension is ongoing.

The OLA completed a performance audit of Metro Mobility. They found that the Council applied different service standards when scheduling rides in different service areas, that providers struggled to meet performance goals, and there were issues with the complaint process.[26] Please see the full report for the OLA's recommendations.[27]

Minnesota Department of Revenue

The Minnesota Department of Revenue is authorized to recapture refunds from taxpayers who owe money to other government agencies.[28] The Council's Housing and Redevelopment Authority is a qualified agency that seeks to recapture funds from taxpayers who either did not properly report increased income or damaged the unit. Revenue reviewed the Council's revenue recapture program for compliance with state law. The review had several findings, including issues with training completion, required information in the notification letter, processes for specific claims, and issues with the Council payment reporting. It also found that Council had identified the correct Service Level Agreement agents, had processes in place for overpayments and refunds, and proper claim prioritization. The Council has corrected all deficiencies.

Minnesota Office of State Safety Oversight (MNOSSO)

MNOSSO is the state safety oversight agency for our rail operations. They test pieces of the agency's Safety Management System for compliance with 49 CFR 674. Contractors were onsite at the Franklin Operations and Maintenance Facility in October. The final report is pending, but no deficiencies were reported at the exit conference.

Minnesota Pollution Control Agency (MPCA)

The MPCA routinely audits Environmental Services' operations. Audit will either attend the onsite visits or Environmental Services' Environmental Compliance team will send the reports

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[26] Minnesota Office of the Legislative Auditor – Program Evaluation Division (April 2024). "Metro Mobility." Web. Link.
[27] Minnesota Office of the Legislative Auditor – Program Evaluation Division (April 2024). "Metro Mobility – 2024 Evaluation Report." Web. Link.
[28] Minnesota Department of Revenue. "Revenue Recapture Agencies." State of Minnesota. Web. Link.

after the visit. This year's audit slate included audits at the Rogers, Empire, Eagles Point wastewater recovery facilities.

Council Internal Control Environment

A resilient organization establishes and maintains a strong internal control environment. Audit used the State of Minnesota's Control Systems Assessment Tool (CSAT) to assess the Council's control environment and inform the risk assessment. Our evaluation is based on our knowledge of the Council, risk assessment meetings, and feedback from key senior managers. The CSAT consists of 15 goals and approximately 70 questions on various topics, from financial controls, procedural controls, hiring practices, and the organization's culture. The Council should pay attention to the following areas, and Audit will review these elements as it implements the 2025 Audit Plan:
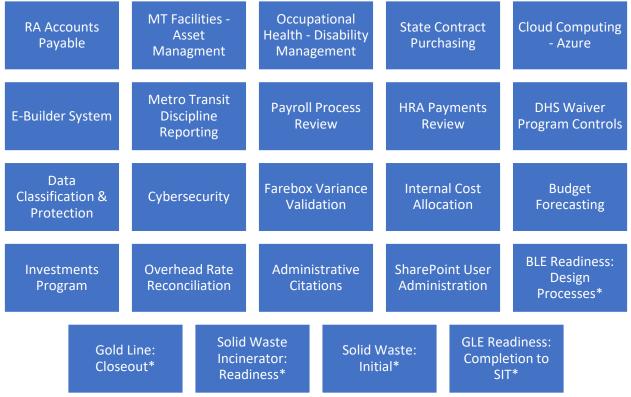
1. It has elements that support a positive culture but lacks an enterprise-wide approach and strategy to establish clear ethical values, practices, standards, policies and procedures to effectively establish "tone-at-the-top".

2. It could improve data governance and data security protocols, training and monitoring to improve the likelihood of leveraging Council systems and data for advanced analytics and artificial intelligence to improve decision-making and transparency; better ensure compliance with the Minnesota Government Data Practices Act and assess key risks related to the security of private information.

3. It could develop, document, implement, and monitor an internal control system to improve business process efficiency and effectiveness; detect and mitigate risks related to fraud, waste or abuse; and continuously evaluate business processes to adapt to changing conditions.

4. Create and maintain an asset inventory system to maintain compliance with federal requirements, enhance the ability of the organization to maintain state of good repair, promote lifecycle management, ensure accurate financial reporting and better budget for future needs.

5. It could enhance governance practices to aid senior management's decision-making.

2025 and Beyond Audit Plan

Current Audits

Body Worn Cameras	IT Facility Security	MCUB	Metro Transit Customer Comments and Complaints Process
Contract Administration - GLE Change Orders	Stockroom/Supply Management Monitoring	Incident Management Governance	Risk Management Process Review
Non-Revenue Vehicle Management	Recruitment and Selection	Small Purchasing	TMO
NorthStar - Annual Reportable Accident Review	HRA Consultation	Benefits Eligibility	

Audits - Next 6 – 12 Months

RA Accounts Payable	MT Facilities - Asset Managment	Occupational Health - Disability Management	State Contract Purchasing	Cloud Computing - Azure
E-Builder System	Metro Transit Discipline Reporting	Payroll Process Review	HRA Payments Review	DHS Waiver Program Controls
Data Classification & Protection	Cybersecurity	Farebox Variance Validation	Internal Cost Allocation	Budget Forecasting
Investments Program	Overhead Rate Reconciliation	Administrative Citations	SharePoint User Administration	BLE Readiness: Design Processes*
Gold Line: Closeout*	Solid Waste Incinerator: Readiness*	Solid Waste: Initial*	GLE Readiness: Completion to SIT*	

Denotes co-source with Talson Solutions, LLC.

Audits - Next 12 – 18 Months

ES Stockroom Budgeting Process	Artificial Intelligence	Crisis Intervention Protocol/Use of Force Procedures	Internal Communications
Paid Family Leave and ESST	EEO Measurements	Lactation and Prayer Room Accommodations	Continuity of Operations Planning
GLE Readiness: Sit, Pre-Revenue/Operations*	BLE: Pre-Construction/Initial*	Solid Waste Incinerator: Interim*	

Co-sourced with Talson Solutions, LLC. to begin in the second half of 2026

Other Projects

Audit Follow-Up	Ethics and Compliance Improvement	Enterprise Risk Implementation	External Audit Coordination
Audit Continuous Improvement	Investigative Work	Overhead Rate Approvals	EQA Follow-Up
Strategic Plan Update	Audit Software Implementation	Hotline Software Purchase	

Connection to the Regional Administration Strategic Plan

As a trusted strategic partner seeking to add value to the Council's operations, Audit considers the division's various strategic plans. During each audit's planning phase, our team connects the audit objectives specifically to *Imagine 2050* values and the divisions' strategic goals and objectives. As a member of the Regional Administration division, we can connect the audits on the plan to the division's vision, mission, and three pillars:

- **Mission:** Regional Administration strives to be a trusted strategic partner by delivering integrated, collaborative, efficient, and responsive services.

- **Vision:** Regional Administration provides enterprise services that are aligned with the Council's vision.

- **Three Pillars**

  1. **Workforce:** Create an inclusive work environment that supports employee growth and retention and meets the Council's strategic goals.

  2. **Technology:** Maintain a Council-wide safe environment, modernize systems, and streamline service delivery to support divisional objectives.

  3. **Governance:** Execute enterprise-wide solutions to improve transparency, communication, and decision-making. Promote systems-thinking and manage risk to achieve strategic objectives

Planned Audits and Connections to RA's Strategic Plan

Audit	Workforce	Technology	Governance
Body Worn Cameras		X	X
IT Facility Security		X	X
MCUB			X
MT Comments and Complaints	X	X	X
GLE Change Orders			X
Stockrooms/Supply Management Monitoring	X	X	
Incident Management Governance		X	X
Risk Management Process Review			X
Non-Revenue Vehicle Management			X
Recruitment and Selection	X	X	X
Small Purchasing			X
TMO			X
NorthStar Annual Reportable Accident Review	X		
HRA Consultation			X
Benefits Eligibility	X		X
RA Accounts Payable		X	X
MT Facilities - Asset Management		X	X
Occupational Health - Disability Management	X		X
State Contract Purchasing			X
Cloud Computing - Azure		X	X
e-Builder System		X	X
MT Discipline Reporting	X	X	X
Payroll Process Review	X	X	X
HRA Payments Review			X
DHS Waiver Program Controls			X
Data Classification & Protection		X	X
Cybersecurity		X	X

Farebox Variance Validation		X	
Internal Cost Allocation	X	X	X
Budget Forecasting			X
Investments Program			X
Overhead Rate Reconciliation			X
Administrative Citations	X		X
SharePoint User Administration		X	X
ES Stockroom Budgeting Process			X
Artificial Intelligence		X	X
Crisis Intervention Protocol/Use of Force Procedures			X
Internal Communications			X
Paid Family Leave and ESST	X		X
EEO Measurements	X		X
Lactation and Prayer Room Accommodations	X		X
Continuity of Operations Planning	X	X	X
Audit Follow-Up	X	X	X
Ethics and Compliance Improvement	X	X	X
Enterprise Risk Implementation	X	X	X
External Audit Coordination			X
Audit Continuous Improvement	X	X	X
Investigative Work	X	X	
Overhead Rate Approvals			X
EQA Follow-Up	X	X	X
Strategic Plan Update	X	X	X
Audit Software Implementation		X	X
Hotline Software Purchase	X	X	X

Co-sourced Audit Plan – Talson Solutions 2025-2026

Talson Solutions, LLC conducted a risk assessment of the Council's Capital Projects. Below is their initial audit plan:

Project	Description	Project Delivery Method (Phase)	1st Half 2025	2nd Half 2025	1st Half 2026	2nd Half 2025
Green Line Extension ($2.8B)	14.5 miles of double track, tunnels and bridges.	Design-Bid-Build (Construction)		Readiness: Completion to System Integration Testing (SIT)		Readiness: SIT, Pre-Revenue / Operations
Blue Line Extension ($2.3B)	13.4 miles of light rail extension connecting downtown Minneapolis to the Northern communities	Design-Bid-Build (Design)	Readiness: Design Processes		Pre-Construction / Initial	
Gold Line BRT ($505M)	10 miles with bus stations, park-and-ride lots, roadway and landscape improvements located in Ramsey and Washington Counties.	Design-Bid-Build (Near Completion)	Closeout Audit			
4th Solid Waste Incinerator ($242M)	New construction of a 4th solid waste incinerator located at Metropolitan Wastewater Treatment Plant.	Design-Build (Award Pending)	Readiness: Project Team Roles & Responsibilities	Initial		Interim

Project Definitions:

- **Readiness (incl. Pre-Revenue):** A focus on various aspects of a project including the project team to evaluate the capabilities of the organization including institutional systems to successfully undertake the project. Project definition, policies and procedures, personnel qualifications and progress status may be reviewed in order to early business processes improvements and risks to project completion.
- **Pre-Construction (prior to contract execution):** Assess near final contract language, including cost of work definition, allowable costs and key deliverables and contractual obligations. Also focuses on establishment of professional staff and field labor hours rates, construction manager cost reporting and cost accounting systems, if applicable.
- **Initial (5% – 20% contract progress):** Focuses on verification and compliance of contract documents, and verification that the construction manager's and subcontractor's proposals are compliant with standard contract terms and conditions, and that the proposed costs are reasonable, accurate, and in line with industry standards.
- **Interim Audit (50% – 60% contract progress):** Focuses on adherence to contract documentation, review and recalculations of insurances, fees, invoices, change orders, claims, and verification of continued compliance to the contractual terms.
- **Closeout Audit (90% – 95% contract progress):** Continued focus on verification and compliance requirements of pricing of change orders, invoices, and claims. Assess status of subcontractor and construction manager's closeout activities, inclusive of cost reconciliations and notable contract deliverables

Unselected Audits

Due to varying risk levels, resource constraints, or other factors such as timing or additional coverage, several audits do not make the plan.

Unselected Audits

Division	Unit	Title
RA	HR – Labor Relations	Labor Negotiations Process
RA	Procurement	Procurement Timelines
RA	Deputy Regional Administrator	Investigation Process
RA	Enterprise Content Management	Data Governance Long-term Planning
RA	Procurement	Defederalization of Funds
RA	Real Estate	Infrastructure on Non-Council Land
RA	Community Relations	Indigenous Relations
RA	Finance	Journal Entry
RA	HR - Benefits	Benefit Communications
RA	Procurement	Consultant Use
RA	HR - TM & LOD	New Employee Orientation and Onboarding
MTS/CD	Finance	Off-the-Shelf Technology
MTS/CD	Finance	Work Instructions for Deliverables
MT/CD/ES	Capital Investments	Climate Resilience
MT	MTPD	Data Practices Requests
MT	MTPD	Whistle Blower Protections
MT	Finance - Grants	Risk Management Process
MT	E&F	Work Orders
MT	Asset Management	Warranties
MT	Operations	Bus / Train Delay Response
MT	Service Development	Route Planning
MT	Service Development	Interactive Route Maps