

City of El Paso, Texas

Accountants' Report on Application of Agreed-upon Procedures

August 13, 2014

City of El Paso, Texas
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Independent Accountants' Report on Application of Agreed-upon Procedures

The Honorable Mayor, City Council
and City Manager
City of El Paso, Texas
El Paso, Texas

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics form (FFA-10) of Sun Metro's annual National Transit Database (NTD) report:

- 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 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 FTA or otherwise meet FTA requirements.
- 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.
- Data is consistent with prior reporting periods and other facts known about Sun Metro agency operations.

We have applied the procedures, as enumerated in Exhibit 2 attached to this report, to the data contained in the accompanying FFA-10 for the fiscal year ended August 31, 2013. Such procedures, which were agreed to and specified by the FTA in the Declarations section of the 2013 Reporting Manual and were agreed to by Sun Metro, were applied to assist you in evaluating whether the transit agency complied with the standards described in the first paragraph of this part and that the information included in the NTD report FFA-10 form for the fiscal year ended August 31, 2013, is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the 2013 Reporting Manual. This report is intended solely for your information and for the FTA and should not be used by those who did not participate in determining the procedures. The procedures were applied separately to each of the information systems used to develop the reported actual VRM, FG DRM, PMT and OE of Sun Metro for the fiscal year ended August 31, 2013, for each of the following modes:

- Bus, Directly Operated

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- Demand Response, Directly Operated
- Demand Response, Purchased Transportation

Listed in Exhibit 1 are findings (if any) that came to our attention as a result of performing the procedures described in Exhibit 2.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of Sun Metro. Consequently, we make no representation regarding the sufficiency of the procedures described below 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 the specified elements, accounts or items described above. 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 the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

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Engagement Findings
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Presented in this section are all our findings from performing the procedures described in the “Engagement Scope and Procedures” section of this report. Except as described in the remainder of this report section, no exceptions resulted from performance of the procedures.

1. Procedure ‘Y’ required us to compare the data reported on the FFA-10 form to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. If actual VRM, PMT or OE data had increased or decreased by more than 10% we were required to interview Sun Metro management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The review resulted in one line item for the motor bus directly operated (MB/DO), three line items for the demand response directly owned (DR/DO), three line items for the demand response purchased transportation (DR/PT) and three line items for the demand taxi purchased transportation (DT/PT) exceeding the 10% threshold are presented below:

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>
MB/DO Passenger Miles Traveled (PMT)	62,584,492	84,062,995	(21,478,503)	-25.55%
DR/DO Vehicle Revenue Miles (VRM)	421,879	1,991,665	(1,569,786)	-78.82%
DR/DO Passenger Miles Traveled (PMT)	465,039	2,378,434	(1,913,395)	-80.45%
DR/DO Operating Expenses (OE)	1,691,754	7,432,139	(5,740,385)	-77.24%
DR/PT Vehicle Revenue Miles (VRM)	1,959,678	-	1,959,678	-
DR/PT Passenger Miles Traveled (PMT)	2,125,970	-	2,125,970	-
DR/PT Operating Expenses (OE)	5,972,217	-	5,972,217	-
DT/PT Vehicle Revenue Miles (VRM)	61,885	273,400	(211,515)	-77.36%
DT/PT Passenger Miles Traveled (PMT)	51,309	273,505	(222,196)	-81.24%
DT/PT Operating Expenses (OE)	198,041	715,184	(517,143)	-72.31%

Sun Metro management provided the following explanations for the variances:

The difference for MB/DO Passenger Miles Traveled (PMT) is primarily related to the following factor:

- (1) Operating days decreased in FY2013 to 208 from 252 in FY2012.
- (2) Later hour’s service increase of 15% in FY2013 resulted in a decreased ridership that has not yet recovered.

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The difference for DR/DO Vehicle Revenue Miles (VRM), Passenger Miles Traveled (PMT) and Operating Expenses (OE) is primarily related to the following factor:

- (1) Demand response was outsourced and employees were transferred to fixed routes, resulting in salaries, benefits and contract costs decrease of approximately \$9,224,000.

The differences for DR/PT and DT/PT Vehicle Revenue Miles (VRM), Passenger Miles Traveled (PMT) and Operating Expenses (OE) are related to the following factor:

- (1) A new contract with LULAC Project Amistad was in effect during the fiscal year and more trips were assigned to the contractor.

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The FTA has specified and agreed to a set of procedures for the independent auditor to perform to satisfy the requirements of the Federal Funding Allocation data review. The procedures were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles and operating expenses of Sun Metro for the fiscal year ended August 31, 2013, for each of the following modes and types of service:

- Bus (MB), Directly Operated (DO), non-fixed guideway
- Demand Response (DR), Directly Operated (DO), non-fixed guideway
- Demand Response (DR), Purchased Transportation (PT) non-fixed guideway

The specific procedures performed as obtained from the Declarations section of the 2013 NTD Reporting Manual were as follows:

- 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 2013 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:
 1. The extent to which Sun Metro followed the procedures on a continuous basis and
 2. 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 2013 Reporting Manual.
- C. Inquire of same personnel (procedure “B”) concerning the retention policy that is followed by Sun Metro 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 Sun Metro’s procedures obtained in items “A” and “B” above, identify all the source documents which are to be retained by Sun Metro 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 the individuals preparing 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 supervisor’s signatures are present as required by the system of internal controls. If supervisors’ signatures are not required, inquire how the supervisor’s reviews are documented.

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- G. Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics form (FFA-10). 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 Sun Metro's procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with Sun Metro. Inquire whether the procedure used is: (1) a 100% count of actual PMT or (2) an estimate of PMT based on statistical sampling meeting FTA's 95% confidence and $\pm 10\%$ precision requirements.

If Sun Metro conducts a statistical sample for estimating PMT, inquire whether the sampling procedure is: (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A or (2) an alternative sampling procedure.

If Sun Metro 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 Sun Metro staff (the accountant may wish to list the titles of the persons interviewed) Sun Metro's eligibility to conduct statistical sampling for PMT data every third year. Determine whether Sun Metro 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:
1. According to the 2010 Census, the public transit agency serves an 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 urbanized area).
 3. The service is purchased from a seller operating fewer than 100 revenue vehicles in VOMS and is included in Sun Metro's NTD report.

For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2012) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.

Determine how Sun Metro estimated annual PMT for the current report year.

- J. Obtain a description of the sampling procedure for estimation of PMT data used by Sun Metro. Obtain a copy of Sun Metro'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 Sun Metro followed the stated sampling procedure.

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- K. Select a 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 sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations 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 Sun Metro staff and determine that stated procedures are followed. Select a sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.
- M. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation.

This is accomplished as follows:

- 1. If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a 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 summarization.
 - 2. If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a 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.
 - 3. If actual VRMs are calculated from vehicle logs, select samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.
- N. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.
- O. If fixed guideway directional route miles (FG DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet FTA's definition of fixed guideway (FG) in that the service is:
 - 1. Rail, trolleybus (TB), ferryboat (FB) or aerial tramway (TR) or
 - 2. Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and:
 - i. Access is restricted,
 - ii. Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway and
 - iii. 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 form (S-20))

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- iv. High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that Sun Metro 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 FG DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG and DRM. Inquire whether there were 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 DRM reported on the FFA-10 form.
- 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:
- 1. DRMs 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.
 - 2. If the improvements cause a service interruption on the FG-DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.
- Q. Measure FG-DRM from maps or by retracing route.
- R. Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same FG as Sun Metro. If yes, determine that Sun Metro coordinated with the other transit agency(ies) such that the DRMs for the segment of FG are reported only once to the NTD on the FFA-10 form. Each transit agency should report the actual VRM, PMT and OE for the service operated over the same FG.
- S. Review the S-20 form. Discuss the commencement date of revenue service for each FG 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 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 seven-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.

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- T. Compare operating expenses with audited financial data, after reconciling items are removed.
- U. If Sun Metro purchases transportation services, interview the personnel reporting the NTD data regarding the amount of PT generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).
- V. If Sun Metro's report contains data for PT services and assurances of the data for those services is not included, obtain a copy of the AS-FFA data of the PT service. Attach a copy of the statement to the report. Note as an exception if Sun Metro does not have an Independent Auditor Statement (IAS) for the PT data.
- W. If Sun Metro provides PT services, obtain a copy of the PT 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 overlaps the entire or a portion of 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 UZA or between a UZA and a 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 2013 Annual NTD database. Agencies who operate service only in a non-UZA should report the 2013 NTD Rural Report. 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.
- Y. Compare the data reported on the FFA-10 form to comparable data for 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 by more than 1%, 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. The auditor should document the specific procedures followed, documents reviewed and tests performed in the workpapers. The workpapers 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 FTA.