



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

Independent Accountants' Report on Applying Agreed-Upon Procedures

Year ended September 30, 2010



KPMG LLP  
Suite 1900  
111 Congress Avenue  
Austin, TX 78701-4091

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

Board of Directors  
Metropolitan Transit Authority of Harris County, Texas  
Houston, Texas

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it on the Federal Funding Allocation Statistics Form (FFA-10) of the Metropolitan Transit Authority of Harris County, Texas (METRO) annual National Transit Database (NTD) report for the year ended September 30, 2010:

- 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.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- 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.
- 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.
- The data collection methods are those suggested by the FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about METRO's operations.

We have performed the procedures enumerated in Attachment I to the data contained in the Federal Funding Allocation Statistics Form (FFA-10) of METRO for the fiscal year ended September 30, 2010. Such procedures, which were agreed to and specified by the FTA in the *Declarations Section of the 2010 Reporting Manual (Exhibit 24)*, and were agreed to by METRO, and were applied solely to assist you in evaluating management's compliance with Exhibit 24 about METRO's compliance with the standards described in the first paragraph of this report and that the information included in the NTD report Federal Funding Allocation Statistics Form (FFA-10) for the fiscal year ended September 30, 2010 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 *2010 Reporting Manual*. Attachment II includes *Exhibit 24 of the Declarations Section of the 2010 Reporting Manual*.

METRO’s management is responsible for the data contained on the Federal Funding Allocation Statistics Form (FFA-10) for the fiscal year ended September 30, 2010. 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 Attachments I or II either for the purpose for which this report has been requested or for any other purpose.

The procedures were applied separately to each of the following modes and types of service used to develop the reported vehicle revenue miles (VRM), fixed guideway directional route miles (FG DRM), passenger miles traveled (PMT), and operating expenses (OE) of METRO for the fiscal year ended September 30, 2010:

<b><u>Mode and Type of Service</u></b>	<b><u>Name of Provider</u></b>
<b><u>Directly Operated (DO)</u></b>	
Motor bus	METRO (MB DO)
Light rail	METRO (LR DO)
<b><u>Purchased Transportation (PT)</u></b>	
Motor bus	First Transit (MB PT)
Demand response	G.H.T.C. and First Transit ( DR PT)
Demand response Taxicabs	Various taxi operators (DT PT)
Vanpool	2Plus (VP PT)

The following information came to our attention as a result of performing the procedures enumerated in Attachment I:

**EXCEPTION -1**

Procedures K – For Motor Bus Directly Operated passenger miles – We obtained the survey trip information for a sample of 15 days and noted the passenger miles reported for 2 samples did not agree to the local passenger trip length/miles schedule utilized by METRO for average trip length.

**EXCEPTION -2**

Procedures K – For Light Rail Directly Operated passenger miles – We obtained the Mobile Statistics Report generated from the Automatic Passenger Counters for a sample of 15 days and noted the passenger miles reported for each of the samples did not agree to the summary used for S-10 reporting. The S-10 data is understated by 5,053 miles. The differences noted ranged from 15 to 4,396 passenger miles.

**EXCEPTION -3**

Procedure M – For Motor Bus Directly Operated lost miles – We obtained the worksheets utilized by METRO to prepare the final lost mile data that are transcribed onto the S-10 Form. We noted that the lost miles per the annual summary is 158,517 and the lost miles per the S-10 is 158,559.

EXCEPTION - 4

Procedure F – For Light Rail Directly Operated passenger miles and Motor Bus Directly Operated scheduled vehicle miles and actual vehicle revenue miles, we noted the S-10 data was not correct and subsequently corrected after our review of data summaries.

We inquired of management regarding the mathematical errors noted above and were informed that the errors have been corrected.

\* \* \* \* \*

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 Exhibit 24 or on METRO’s Federal Funding Allocation Statistics Form (FFA-10) for the fiscal year ended September 30, 2010. 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 other than the Federal Funding Allocation Statistics Form (FFA-10) for the year ended September 30, 2010.

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

January 26, 2011

### Agreed-Upon Procedures Performed

The references noted below correspond to the references in Attachment II.

- A. We discussed 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 *2010 Reporting Manual* with the personnel who are assigned the responsibility of supervising the NTD data preparation and maintenance.
- B. We made inquiries regarding the informal procedures 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:
- We affirmed 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 *2010 Reporting Manual*.
- C. We made inquiries with METRO reporting managers and affirmed that METRO maintains source documents supporting the NTD data reported on FFA 10 for a minimum of three years.
- D. We inspected the following source documents to confirm METRO maintains them:
- For LR DO, MB DO and MB PT – 5 days of Mobile Statistics reports of unlinked trips and passenger miles from each monthly file of data generated from system and adjustments, electronic and hard copy for the months of November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT – Monthly summary (scheduled service levels prepared by the Scheduling Division) for the months of November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT – 5 Survey Trip Sheets from each of the months of November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT - Supervisor Guides (route information prepared by the Scheduling Division) for the months of November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT – 5 days of passenger miles traveled calculations from each of the months of November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT – Monthly revenue miles lost report for the months November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT – Monthly summary of directional route miles (prepared by Service Planning) for the months of November 2009, and May and September 2010.
  - For LR DO, MB DO and MB PT - 5 survey trip sheets from each of the months of November 2009, and May and September 2010.
  - For DR PT, DT PT – Monthly summary METROLift Productivity Reports for the months of November 2009, and May and September 2010.
  - For DR PT, DT PT - METROLift Monthly Status Report (data summary) for FY 2010.

- For VP PT – monthly summary data extracted from RidePro system for ridership, route and mileage for the months of November 2009, and May and September 2010.
  - For VP PT - Monthly Vanpool Ridership for the months of November 2009, and May and September 2010.
  - Financial reports, reconciliations and general ledger reports.
- E. We 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, 2010, to determine whether appropriate supervisors' signatures were present or if they were not present we inquired how the supervisors' reviews are documented. Supervisors' signatures exist on the survey trip sheets, random ride check and average trip length documentation for MB DO, MB PT and LR DO (simultaneous verification process). Additionally, the monthly productivity reports worksheets for DR PT and DT PT contain supervisor signatures. Most of the remaining documents do not require signatures. The Reporting Managers indicated that the review was documented by the information being included in reports that require management review and approval. Report distribution can include senior management personnel and the Board of Directors; therefore signatures are not required, but management approval is obtained. (See exception # 4).
- G. We obtained the worksheets used by METRO to prepare the Federal Funding Allocation Statistics for (FFA-10). We compared the data on the worksheets to Form FFA-10 and found them to be in agreement. We also tested the arithmetical calculations of the summaries that tie to the FFA-10 report.
- H. We affirmed with METRO personnel as to METRO's procedure for accumulating and recording passenger mile data and were informed that METRO estimates passenger miles for motor bus directly operated and motor bus purchased transportation, based on an alternative sampling procedure developed in-house by METRO personnel. We affirmed with METRO personnel that the alternative sampling procedure meets the required 95% confidence and 10% precision levels and that the alternative sampling procedure has been approved in writing by a qualified statistician.
- We affirmed that light rail directly operated service, demand response and vanpool use a 100% count to accumulate and record passenger mile data.
- 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 Formula Data Review Suggested Procedures; thus, METRO is required to conduct statistical sampling for passenger mile data every year.
- J. We obtained a description of the sampling procedures for the estimation of passenger mile data used by METRO and noted that the average trip length was used. We affirmed that the methodology provided for the inclusion of all directly operated motor bus and purchased transportation motor bus and that specific runs were randomly selected. Based on inquiry with METRO staff, all selected sample runs that were missed were replaced by randomly selected sample runs. We selected a sample of documents to affirm METRO is following the sampling procedures stated above. We obtained the random sampling documentation and traced the selected sampled trips for the months of November 2009, and May and September 2010 to source documents identified in item K.

- K. With regard to directly operated motor bus and purchased transportation motor bus (MB DO, MB PT) passenger miles traveled, we selected Mobile Statistics reports, Summary of Schedules, Supervisor Guides, survey trip sheets, and Average Trip Length (ATL) calculations, the source documents for accumulating PMT for 5 days each in the months of November 2009, and May and September 2010. Except as described in exception 1, determined that the required data were recorded, the computations were mathematically accurate, and agreed to the respective service category trip summary.

We determined computations were mathematically accurate for each of the selected months. We also agreed the selected monthly passenger boardings to the worksheet and agreed the total unlinked passenger trips and PMT to the Transit Agency Service Form (S-10).

With regard to directly operated light rail passenger miles (LR DO), we selected Mobile Statistics reports and Summary of Schedules, the source documents for accumulating PMT, for 5 days each in the months of November 2009, and May and September 2010. We determined that the required data were recorded, the computations were mathematically accurate, and agreed to the respective service category trip summary. We determined computations were mathematically accurate for each of the selected months. Except as described in exception 2, agreed the selected monthly passenger boardings to the worksheet and agreed the total unlinked passenger trips and PMT to the Transit Agency Service Form (S-10).

With regard to vanpool purchased transportation (VP PT) for the months November 2009, and May and September 2010, we selected the ridership data from RidePro (which documents the number of passengers and number of trips) and the source documents for accumulating ridership data. We determined that the required data were recorded, the computations were mathematically accurate, and agreed to the respective service category trip summary. We determined computations were mathematically accurate for each of the selected months. We also agreed the selected monthly passenger boardings to the worksheet and agreed unlinked passenger trips, noting no exception.

With regard to demand response purchased transportation and purchased transportation taxicabs (DR PT, DT PT), for the months of November 2009, and May and September 2010, we selected METROLift database reports, productivity reports and contractor reports, which include passenger boardings, miles traveled, deadhead and lost miles, the source documents for accumulating PMT, for the months of November 2009, and May and September 2010. We determined that the required data were recorded, the computations were mathematically accurate, and agreed to the respective service category trip summary. We also agreed the selected monthly passenger boardings to the worksheet and agreed the total unlinked passenger trips and PMT to the Transit Agency Service Form (S-10), noting no exception.

- L. We discussed with METRO personnel the procedures for excluding charter, school bus, and other ineligible miles from the calculation of revenue miles and determined that this mileage is systematically excluded. METRO provided 47 hours of charter service. We determined that, with the exception of this type of inter-governmental assistance, no other charter, school bus or other ineligible service was provided.
- M. With regard to MB DO and MB PT, METRO utilizes bus scheduled routes (Summary of Schedules) for revenue mileage, not odometer or hubodometer readings. We affirmed the methodology utilized by METRO to accumulate its actual vehicle revenue mile (VRM) data and verified that deadhead miles are systematically excluded from its computation in accordance with FTA's definitions. We documented the procedures used to subtract Lost Miles and selected the months of November 2009, and May and September 2010 and determined the monthly total of lost miles were excluded from the calculation of VRM. We recalculated VRM for MB/DO and MB/PT for the year by summing the source documents. (See exception # 3).

With regard to LR DO, VRM data is calculated from the Summary of Schedules, not odometer or hubodometer readings. We affirmed the methodology utilized by METRO to accumulate its actual VRM data and verified that deadhead miles are systematically excluded from its computation in accordance with FTA's definitions. We documented the procedures used to subtract Lost Miles and selected the months of November 2009, and May and September 2010 and determined the monthly total of lost miles were excluded from the calculation of VRM. We recalculated the VRM for LR DO for the year by summing the source documents, noting no exception.

With regard to demand response purchased transportation, demand taxicabs purchased transportation and vanpool purchased transportation (DR PT, DT PT and 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 and verified that deadhead miles are systematically excluded from its computation in accordance with FTA's definitions. We selected the months of November 2009, and May and September 2010 and re-computed the total of deadhead miles and determined the deadhead miles were excluded from the calculation of VRM.

- N. Not applicable.
- O. We inquired of and confirmed with the Director of Grant Programs that the reported fixed guideway directional route miles meet FTA's definition for the applicable rail and motor bus service.
- P. We confirmed with METRO personnel their procedures concerning the measurement of fixed guideway directional route miles and were informed that the fixed guideway directional route mileage is computed in accordance with FTA's definition of fixed guideway and directional route miles. We inquired of 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. We agreed the fixed guideway directional route miles from the prior year and noted no differences on Form S-20.

We confirmed with METRO personnel that the temporary interruptions to service that occurred during the year ended September 30, 2010 were correctly reported.

- Q. We measured all fixed guideway directional route miles from maps without exception.
- R. Not applicable.
- S. We reviewed the Form S-20 fixed guideway worksheets and confirmed with METRO personnel that there were no segments added in 2010 and the operational commencement date reported on the worksheets was the date when service began. We verified that segments on the fixed guideway worksheets were summarized by like characteristics.
- T. We compared total operating expenses reported on Forms F-30 and FFA-10 to financial data included in METRO's September 30, 2010 preliminary unaudited financial statements and found them to be in agreement after considering reconciling items. Reconciling items include interest expense, lease and rental, depreciation, traffic management, and adjustments to pension expense.
- U. We inquired of the Reporting Managers regarding the amount of purchased transportation 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.
- V. Not applicable.



- W. We obtained copies of all contracts for purchased transportation and ascertained that the contracts:
- Specified the specific mass transportation services to be provided by the contractor.
  - Specified the monetary consideration obligated by METRO.
  - Specified the period of the contract and that the contract was in existence during the year ended September 30, 2010.
  - Were signed by representatives of both parties to the contract.

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

X. Not applicable.

Y. We compared the data reported on the Federal Funding Allocation Statistics Form (FFA-10) for the year ended September 30, 2010 to the prior year report noting the following increases or decreases and inquired of METRO Management as to the reasons for the vehicle revenue mile, passenger mile, or operating expense variances of more than 10% or fixed guideway (FG) directional route mile data variances. We affirmed with METRO personnel the noted explanations (NF is non-fixed guideway as used in the following table):

	<u>September 30</u>		<u>Difference</u>	<u>Percent difference</u>	
	<u>2009 Form FFA-10</u>	<u>2010 Form FFA-10</u>			
Light rail, directly operated:					
FG Directional route miles	14.8	14.8	—	—%	
FG Vehicle revenue miles	903,668	900,517	(3,151)	-0.35%	
FG Passenger miles	27,501,371	24,167,512	(3,333,859)	-12.12%	<b>A</b>
FG Operating expense	\$ 15,770,959	14,812,314	(958,645)	-6.08%	
Motorbus, directly operated:					
Directional route miles	150.5	150.5	—	0.00%	
FG Vehicle revenue miles	3,627,034	3,983,715	356,681	9.83%	
FG Passenger miles	42,723,297	44,103,820	1,380,523	3.23%	
FG Operating expense	\$ 30,702,631	33,697,468	2,994,837	9.75%	
NF Vehicle revenue miles	28,420,698	28,418,959	(1,739)	-0.01%	
NF Passenger miles	334,771,035	314,627,089	(20,143,946)	-6.02%	
NF Operating expense	\$ 240,579,546	240,390,426	(189,120)	-0.08%	
Motor bus, purchased transportation:					
FG Directional route miles	27.0	27.0	—	—	
FG Vehicle revenue miles	935,736	922,322	(13,414)	-1.43%	
FG Passenger miles	10,331,458	8,839,657	(1,491,801)	-14.44%	<b>B</b>
FG Operating expense	\$ 5,358,907	4,940,765	(418,142)	-7.80%	
NF Vehicle revenue miles	7,815,708	7,877,935	62,227	0.80%	
NF Passenger miles	86,293,209	75,503,176	(10,790,033)	-12.50%	<b>B</b>
NF Operating expense	\$ 44,760,116	42,201,122	(2,558,994)	-5.72%	
Demand response, purchased transportation:					
NF Vehicle revenue miles	13,956,454	13,696,832	(259,622)	-1.86%	
NF Passenger miles	16,708,120	16,360,731	(347,389)	-2.08%	
NF Operating expense	\$ 33,353,222	33,811,153	457,931	1.37%	
Demand taxicab, purchased transportation:					
NF Vehicle revenue miles	—	713,816	713,816	100.00%	<b>C</b>
NF Passenger miles	—	883,290	883,290	100.00%	<b>C</b>
NF Operating expense	\$ —	2,225,817	2,225,817	100.00%	<b>C</b>
Vanpool, purchased transportation:					
NF Vehicle revenue miles	10,371,616	10,002,619	(368,997)	-3.56%	
NF Passenger miles	71,672,437	67,337,082	(4,335,355)	-6.05%	
NF Operating expense	\$ 14,424,036	11,610,396	(2,813,640)	-19.51%	<b>D</b>

**A.** The decrease of 997,428 boardings (to 10,616,292 in FY2010 from 11,613,720 in FY2009 – 9.7% decrease) coupled with a decrease in average passenger trip length (to 2.2760 in FY2010 compared to 2.3680 in FY2009) resulted in 12.12% decrease in passenger miles. Ridership decrease was attributable to (1) increased fare enforcement; (2) inclement weather in several months; and (3) high unemployment.

- B.** Passenger miles and passenger boardings decreased in all service categories for Purchased Transportation service categories with the exception of Employee Shuttle – Purchased Transportation. This ridership decrease was predicted and is attributable to the combination of an FY2008 fare restructuring and an FY2009 fare increase, extreme weather conditions, and high unemployment. The net impact is an overall decrease of – 12.7% in Purchased Transportation – Passenger Miles from 96,624,667 passenger miles in FY2009 to 84,342,833 passenger miles in FY2010.
- C.** There is not comparable data for FY2009 because this is the first year taxicab reporting was required.
- D.** Decrease in operating expense was due to overall program decrease (a 7% reduction from 766 FY2009 peak vans to 715 FY2010 peak vans). Expense was also reduced due to completion of branding program.

### Exhibit 24 Federal Funding Allocation Data Review - Suggested Procedures

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 *2010 Reporting 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 *2010 Reporting Manual*.
- C. Inquire of the same person(s) concerning the retention policy that is followed by the transit agency with respect to source documents supporting the 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 items A and B above, identify all the source documents which are to be retained by the transit agency 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 with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of individuals preparing the source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.
- 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 utilized by the transit agency to prepare the final data that are transcribed 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 summarizations.
- H. Discuss the transit agency's procedure for accumulating and recording passenger mile data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure used is (1) a 100% count of actual passenger miles or (2) an estimate of passenger miles based on statistical sampling meeting FTA's 95% confidence and 10% precision requirements. If the transit agency conducts a statistical sample for estimating passenger miles, inquire whether the sampling procedure is (1) one of the two procedures suggested by the FTA and described in FTA Circulars 2710.1A or 2710.2A; or (2) an alternative sampling procedure.

If the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements. Note as a negative finding in the report use of an alternative sampling procedure that has not been approved in writing by a qualified statistician.

- I. Discuss with transit agency staff (the accountant 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 one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- According to the 2000 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
  - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size urbanized area (UZA)).
  - The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service and 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 (2010) and determine that statistical sampling was conducted and meets the 95% confidence and 10% precision requirements.

Determine how the transit agency estimated annual passenger miles for the current report year.

- J. Obtain a description of the sampling procedure for estimation of passenger mile 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 average trip length was used, determine that the universe of runs was used as the sampling frame. Determine that the methodology to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. 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 re-compute 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 stated procedures are followed. 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 re-compute 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 summarization of intermediate accumulations.
  - If actual vehicle revenue miles are calculated from vehicle logs, select a random sample of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions. Test the arithmetical accuracy of the summarization of intermediate accumulations.
- 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 directional route miles (FG DRM) are reported, interview the person responsible for maintaining and reporting the NTD data and determine whether the operations meet FTA's definition of fixed guideway (FG) in that the service is:
- Rail, trolleybus, ferryboat, or aerial tramway
  - Bus 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 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 operation (see Fixed Guideway Segments from (S-20)).
    - High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation 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 directional route miles (FG DRM) with the person responsible for reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of fixed guideway (FG) and directional route miles.

Inquire whether there were service changes during the year that resulted in an increase or decrease in directional route miles. If a service change resulted in a change in overall directional route miles, re-compute the average monthly directional route miles and reconcile the total to the fixed guideway directional route miles reported on the Federal Funding Allocation Statistics Form (FFA-10).

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 fixed guideway (FG) segment(s), the following apply:

- Directional route miles for the segment(s) should be reported for the entire report year if the interruption is less than 12 months in duration. The months of operation on the S-20 form should be reported as 12. The transit agency should have completed a Form Note describing the interruption.
- If the improvements cause a service interruption on the fixed guideway segment(s) directional route miles (DRM) lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the directional route miles should be reported.

- Q. Measure fixed guideway directional route miles (FG DRM) from maps or by retracing the route(s).
- R. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same fixed guideway as the transit agency. If yes, determine that the transit agency coordinated with the other agency(ies) such that the DRMs for the segment of fixed guideway are reported only once to the NTD on the FFA-10 form. Each transit agency should report the actual vehicle revenue miles, passenger miles and operating expense for the service operated over the same fixed guideway.
- S. Review the Fixed Guideway Segments Form (S-20). Discuss the commencement date of revenue service for each fixed guideway segment with the person reporting the NTD data and determine that the date is reported as when revenue service began. This is the opening date of revenue service, even though the transit agency may not have been the original operator. Review the form in Internet Reporting and determine that the information has been properly entered. There should be a date for segments put into revenue service on or after September 30, 2002. If the segments opened earlier, the date may be left blank indicating segments are older than seven years. However, if a date was entered in the prior report year, it should not be removed. Segments are summarized by like characteristics. Note that for apportionment purposes under the Capital Program for Fixed Guideway Modernization, the 7-year age requirement for fixed guideway 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 a revenue service start date prior to the current NTD report year, FTA will only consider segments continuously reported to NTD.
- T. Compare operating expenses with audited financial data, after reconciling items are removed.
- U. If the agency purchases transportation services, interview the personnel responsible for reporting the NTD data regarding 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).
- V. 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 (IAS) for the purchased transportation data.

- W. If the transit agency purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by the transit agency's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract and determine that copies of the contracts are retained for three years.
- X. If the transit agency provides service in more than one urbanized area, or between a urbanized area (UZA) and nonurbanized area (non-UZA), inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between UZAs and non-UZA. Agencies that operate service both within a UZA and outside of a UZA (non-UZA) will report to the 2010 Annual NTD database. Agencies who operate service only in a non-UZA should report the 2010 NTD Rural Report. Obtain and review the fixed guideway 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.
- Y. Compare the data reported on the Federal Funding Allocation Statistics Form to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. For actual vehicle revenue miles, passenger miles traveled, or operating expense data that have increased or decreased by more than 10%, or fixed guideway directional route miles data that have increased or decreased, inquire of transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.