



**METROPOLITAN TRANSIT AUTHORITY
OF HARRIS COUNTY, TEXAS**

Independent Accountants' Report on
Applying Agreed-Upon Procedures

Year ended September 30, 2017



KPMG LLP
811 Main Street
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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Directors
Metropolitan Transit Authority of Harris County, Texas
Houston, Texas:

We have performed the procedures enumerated in Attachment I, which were agreed to and specified by Federal Transit Administration (FTA) in the *2017 NTD Policy Manual, Exhibit 68 (2017 Policy Manual)*, (included as Attachment II). Metropolitan Transit Authority of Harris County, Texas (METRO's), management is responsible for the forms submitted to the National Transit Database (NTD). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in the Attachments either for the purpose for which this report has been requested or for any other purpose.

The procedures were applied to each applicable mode and type of service (TOS) (directly operated (DO) and purchased transportation (PT)) as listed below for the fiscal year ended September 30, 2017.

<u>Mode and type of service</u>	<u>Name of provider</u>
Directly operated:	
Motor bus	METRO (MB DO)
Commuter bus	METRO (CB DO)
Light rail	METRO (LR DO)
Purchased transportation:	
Motor bus	First Transit and G.H.T.C. (MB PT)
Commuter bus	First Transit (CB PT)
Demand response	G.H.T.C. and First Transit (DR PT)
Demand response taxicabs	G.H.T.C and Fiesta Cab Co. (DT PT)
Vanpool	2Plus (VP PT)

There were no findings that came to our attention as a result of performing the procedures enumerated in Attachment I.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 forms submitted to the NTD. Accordingly, we do not express such an opinion or conclusion. 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 the Board of Directors of METRO, management of METRO, and the FTA, and is not intended to be and should not be used by anyone other than the specified parties.

KPMG LLP

Houston, Texas
March 27, 2018

Agreed-Upon Procedures Performed

METRO has developed automated systems to process and accumulate certain information utilized in its NTD reporting. As a result, many source documents and procedures have been converted to electronic data which is interfaced directly with other computer programs or macro-enhanced spreadsheets for calculation and processing. We have used on the output from these automated systems when performing procedures enumerated below regarding vehicle revenue miles (VRM) and Passenger Miles Traveled (PMT).

- a. We affirmed the procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2017 NTD Policy Manual, Exhibit 68 (2017 Policy Manual)* with METRO personnel assigned the responsibility for supervising the NTD data preparation and maintenance.
- b. We affirmed with METRO personnel who are responsible for supervising the preparation and maintenance of data in accordance with NTD requirements (Reporting Managers) the following:
 - The procedures are continually followed.
 - These procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2017 Policy Manual*.
- c. We made inquiries with METRO Reporting Managers that METRO maintains source data in its automated systems and supporting hardcopies, where available, supporting the NTD data, Total Modal Operating Expenses data, Actual Vehicle Revenue Mile (VRM), and Passenger Miles Traveled (PMT) for a minimum of three years.
- d. We inquired of METRO personnel regarding the source documents and were informed that METRO has automated most processes and integrated systems such that there were not paper source documents. METRO personnel informed us that the source data and system reports are maintained for three years.
- e. We inquired with METRO personnel and were informed that individuals, independent of the individuals preparing the source data or documents and processing the data, review the source data input or documents and output reporting for completeness, accuracy, and reasonableness. We were also informed reviews are performed monthly in most instances.
- f. As noted in Step d, we were informed that METRO has automated most processes and integrated systems such that there are not paper source documents. Certain METRO personnel indicated that the supervisor review was documented by the information being included in reports that require management review and approval. However, given that most documents are electronic, hard copy source documents with supervisors' signatures are generally not maintained.
- g. We obtained worksheets used to prepare the final data that METRO transcribes onto the Federal Funding Allocation Statistics Form (FFA-10) and compared the periodic data included on the worksheets to the periodic summaries prepared by METRO. We determined the computations were mathematically accurate within the workbook.

- h. We inquired with METRO personnel regarding the procedures for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements and were informed that METRO uses a procedure that is one of the methods specifically approved in the 2017 Policy Manual, 100% count.
- i. We inquired with METRO personnel that the transit agency, with the exception of certain purchased services, does not meet any of the three requirements in procedure i of the Data Review Suggested Procedures in the *2017 NTD Policy Manual*; thus, it is required to conduct statistical sampling for passenger mile data every year.

We obtained a description of how annual PMT is estimated for the current report year.

- j. We obtained a description of the sampling procedures for the estimation of annual PMT used by METRO. All of METRO's modes and TOS are using 100% count for estimation of PMT and not alternative sampling. However, for LR DO, MB DO, CB DO, MB PT, and CB PT within the 100% methodology, average passenger trip length is a derived calculation from the available data to allow for adjustments based upon the daily trip lengths as opposed to using an annual average.

For LR DO, MB DO, CB DO, MB PT, and CB PT, METRO uses a computer application to select samples and MobileStatistics software to compile the data including Automatic Passenger Count (APC) data to develop average trip length calculations. METRO's IT staff developed the application for selecting random samples. We inquired with METRO personnel that the universe of runs was the sampling frame. We inquired of METRO personnel and were informed that the methodology resulted in a random selection of runs. METRO stated they use more samples than required to compensate for a sample that is discarded and does not need to replace a sample run.

- k. With regard to LR DO, MB DO, CB DO, MB PT, CB PT, DR PT and DT PT we determined that the PMT calculations are being performed internally by several automated systems.

With regard to VP PT PMT, we selected the RidePro monthly reports (which are maintained by a contractor and uses data directly from the vanpool groups and documents the number of passengers, trips, mileage, VRM, and PMT) and is the source document for accumulating PMT. We determined that the required data was recorded, and the computations were mathematically accurate within the workbook for each of the trips tested.

- l. We affirmed with METRO personnel that METRO does not operate charter or school bus service.
- m. We obtained the collection and recording methodology for VRM for all modes and types of service and affirmed with METRO personnel that deadhead miles are systematically excluded from its computation using the manner of calculation enumerated below.

With regard to LR DO, MB DO, CB DO, MB PT, and CB PT, METRO calculates VRM from schedules using a macro-enabled Excel application using scheduled revenue miles data plus special events miles less lost miles. We reviewed METRO's documentation of the procedures used to subtract lost miles. We determined that the calculations are being performed internally by multiple systems and spreadsheets. We have used the internal calculations being performed by these systems.

With regard to DR PT, VRM is calculated from vehicle log data provided to METRO by the contractor. We selected a random sample of contractor vehicle log data and determined that deadhead miles are excluded and that the calculations are being performed internally by multiple systems and spreadsheets. We have used the internal calculations being performed by these systems.

For DT PT, VRM is calculated from vehicle log data. Taxicab service is paid for passenger trips from origin to destination, which excludes deadhead miles. We selected a random sample of vehicle logs and determined that the calculations are being performed internally by multiple systems and spreadsheets. We have used the internal calculations being performed by these systems.

With regard to VP PT, VRM is calculated from vehicle data provided by the contractor vehicle logs. We obtained management's documentation of the methodology utilized by METRO to accumulate its actual VRM data. RidePro ridership logs are provided by the vanpool drivers. The log data is extracted from RidePro and assembled into workbooks used to compile NTD data. In general, vanpool service starts and ends at the home or nearby parking lot, which is the first passenger pick-up point and last passenger drop-off point so there are no deadhead miles. We selected a random sample of the RidePro data and verified that deadhead miles are systematically excluded from the computation in accordance with FTA's definitions.

- n. For rail modes, METRO does not have any locomotives.
- o. We affirmed with METRO personnel that report fixed guideway and high intensity busway direction route miles (FG/HIB DRM) that the operations meet FTA's definition in that the service is rail, the MB and CB service operate over exclusive or controlled access rights-of-way (ROW), have restricted access, a legitimate need for restricted access is demonstrated during peak period level of service of D or worse on a parallel adjacent freeway, and restricted access is enforced for freeways, and priority lanes used by high occupancy vehicles, including VP, demonstrate safe operation. METRO affirmed High Occupancy/Toll (HO/T) lanes meet FHWA requirements in accordance with the *2017 Policy Manual*.
- p. We inquired with METRO personnel regarding procedures over the measurement of FG DRM and were informed that the FG and HIB DRM is computed in accordance with FTA's definition of FG DRM. METRO had minor service changes and has requested approval of the change in LR DO and HOV/HOT lane segments from the FTA. The FTA determines approved segment measurement which could result in a change DRM. We did not re-compute average monthly DRMs. We reconciled total DRMs to the Federal Funding Allocation Statistics form.
- q. We inquired if METRO incurred any temporary interruptions in service and were informed there were temporary interruptions due to Hurricane Harvey and for other maintenance and rehabilitation improvements to its fixed guideway segments. These were short term in nature and reported as 12 months of operation. We inspected that METRO documented the interruptions.
- r. Measurements of FG DRM for all rail segments and bus FG DRM segments can only be entered and adjusted by FTA. We did not measure FG DRM.
- s. We inquired with METRO personnel whether other public transit agencies operate service over the same FG as METRO and were informed that the DRMs for the segments are only reported once. All segments are only reported by METRO with the exception of one segment that is being claimed by Fort Bend and not METRO.
- t. We observed the FG/HIB DRM forms and confirmed the segments listed are the ones already approved by FTA and determined the date reported in the 2017 NTD report is the date the agency began revenue service. However, METRO personnel stated that METRO had service changes in 2017 that, if approved, will increase DRMs. METRO requested FTA to approve these segments after the fiscal year. These segments are not included in the 2017 National Transit Database (NTD).

- u. We compared total operating expenses (OE) reported on Form F-40 to financial data included in METRO's September 30, 2017 draft audited financial statements and found them to be in agreement after reconciling items were considered. Reconciling items include interest expense and other reconciling items.
- v. We affirmed with the reporting managers the amount of PT generated fare revenue. We agreed the PT fare revenue data provided by the Reporting Managers and Accounting to the amount on the Contractual Relationship Form (B-30) with no exception.
- w. Not applicable.
- x. We obtained copies of all contracts for PT and determined that the contracts specified the public transportation services to be provided; the monetary consideration obligated by METRO; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by METRO's NTD report); and is signed by representatives of both parties to the contract.

We inquired with METRO personnel whether executed contracts are retained for at least three years and were informed that such contracts are retained for three years.

- y. METRO provides VP PT in more than one UZA. We affirmed with METRO personnel the procedures for allocation of statistics between UZAs and non-UZAs. METRO's VP PT does not have FG segment worksheets, or available route maps but uses an automated GIS system. We reviewed the allocation worksheet used for allocating the statistics and determined that the stated procedure was followed.
- z. We compared the data reported on the FFA-10 form for Total Modal Operating Expenses data, Actual Vehicle Revenue Mile and Passenger Miles Traveled to comparable data from the prior report year and calculated the percentage change from the prior year to the current year. We affirmed with METRO management the specifics of operations that led to the increases or decreases for actual VRM, PMT, or OE data that have increased or decreased by more than 10%, relative to the prior reporting period. There were no changes in FG DRM data as discussed in procedure t.
- aa. We documented the specific procedures followed, documents reviewed, and tests performed in the work papers. No procedures, in addition to the suggested procedures in 2017 Policy Manual, Exhibit 68 were performed.

ATTACHMENT II

FTA has specified and agreed to a set of procedures for the independent auditor to perform to satisfy the requirements of the Federal Funding Allocation data review. Several of the procedures below require the auditor to select random sample of documents or data. The procedures do not specify the selected number (i.e., the percentage of the total documents/data). The auditor should use professional judgment to determine the percentage that will enable the auditor to make the required assurances.

The source documents and other records (such as data summaries) may be in the form of digital data files. The auditor should ensure that these files are securely stored and that a contingency plan is in place to ensure that the transit agency retains source documents for a minimum of three years.

- a. The procedures to be applied to each applicable mode and type of service (TOS) (directly operated (DO) and purchased transportation (PT)) 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 49 CFR Part 630, *Federal Register*, dated January 15, 1993 and as presented in the *2017 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.
- b. 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 49 CFR Part 630, *Federal Register*, dated January 15, 1993 and as presented in the *2017 NTD Policy Manual*.
- c. 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. (FFA-10).
- d. Based on a description of the transit agency's procedures from items (A) and (B) 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.
- e. 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.
- f. 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.
- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.
- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2017 Policy Manual*.

ATTACHMENT II

- i. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
 - According to the 2010 Census, the public transit agency serves a UZA 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 (VOMS) (in any size UZA).
 - 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 (2017) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.
 - Determine how the transit agency estimated annual PMT for the current report year.
- j. Obtain a description of the sampling procedure for estimation of PMT 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 PMT 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.
- k. Select a random sample of the source documents for accumulating PMT 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.
- l. 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.
- m. For actual vehicle revenue mile (VRM) 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 VRMs 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 summarization.
 - If actual VRMs 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.

ATTACHMENT II

- n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.
- o. If fixed guideway or High Intensity Busway directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Busway (HIB) in that the service is:
 - Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR); or
 - Bus (MB, CB, or RB) 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;
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e. vanpools (VP), carpools) must demonstrate safe operation; and
 - High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues. The transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation stating that it has established a program for monitoring, assessing, and reporting on the operation of the HOV facility with HO/T lanes.
- p. Discuss the measurement of FG and FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB and DRM reported on the Federal Funding Allocation Statistics form.
- q. 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 FG segment(s), the following apply:
 - Report DRM 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 FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.
- r. Measure FG/HIB DRM from maps or by retracing route.
- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

ATTACHMENT II

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2017 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB 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 2017 report year, the Agency Revenue Service Date must occur within the transit agency's 2017 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/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, the FTA will only consider segments continuously reported to the NTD.
- u. Compare operating expenses with audited financial data after reconciling items are removed.
- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.
- w. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data of the PT 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 PT data.
- x. If the transit agency purchases transportation services, obtain a copy of the PT 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.
- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG 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.
- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM 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.
- aa. The auditor should document the specific procedures followed, documents reviewed, and test performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.