

To: Board of Directors
From: Erick Cheung
Chief Finance Officer

Date: January 10, 2019

SUBJECT: Independent Auditor's report on Federal Transit Administration National Transit Database reports

SUMMARY OF ISSUES:

Annually our independent auditors, Brown Armstrong, CPA's, are required to review the data we report to FTA on Form FFA-10 which is included in the National Transit Database report (NTD). The form reports hours, miles, passengers, passenger miles and total operating expenses. Beginning in fiscal year 2018, the FTA requires a separate report to review appropriate accounting consistent with the NTD Uniform System of Accounts (USOA).

We filed the NTD report in October and Brown Armstrong completed their review in December. Brown Armstrong reviewed the data and financial information and issued both reports without exceptions except for a typing error in the FFA-10 (see Item G) which was corrected and resubmitted.

FINANCIAL IMPLICATIONS: None.

ACTION REQUESTED: The A & F Committee request that the Board receive and accept the report.

ATTACHMENTS:

- A. Independent Accountant's Report on Applying Agreed-Upon Procedures For Federal Funding Allocation Data Federal Transit Administration
- B. Independent Accountant's Report on Applying Agreed-Upon Procedures For Financial Data Federal Transit Administration

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NATIONAL TRANSIT DATABASE REPORTING
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR FEDERAL FUNDING ALLOCATION DATA
FEDERAL TRANSIT ADMINISTRATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Administrative and Finance Committee and Board of Directors of
Central Contra Costa Transit Authority

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 the Central Contra Costa Transit Authority's (the Authority) 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 are consistent with prior reporting periods and other facts known about transit agency operations.

We have performed the procedures to the Federal Funding Allocation (FFA) – 10 described in Attachment A. Such procedures, which were agreed to by Central Contra Costa Transit Authority (the Authority) and specified by the FTA in the Declarations section of the 2018 NTD Policy Manual, were applied solely to assist you in evaluating whether FAX complied with the standards described in the second paragraph of this report and that the information included in the NTD report and that the FFA-10 for the fiscal year ended June 30, 2018 is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and records and Reporting System; Final Rule, as specified in Section 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2018 NTD Policy Manual*. The Authority's management is responsible for the compliance with those standards. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are described in Attachment A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records as of fiscal year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Authority and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2018

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NATIONAL TRANSIT DATABASE REPORTING
ATTACHMENT A – AGREED UPON PROCEDURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The procedures described below, which are referenced in order to correspond to the *2017 National Transit Database (NTD) Policy Manual* procedures, were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled, and operating expenses of the Central Contra Costa Transit Authority (the Authority) for the year ended June 30, 2018, for the *Motor Bus Service – Directly Operated (MBDO)* and *Demand Response – Purchased Transportation (DRPT)*.

Our results and findings are as follows:

- A. Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2018 NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned with the responsibility for supervising the NTD data preparation and maintenance.

Result: We discussed 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*, dated January 15, 1993, and as presented in the *2018 NTD Policy Manual* with the personnel assigned with the responsibility of supervising the preparation and maintenance of NTD data. No exceptions were noted as a result of applying this procedure.

- B. Discuss the procedures (written or informal) with the personnel assigned with the responsibility for supervising the preparation and maintenance of NTD data to determine:
- The extent to which the Authority followed the procedures on a continuous basis, and
 - Whether Authority 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 *2018 NTD Policy Manual*.

Result: We discussed with various personnel the procedures noted in Procedure “A” above to determine whether the Authority continuously follows the procedures on an ongoing basis and that the procedures result in the accumulation and reporting of data consistent with the NTD requirements and definitions as set forth in the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, and specified in the 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and the most recent *2018 NTD Policy Manual*. No exceptions were noted as a result of applying this procedure.

- C. Ask these same personnel about the retention policy that the Authority follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA – 10).

Result: We noted that the retention policy that is followed by the Authority regarding source documents supporting the FFA – 10 data reported are retained for a minimum of three years by the Authority. In addition, we noted that the Authority maintains the computer files more than three years depending on the need of historical data. No exceptions were noted as a result of applying this procedure.

- D. Based on a description of the Authority's procedures from Procedures "A" and "B" above, identify all the source documents that the Authority 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.

Result: We identified the source documents that are to be retained by the Authority for a minimum of three years. We randomly selected three months out of the fiscal year ended June 30, 2018, September 2017, January 2018, and April 2018, and verified that each type of source document existed for each of these periods. No exceptions were noted 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 data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Result: We discussed the system of internal control with personnel responsible for supervising and maintaining the NTD data. The method is mostly automated with a few manual procedures. We determined that individuals preparing source documents were independent of individuals posting data summaries, reviewing the source documents, and summarizing data for completeness, accuracy, and reasonableness. No exceptions were noted as a result of applying this procedure.

- F. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Result: As noted above, the method is mostly automated. As such, there are no physical signatures documenting the supervisors' review and approval of the source documents. The software utilized automatically accumulates the data from the Clever Devices Automatic Passenger Counter on each vehicle. Monthly reports are prepared for the Operating and Scheduling Committee and are reviewed by management electronically, as allowed by the *2018 NTD Policy Manual*. Approval is given by authorizing the posting of the monthly data to NTD. No exceptions were noted as a result of applying this procedure.

- G. Obtain the worksheets used to prepare the final data that the Authority 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.

Result: We obtained from the Authority's year-end cumulative reports that are used to prepare the FFA – 10. We compared the prior year data to the current year data and investigated any changes over 10%. We also compared the source documents to the year-end cumulative report (Form S-10). In addition, we recalculated summarizations of supporting documentation which were tested in (D) above. During our review of the Matrix in comparison to the FFA-10, we noted a difference between the Matrix and the FFA-10, the error was a result of a typing error. The Authority corrected the error and resubmitted the data.

- H. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with the Authority's staff. Inquire whether the procedure is one of the methods specifically approved in the *2018 NTD Policy Manual*.

Result: During fiscal year 2018, the Authority used the procedure of an estimate of passenger miles traveled (PMT) based on statistical sampling, meeting FTA's 95% confidence and $\pm 10\%$ precision requirements based on a qualified statistician's determined procedure. No exceptions were noted as a result of applying this procedure.

- I. Discuss with the Authority's staff (the auditor may wish to list the titles of the persons interviewed) the Authority's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the Authority 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 an urbanized area (UZA) with a population less than 500,000.
- The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
- Service purchased from a seller is included in the transit agency's NTD report.
- For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.
- Determine how the transit agency estimated annual PMT for the current report year.

Result: For MBDO, the Authority uses an alternative sampling technique, which is a statistically valid technique, other than 100 percent count, which was certified by a qualified statistician in 2009 when the Authority was testing the method to ensure it met the mandated accuracy and precision levels. We reviewed the certification of the statistician and determined that the individual was qualified and had the proper credentials. We also ensured that the statistician certified that the Authority's alternative technique used the minimal 95% confidence and +10 precision requirements for estimating boarding and passenger miles. We also obtained an understanding of how the Authority collects data, software utilized, and the estimation process. No exceptions were noted as a result of applying this procedure. For DRPT, the Authority does not use estimates, but rather uses the information collected by LINK, the service purchase seller. This data is derived from driver counts and data generated from Trapeze. The information from the Purchase Services Seller is included on the NTD report. No exception noted.

- 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.

Result: We obtained a description of the sampling procedure for estimation of PMT data used by the Authority. We obtained a copy of the Authority's working papers and methodology used to select the actual sample of runs for recording PMT data. We determined that the Authority followed the stated sampling procedure. 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 the data 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 accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Result: We randomly selected three months, September 2017, January 2018, and April 2018. We obtained the source documents for accumulating PMT data, determined they were complete, and recomputed the accumulation periods. During our review of the Fixed Route Reports, we noted the data for the month of January 2018 was entered incorrectly on the MBDO report. Per discussion with the Authority, the discrepancy was due to a typing error and was corrected on the MBDO. In addition, we tested a sample of manual routes that are not tracked by the Ridecheck software. We randomly selected trip cards for the months of September 2017, January 2018, and April 2018. 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.

Result: We discussed the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority staff and determined that stated procedures were not applicable as the Authority does not provide a charter or school bus service.

- 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 recompute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual 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.

Result: We discussed with personnel the procedures for the collection and recording of VRM data and noted that VRMs are calculated upon inception of the route based on the distance between the first stop and last stop, including deadhead miles. We noted that the scheduled deadhead miles are systematically excluded to calculate VRMs. Furthermore, daily trip sheets are used to subtract missed trips and unscheduled deadhead miles. We also discussed the accumulation of VRMs for Demand Response Purchased Transportation (DRPT). We noted that VRMs for DRPT are accumulated and reported by the respective contractors through trip sheets and monthly ridership worksheets by route. These schedules are submitted by the contractors and are reviewed for clerical accuracy by Authority personnel. We recalculated the VRMs and agreed the total VRMs to the Authority's Month-End Ridership Summary report for a sample of trips in the months of September 2017, January 2018, and April 2018. No exceptions were noted as a result of applying this procedure.

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

Result: We inquired of personnel the procedures in which the Authority accumulates actual VRMs for rail modes. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- 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 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 (Mode: Bus (MB), Commuter Bus (CB), or Bus Rapid Transit (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 a 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;

Result: We inquired of personnel the procedures in which the Authority reports VRMs, passenger miles, and operating expenses for fixed guideways segments. We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

- P. Discuss the measurement of FG and HIB DRM 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, recompute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics Form.

Result: We inquired of personnel the procedures in which the Authority measures fixed guideway direction route miles (DRMs). We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

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

Result: We inquired of personnel the procedures in which the Authority measures fixed guideway directional route miles through the use of maps or retracing routes. We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

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

Result: We inquired of personnel whether other public transit agencies operate service over the same fixed guideway (FG) as the Authority. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- 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 operating expense (OE) for the service operated over the same FG/HIB.

Result: We inquired of personnel the procedures for revenue service for each fixed guideway segment. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- T. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2017 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2017 report year, the Agency Revenue Service Date must occur within the transit agency's 2017 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity 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.

Result: We inquired of personnel the procedures for revenue service for each fixed guideway segment. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

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

Result: We reconciled operating expenses presented to the audited financial statements. No exceptions were noted as a result of applying this procedure.

- V. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation (PT)-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (Form B-30).

Result: We compared the data reported on the Form B-30 to the purchased transportation fare revenues. 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 Independent Auditor Statement (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.

Result: 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.

Result: We obtained copies of the purchased transportation contracts and noted that all contracts specified the specific mass transportation services to be provided; specified the monetary consideration obligated by the Authority; specified the period covered by the contract and that this period is the same as, or a portion of, the period covered by the Authority's NTD report; and signed by representatives of both parties to the contract. We determined that executed contracts are maintained for a minimum of three years. 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.

Result: We inquired of personnel whether the Authority provides services in more than one UZA, or between a UZA and a non-urbanized area (non-UZA). This procedure is not applicable as the Authority does not provide services in more than one UZA.

- 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.

Result: We compared the data reported on the FFA - 10 to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. For VRM, passenger mile, or operating expense data that have increased or decreased by more than 10 percent, we inquired with the Authority management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. 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.

Result: We have documented the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers are available for FTA review for a minimum of three years following the NTD report year. No exceptions were noted as a result of applying this procedure.

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NATIONAL TRANSIT DATABASE REPORTING
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES FOR FINANCIAL DATA
FEDERAL TRANSIT ADMINISTRATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Administrative and Finance Committee and Board of Directors of
Central Contra Costa Transit Authority
and the Federal Transit Management

We have performed the procedures enumerated below, on the application of the requirements of the Federal Transit Administration (FTA) as set forth in its applicable National Transit Database (NTD) Uniform System of Accounts (USOA) by the Central Contra Costa Transit Authority (the Authority) for the fiscal year ended June 30, 2018. Such procedures, which were agreed to by the management of the Authority and the FTA, were performed to assist the Authority and the FTA in determining conformance with USOA requirements based on the following assertion by the Authority's management:

The accounting system from which the NTD reports for the fiscal year ended June 30, 2018, were derived, uses the accrual basis of accounting and is directly translated, using a clear audit trail, to the accounting treatment and categories specified by the USOA.

The Authority's management is responsible for conformance with the requirements described above. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report describes our procedures and findings applied to the data reported to the FTA. Our procedures were applied to the information system used to develop the reported operating revenues and expenses for the Authority for the year ended June 30, 2018, for each of the following Modes:

- Motor Bus service – directly operated (MBDO)
- Demand Response – purchased transportation (DRPT)

The agreed-upon procedures and associated findings are as follows:

1. Procedure: NTD Crosswalk

- a. Obtain the following NTD Reporting Forms prepared by management for the year ended June 30, 2018:
 - NTD Form F-10, Sources of Funds – Funds Expended and Funds Earned (USOA Section 2)
 - NTD Form F-20, Uses of Capital (USOA Section 3)
 - NTD Form F-30, Operating Expenses (USOA Section 4, 5, and 6 and Appendix A)
 - NTD Form F-40, Operating Expenses Summary
 - NTD Form F-60, Financial Statement

- b. Obtain the reconciliation documentation management prepares (referred to as “the crosswalk” throughout this report) to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents such as Excel spreadsheets (collectively referred to as the accounting system) to the respective NTD Reporting Forms identified above.
- c. Inquire of management as to whether the crosswalk obtained in procedure 1.b is supported by the accounting system.
- d. For a transit agency that is part of a larger reporting entity, inquire of management as to whether the crosswalk includes the full cost of providing transit service, including costs incurred by the larger reporting entity to specifically support the agency’s transit service.
- e. Inspect the crosswalk to determine that it incorporates NTD reporting using the applicable modes and types of service identified in the bulleted list below:
 - Sources of Funds, Form F-10 – Funding sources, passenger fares by mode and service type, passenger fares by passenger paid or by organization paid fares, revenue object class, and funds expended on operations and capital fund types
 - Uses of Capital, Form F-20 - Type of use, asset classifications, and modes and service types
 - Operating Expenses, Form F-30 - Modes, service types, object classes and functions
 - Operating Expenses Summary, Form F-40 - Expense reconciling items
 - Financial Statement, Form F-60 - Current assets, non-current assets, deferred outflows of resources, current liabilities, non-current liabilities, and deferred inflows of resources.

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

2. Procedure: Accrual Accounting

- a. Obtain the most recent audited financial statements that include the transit agency and inspect the notes to the financial statements to determine whether the accrual basis of accounting was used.
- b. Inquire of management as to whether the accrual basis of accounting has continued to be used since the last audited reporting period and that it is used for NTD reporting in the current period.
- c. If the notes to the financial statements indicate that an accrual basis of accounting is not being used, or the results of the inquiry to management in procedure 2.b indicate the accrual basis of accounting is not being used in the current period, inspect the crosswalk to determine that the transit agency made adjustments to convert to an accrual basis for NTD reporting.

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

3. Procedure: Sources of Funds (Form F-10)

- a. Trace and agree total sources of funds from Form F-10 to revenue reported in the accounting system using the crosswalk.
- b. Inspect the crosswalk for a written reconciliation between total revenues reported in the audited financial statements or the accounting system and the total revenues reported on Form F-10.
- c. Trace and agree the two largest directly generated fund passenger fare revenue modes (all service types) from Form F-10 to the accounting system.
- d. Trace and agree the largest revenue object class (other than passenger fares) in the following major categories of funds from Form F-10 to the accounting system: (1) Local Government; (2) State Government; (3) Federal Funds; and (4) Other Directly Generated Funds (i.e., 4100 and 4200 combined).

- e. Inspect the crosswalk to determine that it identifies, evaluates, and classifies financial transactions into categories of funds expended on operations and funds expended on capital (USOA Section 2) for the reporting year.

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

4. Procedure: Uses of Capital (Form F-20)

- a. Obtain accounting system documentation on capital asset additions for the reporting period.
- b. Trace and agree total uses of capital from Form F-20 to the crosswalk reconciliation of total capital asset additions.
- c. Trace and agree types of use (existing service and expansion of service) from Form F-20 to the crosswalk or other supporting documentation reflecting the nature of the uses of capital.
- d. Trace and agree asset classifications (guideway, revenue vehicles, etc.) from Form F-20 to the crosswalk or other documentation reflecting the assets classes of capital additions.
- e. For the largest mode/service type, trace and agree the type of use classification and asset classification from Form F-20 to the crosswalk or other documentation reflecting the uses of capital.
- f. If capital projects support multiple modes/types of services or and/or asset classifications, inquire of management as to whether management reported the use of capital considering the predominant use rules as described in the "Predominant Use" section of the *2018 NTD Policy Manual*.
- g. If capital projects involve: 1) Rehabilitation/Reconstruction/Replacement/Improvement for Existing Service; and 2) Expansion of Service; inquire of management as to whether project costs were allocated between the two project purposes and whether such allocation was documented in the crosswalk or other supporting documentation.

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

5. Procedure: Operating Expenses (Form F-30)

- a. For the two largest modes/type of services, trace and agree functions (vehicle operations, vehicle maintenance, etc.) from Form F-30 to the crosswalk or other written documentation of functional expenses.
- b. For the two largest modes/type of services, trace and agree object classes (natural expenses) from Form F-30 to the crosswalk or other written documentation of object class categories.
- c. If management allocated shared operating expenses, inquire of management as to whether (1) the operating expenses are split between direct and shared costs; (2) shared costs were allocated across modes, services types and functions, (3) the allocation was documented in the crosswalk or other supporting documentation; and (4) the driving variables used are updated annually.

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

6. Procedure: Operating Expenses Summary (Form F-40)

- a. Obtain total expenses from the accounting system for the reporting period. Trace and agree total expenses from Form F-40 to the accounting system using the crosswalk.

- b. Trace and agree the reconciling items appearing on Form F-40 through the crosswalk to the accounting system.

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

7. Procedure: Financial Statement (Form F-60)

- a. Trace and agree (1) Current Assets; (2) Non-Current Assets; (3) Deferred Outflows of Resources; (4) Current Liabilities; (5) Non-Current Liabilities; and (6) Deferred Inflows of Resources appearing on Form F-60 to the crosswalk or other supporting documentation.

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

Restriction on Use

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Authority's conformance with the requirements described above, for the fiscal year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Authority and the FTA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2018