

Background for Performing “Financial Data Reviews” Under the 2018 NTD Policy Manual for Full Reporters and 2018 NTD Reduced Reporter Policy Manual and Related Illustrative Agreed-Upon Procedures Reports
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Transit agencies are required to annually report certain information to the Department of Transportation (DOT) Federal Transit Administration (FTA) National Transit Database (NTD). In April 2018, the FTA reminded transit agencies of updated NTD reporting requirements and related auditor reporting for the 2018 NTD Report Year. The communication highlighted the following two changes:

- A "financial data review" as described in the "Declarations and Requests" section of the current NTD Policy Manual must be completed every ten report (fiscal) years and agencies should schedule the review by an independent auditor as soon as possible following the agencies' 2018 fiscal year end (assuming such an engagement was not performed in the last ten years).
- The financial data review now applies to Reduced Reporters in addition to Full Reporters.

While the NTD Policy Manual for Full Reporters has historically required a financial data review requirement for new accounting systems or for significant system changes, the engagements have not been performed on a regular basis. Additionally, there was no previous requirement for a financial data review for Reduced Reporters. Therefore, the FTA communication generated questions by both transit agencies and their auditors, primarily due to a lack of clarity surrounding the auditor requirements and the illustrative auditor report provided by FTA in the 2018 NTD Policy Manuals for Full Reporters and Reduced Reporters.

The AICPA Governmental Audit Quality Center (GAQC) reviewed the illustrative auditor report for this engagement included in both 2018 NTD policy manuals and noted that the illustrations do not meet AICPA professional standards for either an examination, a review, or an agreed-upon procedures (AUP) engagement. Therefore, representatives of the GAQC met with FTA staff to clarify the intended objective of the financial data review engagement and to discuss reporting approaches that could be used to achieve the FTA objectives.

FTA has agreed to accept an AUP engagement performed under the AICPA's Statements on Standards for Attestation Engagements, section [AT-C 215, Agreed Upon Procedures Engagements](#), as an alternative to the illustrative financial data review reports included in the NTD policy manuals. The attachment to this guidance document includes the illustrative AUP reports that were developed. FTA has reviewed and agreed with the management assertion and the suggested agreed-upon procedures included in these illustrative reports. Therefore, FTA is considered a specified party to the AUP engagement.

The following is intended to assist practitioners performing these AUP engagements including a discussion of the suggested management assertions, background information to assist in understanding the various FTA forms and other references in the AUP report, and two attachments containing illustrative AUP reports (one for Full Reporters and one for Reduced Reporters).

The management assertion and suggested procedures were developed assuming that the practitioner performing the AUP engagement has also audited the transit agency financial statements. If that is not the case, the practitioner should consider the impact on the AUP engagement and related reporting.

The GAQC is posting this guidance document and the illustrative reports on its Web site on a [new GAQC FTA-NTD Web page](#) and leaving it open to the public so that both auditors and transit agencies can easily access it. Due to the timing of the issuance of this reporting guidance, FTA recognizes that there may be challenges for June 30, 2018, year-end transit agencies to transmit this AUP engagement by the October 31, 2018, deadline. Therefore, FTA will consider granting extensions on a case-by-case basis upon transit agency request. Any requests for extensions and/or questions about the underlying FTA requirements should be directed to the NTD Operations Staff at NTDHelp@dot.gov or at 1-888-252-0936.

Background

Both the [NTD Policy Manual for Full Reporters](#) and the [NTD Reduced Reporter Policy Manual](#) include Standardized Reporting Requirements that state “All agencies must conform to uniform reporting standards. This includes timely reporting, accurate data collection, and uniform accounting systems.” The Financial Data Requirements section of both policy manuals state that “All transit agencies must use accrual accounting methods to report financial data. Additionally, transit accounting systems must follow or directly translate to the USOA.” The Uniform System of Accounts (USOA) is the basic reference document for the NTD. It contains the accounting structure required by Federal Transit laws. The USOA Section 1.2, Accounting Records, states:

The main purpose of the USOA is to ensure that data definitions are uniform for all transit agencies. Each transit agency must maintain the accounts and records necessary to meet its own internal information requirements as well as those specified in the USOA. In some cases, the USOA will not require all information that may be needed for an agency’s internal management purposes. Accordingly, a transit agency is not required to maintain its internal accounting records solely as described in the USOA. Instead, each transit agency should customize its internal system of accounts to meet its own management requirements and also ensure that it is able to translate accounts to the prescribed USOA.

FTA recommends that reporting agencies maintain records in a manner that supports ready analysis by the prescribed accounts and permits preparation of financial and operating data directly from such records at the end of the fiscal year. Any summary and/or translation to the prescribed accounts must be consistent with the following:

- *The reporting agency has developed reported data using Accrual Accounting, as defined in USOA Section 1.4.*

- *The reporting agency has followed the accounting guidance specified throughout the USOA document.*
- *The reporting agency has cross-walked its chart of accounts to the object classes (sources of funds, expenses, liabilities and assets) employed in the USOA and has adequately documented this cross-walk.*

USOA Section 1.4, Accrual Accounting, defines the basis of accounting for NTD reporting. The Financial Data Requirements section of the NTD policy manuals defines accrual accounting as Generally Accepted Accounting Principles (GAAP). GAAP is further documented in the Financial Data Requirements as follows:

NTD reporting requirements for financial data largely follow GAAP. FTA USOA is not a self-contained financial system that addresses every possible NTD transaction and situation. Instead, the NTD program is a system of accounts that complies with GAAP and Standards of Governmental Accounting and Financial Reporting. However, small differences do exist between the NTD and GAAP, specifically the accounting of costs for capital grant purchases. If conflicts arise between GAAP and NTD reporting instructions and requirements, transit agencies must follow NTD rules. The rules for NTD accounting are as follows:

- 1. Unique NTD requirements supersede GAAP. If a unique requirement exists for NTD purposes, follow the NTD.*
- 2. In the absence of unique NTD provisions to the contrary, follow GAAP.*

The NTD policy manuals also recognize that the Financial Accounting Standards Board and the Governmental Accounting Standards Board are responsible for determining GAAP.

FTA 2018 Form Descriptions/Information

Full Reporters

Form F-10. Agencies report sources of funds for operating and capital expenses on the Sources of Funds form (F-10). The funding categories cover sources generated by agencies and from federal, state and local governments. Agencies report the following data by original revenue source:

- The total amount earned
- The amount applied for operating expenses
- The amount applied for capital expenses

Form F-20. Agencies report the funds expended on capital projects by category on the Uses of Capital form (F-20), which defines capital expenses as an improvement of existing transit services or expansion of transit services, as well as by project categories.

Form F-30. Agencies report operating expenses by object class and function, as defined by the USOA, on the Operating Expenses form (F-30). Agencies complete the form for each combination of mode and type of service.

Form F-40. Provides an agency-wide summary of the operating expenses on the F-30 form(s) that provide mode/service types level data. Each Form F-30 automatically feeds into Form F-40 to summarize the total operating expense for the organization's modes and service types. Reconciling items are expenses that are not included as capital expenses or as mode-specific operating expenses. Transit agencies use reconciling items on the NTD Annual Report to provide an overall operating expense total that is consistent with, or reconciles to, the reporting entity's audited financial statements.

Form F-60. Agencies report select object classes on the Statement of Finances form (F-60), such as cash and receivables, investments, special funds, long-term debt, estimated long-term pension liabilities, and other estimated liabilities. As per the NTD Policy Manual, agencies that report under the Plan, Separate Service, Build, or Full reporting types with the following organization types fill out Form F-60:

- Independent Public Agency or Authority of Transit Service
- Subsidiary Unity of a Transit Agency, Reporting Separately
- Other Publicly-Owned or Privately Chartered Corporation
- Other

Reduced Reporters

Reduced Reporting Form (RR-20). Agencies report service, financial, and safety data on the Reduced Reporting form (RR-20). The form captures total modal expenses, uses of capital, sources of funds for transit operations and capital by funding category.

Management Assertion

AT-C 215 states that, "The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the criteria." The appropriate assertion and procedures depends on whether a transit agency's accounting system directly follows the USOA or whether the agency uses something other than the USOA for accounting purposes but can translate, using a clear audit trail, to the USOA. Because most transit agencies' accounting systems do not follow the USOA exactly, the illustrative AUP reporting provided in the attachments to this guidance document assume that the transit agency follows something other than the USOA for accounting purposes. The suggested management assertion for this scenario, which is based on the NTD policy manuals, is as follows:

The accounting system, from which the NTD reports for the year ended *[insert date]* 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.

Practitioner Requirements and Guidance

Practitioners are to perform this AUP engagement following the requirements and application guidance contained in AT-C 215. Additionally, practitioners are encouraged to read the applicable NTD Policy Manual and USOA guidance that relates to the specific procedures performed to better understand the NTD reporting requirements.

Illustrative AUP Reports

The attachments to this guidance document include the following two illustrative AUP reports:

- Attachment 1: [Illustrative Agreed-Upon Procedures Report for Full Reporter to Meet the Requirements of the 2018 National Transit Database \(NTD\) Policy Manual for a Financial Data Review](#)
- Attachment 2: [Illustrative Agreed-Upon Procedures Report for Reduced Reporter to Meet the Requirements of the 2018 National Transit Database \(NTD\) Policy Manual for a Financial Data Review](#)