

FRESNO AREA EXPRESS

**Independent Accountant's Report on
Applying Agreed-upon Procedures
Federal Transit Administration
National Transit Database Report**

For the Year Ended June 30, 2014

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

We understand that the Fresno Area Express (FAX) is eligible to receive grants under Section 9 of the Urban Mass Transportation Act of 1964, as amended, and in connection therewith, FAX is required to report certain information to the Federal Transit Administration (FTA).

FTA has established the following standards with regard to the data reported in the Funding Allocation Statistics form (FFA-10) of the transit agency's annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual VRM data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about FAX's operations.

We have applied the procedures to the FFA-10 form for the fiscal year ending June 30, 2014. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2014 Policy Manual* and were agreed to by FAX, were applied to assist you in evaluating whether FAX complied with the standards described in the first paragraph of this report for the fiscal year ended June 30, 2014, and that the information is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2014 Policy Manual*. FAX's management is responsible for FAX's compliance with those standards.

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, either for the purpose for which this report has been requested, or for any other purpose.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. 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 is intended solely for the information and use of management, the City of Fresno and the FTA and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Newport Beach, California
March 31, 2015

Attachment I

Agreed-Upon Procedures

The procedures described below, which are referenced in order to correspond to the *2014 Policy Manual* procedures were applied separately to each of the information system used to develop the reported actual vehicle revenue miles, passenger miles traveled, fixed guideway directional route miles, and operating expenses of FAX for the year ended June 30, 2014, for the *Motor Bus – Directly Operated and Demand Response – Purchased Transportation*.

Our results and findings are as follows:

- a. Obtain and read a copy of written 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 *2014 Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

Findings: No exceptions were noted as a result of applying this procedure.

- 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 *2014 Policy Manual*.

Findings: No exceptions were noted as a result of applying this procedure. The transit agency followed the procedures on a continuous basis and transit personnel responsible for supervising the preparation and maintenance of NTD data believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements.

- 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 Statistic form.

Findings: No exceptions were noted as a result of applying this procedure. Source documents supporting NTD are maintained for a minimum of three years.

- d. Based on a description of the transit agency's procedures obtained in 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.

Findings: We selected the months of July 2011, August 2011, and October 2011 and noted no exceptions as a result of applying this procedure.

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Findings: No exceptions were noted as a result of applying this procedure. Based on our inquiry with personnel, various division heads, including their direct supervisor are asked to review the completed report and authorize for submission. The authorization is noted through the electronic “CEO Certification” section of the NTD Annual Report.

- 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’ review.

Findings: Based on our inquiry with personnel, we noted that there are no physical signatures on source documents noting the supervisors’ review and approval of such documents. However, the supervisor is required to electronically submit the NTD annual report to the FTA and certify within the report that the data is accurate and truthful based on financial transactions of the Fresno Area Express.

- 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.

Findings: No exceptions were noted as a result of applying this procedure.

- 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.

Findings: We noted FAX is eligible to conduct statistical sampling for PMT data every third year, as determined by Procedure I. During fiscal year 2014, FAX used the procedure of an estimate of PMT based on statistical sampling, meeting FTA’s 95% confidence and 10% precision requirements based on a qualified statistician’s determined procedure.

- 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:

1. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
2. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
3. Service purchased from a seller is included in the transit agency’s NTD
4. 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.
5. Determine how the transit agency estimated annual PMT for the current report year.

Findings: Based on the 2010 Census the City had a population of less than 500,000, meeting the criteria in i.1., above. We noted that FAX conducted sampling in accordance with requirements described above in fiscal year 2014.

- 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.

Findings: No exceptions were noted as a result of applying this procedure.

- k. Select a random sample of the source documents for accumulating PMT 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 re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary.

Findings: As a random sample, we selected periods July 1, 2013 through June 22, 2014 to re-compute the accumulation of PMT. No exceptions were noted as a result of applying this procedure.

- 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.

Findings: This procedure is not applicable, as FAX does not operate charter, school bus and other ineligible services.

- 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 VRMs. Test the arithmetical accuracy of the summary.

Findings: We noted that deadhead mileage is calculated within the NTD Report, it is not physically tracked by the FAX staff. We also noted that service interruption analysis is used to calculate deadhead miles.

- 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.

Findings: This procedure is not applicable, as VRMs are not calculated from hubodometers.

- If actual VRMs 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.

Findings: This procedure is not applicable, as VRMs are not calculated from vehicle logs.

- n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Findings: This procedure is not applicable, as FAX does not provide rail services.

- 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 fixed guideway (FG) or High Intensity Bus (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 (ROW), and
 - Access is restricted
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP) carpools) must demonstrate safe; and
 - High Occupancy/Toll (HO/T) lanes meet FTA requirements for traffic flow and use of toll revenues. The transit agency has provided the NTD a copy of the State's certification to the U.S. 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.

Findings: This procedure is not applicable, as FAX does not have fixed guideway or high intensity bus directional route miles.

- p. Discuss the measurement of FG and HIB DRM with the person reporting the NTD data and determine that 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.

Findings: This procedure is not applicable, as FAX does not have fixed guideway or high intensity bus directional route miles.

- 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 DRMs 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 the validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Findings: This procedure is not applicable, as FAX does not have fixed guideway or high intensity bus directional route miles.

- r. Measure FG/HIB DRM from maps or by retracing route.

Findings: This procedure is not applicable, as FAX does not have fixed guideway or high intensity bus directional route miles.

- 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.

Findings: This procedure is not applicable, as FAX does not have fixed guideway or high intensity bus directional route miles.

- 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) program, 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 NTD.

Findings: This procedure is not applicable, as FAX does not have fixed guideway or high intensity bus directional route miles.

- u. Compare operating expenses with audited financial data after reconciling items are removed.

Finding: We compared the operating expenses, as reported on the NTD Form F-40, to operating expenses, recorded in the City's financial accounting system after adjusting for reconciling items. The City of Fresno's Comprehensive Annual Financial Report for the year ended June 30, 2014, including the audited financial data used in this procedure, was issued on March 19, 2015.

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generate fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Findings: No exceptions were noted as a result of applying this procedure.

- 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 for 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.

Findings: This procedure is not applicable as assurances over the PT services data are included in procedures a through v above.

- 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.

Findings: No exceptions were noted as a result of applying this procedure.

- 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.

Findings: This procedure is not applicable, as FAX does not provide service in more than one UZA.

- z. Compare the data reported on the Federal Funding Allocation Statistic 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.

Findings: No exceptions were noted as a result of applying this procedure.

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests 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.

Findings: We documented specific procedures prescribed by the *2014 Policy Manual*, which we performed and the results of those procedures in our work papers. No additional procedures were performed.