



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

Independent Accountants' Report on
Applying Agreed-Upon Procedures

Year ended September 30, 2014



KPMG LLP
 811 Main Street
 Houston, TX 77002

**Independent Accountants' Report on
 Applying Agreed-Upon Procedures**

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 the FTA in the *2014 Urban Reporting Manual, Exhibit 71*, (included as Attachment II) and were agreed to by Metropolitan Transit Authority of Harris County, Texas (METRO), solely to assist you in evaluating management's compliance with certain data contained in METRO's Federal Funding Allocation Statistics Form FFA-10 of the National Transit Database (NTD) report for the fiscal year ended September 30, 2014.

The Authority's management is responsible for the federal funding allocation data described in the first paragraph which is contained on the FFA-10 for the fiscal year ended September 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I or II 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, 2014.

Mode and type of service	Name of provider
Directly operated:	
Motor bus	METRO (MB DO)
Commuter bus	METRO (CB DO)
Light rail	METRO (LR DO)
Purchased transportation:	
Motor bus	First Transit and MV Transportation (MB PT)
Commuter bus	First Transit (CB PT)
Demand response	G.H.T.C. and MV Transportation (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.

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We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on management's compliance with Attachment II for the fiscal year ended September 30, 2014. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the information described above and does not extend to METRO's financial statements taken as a whole or the other forms in METRO's NTD report for the fiscal year ended September 30, 2014.

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 these specified parties.

KPMG LLP

March 30, 2015

Agreed-Upon Procedures Performed

- A. 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 *2014 NTD Policy Manual* with the personnel assigned the responsibility for supervising the NTD data preparation and maintenance.
- B. Affirmed with METRO personnel who are responsible for supervising the preparation and maintenance of data in accordance with NTD requirements (Reporting Managers) and affirmed with METRO personnel 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 *2014 NTD Policy Manual*.
- C. Affirmed with METRO Reporting Managers that METRO maintains source documents for supporting the NTD data, Total Modal Operating Expenses data, Actual Vehicle Revenue Mile and Passenger Miles Traveled for a minimum of three years.
- D. We inspected the following source documents for the months of December 2013, April 2014, and July 2014 to confirm that the documents exist:
- For LR DO; MB DO; MB PT; CB DO; and CB PT – Mobile Statistics Report of unlinked passenger trips data generated from the automatic passenger counters and adjustments, electronic and hard copy.
 - For LR DO; MB DO; MB PT; CB DO; and CB PT – Trapeze scheduling system’s Summary of Schedules (scheduled service levels prepared by the Scheduling Division).
 - For LR DO; MB DO; MB PT; CB DO; and CB PT – Lost Hours and Miles Reports, SAP Incident Reports, and Revenue miles lost reports.
 - For MB DO; MB PT; CB DO; and CB PT – Mobile Statistics ridership data and Random Ride checks, which include survey trip sheets that have boardings data generated from bus trip samples.
 - For DR PT and DT PT – Trapeze scheduling system Productivity Reports, MSP/Taxicab Backup Worksheets, Tie-Back Reports (Excel download), Section 15 Breakdown Reports, Provider Productivity Reports, and PDF versions of files sent to METRO by Contractors.
 - For VP PT – Star Regional Vanpool workbooks prepared with data extracted from RidePro (in Excel format) used to compile route, mileage, and ridership information.
 - Financial reports, reconciliations, and general ledger reports.
 - For all procedures in which a sample of months were used, if a procedure was not applicable to a specific month we used the next nearest month.
- E. Affirmed with METRO personnel that individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness, and how often such reviews are performed, which is monthly in most instances.
- F. We selected a random sample of the source documents in Item D for the fiscal year ended September 30, 2014, to determine whether appropriate supervisors’ signatures were present or if they were not present.

ATTACHMENT I

We determined how the supervisor's reviews are documented. We were informed that supervisors' signatures exist on the survey trip sheets and random ride checks for MB DO, MB PT, CB DO, CB PT, and LR DO (simultaneous verification process). Additionally, the reports for DR PT and DT PT do not have supervisors' signatures. The Reporting Managers affirmed that they are responsible for performing this procedure.

- G. We obtained worksheets used to prepare the final data for the Federal Funding Allocation Statistics Form (FFA-10) and compared the periodic data included on the worksheets to the periodic summaries prepared by METRO and tested the arithmetical summaries for accuracy.
- H. We affirmed 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 estimates passenger miles for MB DO, CB DO, MB PT, CB PT and LR DO based on an alternative sampling procedure which has been approved in writing by a qualified statistician to meet the required 95% confidence and 10% precision levels.

We affirmed with METRO personnel the procedures for accumulating and recording passenger mile data for, DR PT, DT PT, and VP PT that METRO uses a procedure that is one of the methods specifically approved in the 2014 Policy Manual, 100% count.

- I. We affirmed with METRO personnel that the transit agency does not meet any of the three requirements in Section I of the Urbanized Area (UZA) Formula Data Review Suggested Procedures; thus, it is required to conduct statistical sampling for passenger mile data every year.

We received 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 and the methodology used to select the sample of runs used for LR DO, MB DO, CB DO, MB PT, and CB PT and noted that the average trip length was used. We affirmed with METRO personnel that the universe of runs was in the sampling frame. We affirmed that the methodology resulted in a random selection of runs and METRO's sampling procedures were being followed.

We inspected the sampling documentation and traced the selected sampled trips MB DO, CB DO, MB PT, and CB PT for the months of December 2013, April 2014, and July 2014 to source documents identified in Item K to affirm that METRO's sampling procedures were being followed. For LR DO, we inspected the sampling documentation and traced the selected sampled trips for the months of February 2014, May 2014, and July 2014.

- K. With regard to MB DO, CB DO, MB PT, and CB PT, we selected Mobile Statistics reports for route detail, survey trip sheets, and random trip selection printouts, the source documents for accumulating PMT, for five days each in the months of December 2013, April 2014, and July 2014. We determined that the required data were recorded and the computations were mathematically accurate for each of the selected days.

With regard to LR DO PMT, we selected Mobile Statistics reports, Summary of Schedules, and source documents for accumulating PMT, for five days each in the months of December 2013, April 2014, and July 2014. We determined that the required data were recorded and the computations were mathematically accurate for each of the selected days.

With regard to DR PT PMT, we selected productivity reports and contractor invoice data, which include passenger boardings, miles traveled, deadhead, and lost miles, and are the source documents for accumulating PMT, for the months of December 2013, April 2014, and July 2014. We determined that the required data were recorded and the computations were mathematically accurate for the selected months.

ATTACHMENT I

With regard to DT PT PMT, we selected productivity reports and contractor invoice data, which include passenger boardings, miles traveled, deadhead, and lost miles, and are the source documents for accumulating PMT, for the months of December 2013, May 2014, and July 2014. We determined that the required data were recorded and the computations were mathematically accurate for the selected months.

With regard to VP PT, we selected the RidePro monthly reports (which documents the number of passengers and number of trips) and is the source document for accumulating PMT for the months December 2013, April 2014, and July 2014. We determined that the required data were recorded and the computations were mathematically accurate for each of the selected months.

- L. We affirmed with METRO personnel the procedures for excluding charter, school bus, and other ineligible miles from the calculation of revenue miles and affirmed that the procedures are followed. METRO is prohibited from using federally funded equipment and facilities to provide charter services except on an incidental basis. We reviewed documentation that the services provided are only incidental (for special non-revenue events).
- M. We documented 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 steps enumerated below.

With regard to LR DO, MB DO, CB DO, MB PT, and CB PT, METRO calculates VRM using scheduled revenue miles (Summary of Schedules) plus special events miles less lost miles. We documented the procedures used to subtract lost miles. We selected a random sample of five days from December 2013, April 2014, and July 2014 and recomputed the daily total of missed trips and missed VRMs and tested the arithmetical accuracy of the summarization.

With regard to DR PT, VRM is calculated from vehicle data provided by the contractor vehicle logs. Contractors report deadhead miles to METRO such that deadhead miles are excluded. We selected the Section 15 breakdown reports for the months of December 2013, April 2014, and July 2014 and determined that deadhead mileage was correctly computed in accordance with FTA's definitions. For DT PT, taxicab service is paid for passenger trips from origin to destination, which excludes deadhead miles.

With regard to VP PT, VRM is calculated from vehicle data provided by the contractor vehicle logs. We affirmed the methodology utilized by METRO to accumulate its actual VRM data. In general, vanpool services starts and ends at the home or nearby parking lot, which is the first passenger pick-up point and last passenger drop-off point. We selected the months of December 2013, April 2014, and July 2014 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 the reported FG DRM meet FTA's definition in that the LR MB and CB service operate over exclusive or controlled access rights-of-way (ROW), have restricted access, a need for restricted access is demonstrated during peak period level of service, restricted access is enforced for freeways, and priority lanes used by high occupancy vehicles demonstrate safe operation. METRO affirms High Occupancy/Toll (HO/T) lanes meet Federal Highway Administration (FHWA) requirements. Through our discussions with management, HO/T lanes are not included in the High Intensity Bus calculations, per FTA direction to METRO.

ATTACHMENT I

- P. We affirmed with METRO personnel procedures over the measurement of FG DRM and were informed that the FG DRM is computed in accordance with FTA's definition of FG DRM. We affirmed of the METRO personnel as to whether there were any service changes during the year that resulted in an increase or decrease in directional route miles and were informed that there were no service changes during the year that resulted in an increase or decrease in DRMs. Through our discussions with management, METRO requested the addition of the Northline which began revenue service December 2013 to the Fixed Guideway from FTA.
- Q. We affirmed if METRO incurred any temporary interruptions in service and were informed that there were no temporary interruptions due to maintenance or rehabilitation improvements to its fixed guideway service.
- R. We measured all FG DRM from maps by retracing the route with www.googlemaps.com (or other internet map service) without exception.
- S. We discussed with METRO personnel whether other public transit agencies operate service over the same FG as METRO and were informed that the Brazos Transit District, Fort Bend County Transit, and Harris County operate some service over the same FG. METRO affirms that the DRMs for the segments are only reported once, by METRO.
- T. We reviewed the FG/HIB form and confirmed with METRO personnel that there were no segments added in 2014. We verified that segments on the fixed guideway worksheets were grouped by like characteristics. Through our discussions with management, METRO requested the addition of the Northline which began revenue service December 2013 to the Fixed Guideway from FTA.
- U. We compared total operating expenses (OE) reported on Form F-30 to financial data included in METRO's September 30, 2014 unaudited financial statements and found them to be in agreement after reconciling items were removed. Reconciling items include interest expense, lease and rental, depreciation, and adjustments to pension expense.
- 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 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 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 affirmed 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, 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 and the computations appear to be correct.

ATTACHMENT I

- 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%, or FG DRM data that have increased or decreased relative to the prior reporting period. During the year METRO modified the overhead allocation methodology, which had an effect on the Total Modal Operating Expenses data.
- AA. Documented the specific procedures followed, documents reviewed, and tests performed in the work papers. No procedures, in addition to the suggested procedures in 2014 Urban Reporting Manual, Exhibit 71, were performed.

ATTACHMENT II

FTA has specified and agreed to a set of procedures for the independent accountants to perform in order to satisfy the requirements of the Federal Funding Allocation Data Review. The procedures, to be applied to each applicable mode and type of service (TOS) (directly operated (DO) and purchased transportation (PT)), are:

- A. Obtain and read a copy of written 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 2014 *NTD Policy Manual*. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.
- B. Discuss the procedures (written or informal) with the personnel assigned responsibility of 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 they believe such 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 2014 *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 obtained in 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 the supervisors' reviews are documented.
- 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 2014 Policy Manual.
- 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 passenger mile 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).

ATTACHMENT II

- 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 (2014) 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 passenger mile data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and recompute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.
- 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 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 vehicle revenue miles are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and recompute the daily total of missed trips and missed vehicle revenue miles. Test the arithmetical accuracy of the summarization.
 - If actual vehicle revenue miles 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.
- N. For rail modes, review the recording and accumulation sheets for actual vehicle revenue miles and determine that locomotive miles are not included in the computation.
- O. If fixed guideway or High Intensity Bus 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 FG or HIB in that the service is:
- Rail, trolleybus, ferryboat, or aerial tramway or
 - Bus service operating over exclusive or controlled access rights-of-way; and
 - Access is restricted;

ATTACHMENT II

- Legitimate need for restricted access is demonstrated by peak period level of service D or worse on 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 fixed guideway and high intensity bus direction route miles with the person reporting NTD data and determine that the he or she computed mileage in accordance with the 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 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 Directional Route Miles 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 fixed guideway/high intensity bus directional route miles 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 fixed guideway directional route miles from maps or by retracing the route(s).

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.

T. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2014 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 2014 report year, the Agency Revenue Service Date must occur within the transit agency's 2014 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 Bus 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.

ATTACHMENT II

- 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 purchased transportation generated fare revenues. The purchased transportation fare revenues should equal the amount reported on the Contractual Relationship Form (B-30).
- W. If the transit agency's report contains data for purchased transportation services and assurances of the data for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the purchased transportation 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 purchased transportation 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%, 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.