

M E M O R A N D U M



FINAL AUDIT REPORT WITH RECOMMENDATIONS

Contract Audit No. 11-045

SUBJECT: Audit of Reported Paratransit
Revenues and Ridership

DATE: October 3, 2011

FROM: OIG – Helen Lew /s/

TO: DGMA/CFO – Carol Kissal

This Final Audit Report, entitled *Audit of Reported Paratransit Revenues and Ridership*, presents the results of our audit. The objectives of the audit were to determine the accuracy of (1) paratransit passenger fare revenues and (2) paratransit passenger ridership reported in the Monthly Financial Reports.

BACKGROUND

In October 2010, the former Chair of the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors requested that the Office of Inspector General (OIG) conduct an audit of paratransit passenger ridership and revenues reported in the Monthly Financial Reports. The Board Chair was concerned that passenger ridership was going up but passenger fare revenues were not, and that there did not appear to be a one-to-one relationship between ridership and revenues.

The Department of Access Services (ACCS) administers the paratransit program through MetroAccess Services (MACS). The mission of ACCS is to provide safe, reliable and accessible transportation to senior citizens and people with disabilities while ensuring that WMATA's services are delivered, personnel are trained, equipment is maintained, and facilities are designed for seniors and people with disabilities. The Americans with Disabilities Act (ADA) requires jurisdictions which offer fixed-bus route service to provide paratransit service

comparable to public transportation for people without disabilities. In Fiscal Year (FY) 2010, the fare revenue budget for ACCS was \$5 million, and the expense budget was \$85.6 million. Paratransit passenger fare revenues for FY 2011 were budgeted at \$5.8 million and expenses were budgeted at \$103.7 million.

In March 2004, ACCS paratransit customers (plaintiffs)¹ initiated legal action against WMATA claiming that WMATA violated the ADA in providing inadequate services to the disabled community. In December 2007, WMATA and the plaintiffs entered into a settlement agreement. One provision of the settlement was that WMATA would provide two coupons for a free, one-way trip for each late or missed trip, as defined, during the settlement period, June 2, 2008 – August 1, 2011. WMATA provides one of the free trips, and the contractor provides the other.

Paratransit ridership is defined as the number of passengers who take a trip in a MetroAccess vehicle. For example, if a registered customer and a personal care assistant take a trip, they are both counted as passengers.

During the period covered by this audit, paratransit passenger fare revenues consisted of fare media in the form of cash, tokens, fare cards and E-Z Pay payments. Starting in FY 2011, paratransit revenues were only in the form of cash and E-Z Pay payments. Paratransit revenue totals were based on fares collected by drivers and electronic payment data compiled in the Trapeze² and SpiderInfo³ software systems.

¹Plaintiffs in the lawsuit were a public-interest group and several individuals; the case was certified as a class action on behalf of MetroAccess customers.

² Trapeze is a commercial off-the-shelf transportation scheduling and dispatch system; including client registration, trip booking and scheduling applications. ACCS and the contractor use Trapeze to schedule trips requested by paratransit customers.

³ SpiderInfo is software owned by the paratransit contractor and used to prepare various reports from data in Trapeze.

Paratransit ridership and revenues do not have a direct one-to-one relationship, because not all passengers pay full fare. For example, some riders pay no fare, such as a personal care assistant, a person traveling to WMATA to apply to become a registered customer, and WMATA employees who ride for free. Another example would be a passenger who boards a MetroAccess vehicle and then refuses to pay or underpays; the ride is still counted as a trip even though the full fare due is not paid.

AUDIT RESULTS

For FY 2010, paratransit passenger fare revenues, as reported in the June 2010 Monthly Financial Report by the Office of Management and Budget Services (OMBS), based on data from the Office of Accounting (ACCT), was \$4.3 million. For ridership, OMBS reported 2,382,000⁴ passengers for the same period, based on data from ACCS.

Our audit showed that the paratransit revenues and ridership level reported in the Monthly Financials for FY 2010 are not completely accurate. We found that: (1) certain revenue transactions were not always properly recorded or recognized by ACCT as deferred revenue and (2) ridership data provided by ACCS were not properly reconciled and summarized. We also noted that WMATA pays a significant amount of the costs associated with free trips to passengers when the contractor is late or misses a trip. WMATA paid out approximately \$4.5 million in FY 2010 to the contractor for these trips. This situation is discussed in the “Other Matters of Concern” section of this report.

Based on the above findings, we made six recommendations to the Deputy General Manager for Administration/Chief Financial Officer (DGMA/CFO).

⁴ Ridership numbers in the monthly financials are rounded to an even thousand each month by OMBS based on information provided by ACCS. The fiscal year total in the monthly financials is the cumulative total of the monthly rounded amounts.

In the DGMA/CFO's Management's September 12, 2011, response, Management concurred with certain aspects of the two findings and disagreed on other aspects of the findings. In finding #1, for example, Management agreed that there was a difference in the amount of revenue reported for FY 2010. Management did not agree with the finding that cash fares were charged to the wrong fiscal year. In finding #2, Management agreed that there are inconsistencies in ridership data but did not agree that "the drivers did not properly classify and summarize the manifests. Management also indicated that our discussion in the "Other Matter of Concern" section of the report relating to the costs associated with free trips given by the contractor for late or missed trips was outside the scope of our audit.

Management concurred with all but one of our six recommendations. Management indicated that they are in the development stage of the next paratransit contract, and the intent is to establish more direct ties between compensation and performance. However, they do not concur that a separate on-time performance metric is warranted for the provision of free trips.

Based on our analysis of Management's response to our draft report, as well as on additional information provided by Management, we revised aspects of findings #1 and #2 in the final report, as appropriate. In regards to finding #2, we disagree with Management's implication that the electronic version of the driver manifests are not subject to human error. We acknowledge that the "Other Matters of Concern" discussion is outside our audit objective of determining the accuracy of paratransit revenues and ridership. However, we identified a concern during our audit that warranted Management's attention. Specifically, WMATA incurs a significant cost when the contractor misses a trip or is late; the current \$30,000 per month disincentive when the contractor falls below the targeted on-time performance rate may not be a good metric.

In addition, Management added that there were inaccuracies in the background and other sections of the report but did not provide any details when we asked about the inaccuracies.

The complete text of Management's response is included as Attachment I.

Finding 1 – Inaccuracies in Revenue Recognition and Reporting by ACCT and ACCS

OMBS reported \$4.3 million in paratransit passenger fare revenues in the June 2010 Monthly Financials for FY 2010 based on revenues (\$4,277,470) reported by ACCT in the general ledger and budget variance report.⁵ However, the amount reported by ACCT was not accurate because certain revenue transactions, namely deferred revenues⁶ were not always properly recorded or recognized by ACCT as deferred revenues and accrued revenues.

WMATA is to report its financial transactions in accordance with governmental generally accepted accounting principles (GAAP).⁷ Applicable GAAP⁸ directs that revenue should be accrued in the year earned when the earning process is complete and an exchange has taken place. For WMATA, this means that revenue is earned when the passenger takes a trip. An internal control framework includes: (1) proper execution of transactions and events and (2) accurate and timely recording of transactions and events.⁹

⁵ Revenue transactions in the general ledger come from direct pay vouchers from the Office of the Treasurer and from cash collections data provided by ACCS.

⁶ Deferred revenue is cash collections or deposits before goods or services are provided (e.g., E-Z Pay payments from paratransit customers before trips are taken).

⁷ GAAP for state and local governments are promulgated by the Governmental Accounting Standards Board (GASB). GASB incorporates some standards of its predecessor, the National Council on Governmental Accounting (NCGA).

⁸ NCGA Statement 1

⁹ See the Government Accountability Office's (GAO) publication, *Standards for Internal Control in the Federal Government*.

The following sections discuss the revenue recognition procedures in ACCT and the resulting internal control deficiencies that contribute to inaccuracies in WMATA's reporting of paratransit passenger fare revenues.

ACCT's Revenue Recognition Procedures for Cash Collections and E-Z Pay

ACCT recognizes, records, and reports paratransit fare revenue transactions based on partial payment authorizations prepared by ACCS and on electronic direct cash vouchers from E-Z Pay receipts. ACCS prepares the partial payment authorizations based on invoices received from the paratransit service contractor, currently, MV Transportation, as well as internal ACCS reports.

In accordance with the terms of the contract between the paratransit service contractor and WMATA, the contractor is allowed to keep paratransit fare revenues, in the form of cash, which the drivers collect from customers. The contractor lists the cash collected as a credit on its billing invoice to WMATA. The partial payment authorization prepared by ACCS signifies approval of the invoice; it also lists the cash collected as a credit. The contractor is due the net amount (expenses less credits).

The E-Z Pay accounts are established by ACCS for its eligible paratransit customers to allow the customers to make advance payments on their accounts electronically. The E-Z Pay accounts eliminate the need for customers to pay by cash, tokens, or farecards when boarding a MetroAccess vehicle. The contractor also records electronically the free trip credits awarded to customers for missed or late trips to customers' E-Z Pay accounts.

The E-Z Pay software program is maintained by a third-party contractor, MJM Innovations (MJM). After the customers make payments on their accounts, MJM electronically transfers the totals to the Office of the Treasurer (TRES). TRES prepares a document to post entries to a general ledger cash account and to the general ledger adult full fare revenue account.

Revenue Recognition and Reporting Deficiencies in ACCT

To test the accuracy, propriety and reliability of paratransit fare revenues reported by ACCT and provided to OMBS for use in the Monthly Financial Report, OIG selected 15 transactions haphazardly (non-statistical sample) from the general ledger paratransit “Full Adult Fares” revenue account (#4010101). We found that six of the 15 transactions were direct pay vouchers composed of E-Z Pay deposits by customers. ACCT incorrectly recorded these six transactions in the full-fare revenue account instead of a deferred revenue account, as required by GAAP, since the revenue or earning process (the trip) had not been completed since the trip had not taken place.

We reviewed WMATA’s “Office of Accounting Procedures Manual.” The manual does not discuss fare media sales and passenger revenues from paratransit services. The lack of such guidelines for paratransit passenger revenues contributes to WMATA’s failure to properly recognize and record deferred revenues.

An ACCT manager we interviewed informed us that ACCT briefly established a deferred revenue account for paratransit revenues after an October 2010 meeting with ACCS to discuss E-Z Pay transactions. Information is needed by ACCT to determine the amount of trips taken and paid using E-Z Pay and to charge the deferred account. The manager told us that ACCT closed the account because it could not determine E-Z Pay usage or charges. ACCT does not maintain a separate subsidiary ledger or subsystem to record deposits and charges to individual E-Z Pay accounts.

We learned that ACCS calculates a monthly estimated E-Z Pay usage amount by determining: the number of trips taken, the fees charged for each trip, the total fees, and cash collections. The cash collections are subtracted from the total fees to arrive at an estimated usage amount.

ACCS also can produce Trapeze reports showing E-Z Pay charges or usage. For example, Trapeze reports showed that there were 703,304 trips taken in FY 2010 using E-Z Pay for which \$1,731,184.50 was charged. For the fiscal year ending June 30, 2011, Trapeze showed 827,770 trips resulting in \$2,978,985.51 in E-Z Pay charges. In addition, ACCS has access to the “MetroAccess EZ-Pay Online Processing” website maintained by MJM from which ACCS can obtain E-Z Pay data.

ACCT and ACCS should determine how available E-Z Pay and cash collections data can be used to more accurately calculate the paratransit passenger fare revenue amount. The integrity and reliability of WMATA’s paratransit revenue information is critical to helping management to make sound business and financial decisions and carrying out its mission and objectives.

Revenue Recognition and Reporting Deficiencies in ACCS

We found that ACCT reported \$798,276 more in paratransit passenger fare revenues than did ACCS for FY 2010. The revenue amount reported by ACCS did not include charges to customers’ E-Z Pay accounts. Specifically, the supporting documentation accompanying the partial payment authorizations prepared by ACCS denoted estimated E-Z Pay charges as “cashless fares.” However, ACCS did not include these “cashless fares” in its reported paratransit passenger fare revenue total of \$3,479,194.

Also, some of the WMATA Summary Reports,¹⁰ prepared by ACCS and used as support for the partial payment authorizations, did not have complete or accurate revenue totals. For example, the May 2010 *WMATA Monthly Summary Report* showed fares collected of \$295,318.59 in the “Revenue” section. This amount should equal the sum of regular fares (\$272,285.00) and supplemental fares (\$19,805.39), but there was a difference of \$3,228.20. ACCS informed us that the

¹⁰These reports contain ridership and revenue data.

difference was due to “underpays.” Underpays should be recognized as revenues not collected. Furthermore, the “Revenue” section of the WMATA Monthly Summary Report did not include “cashless” fares of approximately \$173,421 which constitute revenues. Therefore, total revenues reported in May 2010 should have been \$468,739.59.

Recommendations

We recommend that the DGMA/CFO direct the Controller and/or the AGM of ACCS to ensure that:

- 1.1. ACCT implements guidelines to ensure that revenue is properly classified as deferred revenue or revenue, as appropriate.
- 1.2. ACCT and ACCS confer and make use of available E-Z Pay data and reports, including reports from the third party software contractor, to determine E-Z Pay usage amounts.
- 1.3. ACCT establishes a deferred revenue account for paratransit revenue customers who pay in advance.

Management’s Response

Management generally concurred with the finding and recommendations but disagreed with certain aspects of the finding. Specifically, Management disagreed with the findings that cash fares were charged to the wrong fiscal year and that revenue reported by ACCS was higher than that reported by ACCT.

OIG Comment

Based on our analysis of Management’s response to our draft report, and on additional documentation provided to us, we revised the final report, as appropriate.

Finding 2 – Inaccuracies in Ridership Data Provided by ACCS

OMBS reported paratransit passenger ridership of 2,382,000 in the June 2010 monthly report for FY 2010 based on data provided by ACCS. However, this number was not completely accurate, because ridership data were not properly reconciled and summarized.

Criteria used to determine the validity of data are included in the 2009 GAO publication, *Assessing the Reliability of Computer-Processed Data*, which states that data should be complete and accurate. Data are complete when they contain all elements and records. Data are accurate when they reflect data entered at the source or in source documents. In addition, *GAO Standards for Internal Control in the Federal Government* state that management should implement control activities to ensure that reconciliations are performed to verify data completeness and that data validation and editing should be performed to identify erroneous data.

The paratransit contractor is responsible for keeping track of paratransit ridership and revenue data and uses Trapeze and SpiderInfo software to accomplish this task. SpiderInfo is solely owned by the contractor and is used to process various reports, including the: (1) monthly *WMATA Summary Reports*, and (2) *Daily Audit Reports*, which contain ridership data. As noted above, SpiderInfo extracts and summarizes data initially entered or captured by Trapeze.

The contractor has installed Mentor Ranger Mobile Data Computers (Rangers) units in all of its dedicated vehicles. The Rangers work in conjunction with Trapeze and provide up-to-minute status reports regarding on-time performance. This allows Trapeze to predict when future stops will be late. The Rangers also have global positioning systems and automatic vehicle locators. For each trip, the

Rangers provide the driver information regarding passengers' names, number of companions traveling with passengers, the amount of fare owed or cashless fare (E-Z Pay) and trip destination. Information is entered in the Rangers by the dispatchers.

The contractor gives the drivers (of dedicated vehicles, non-dedicated vehicles and taxies) the hard-copy driver manifests, which the drivers turn in to the contractor reconcilers at the end of each day. The reconcilers compare the data in Trapeze to the data on the drivers' manifests each day. Once reconciled, the information is transferred from Trapeze into SpiderInfo. ACCS, at the end of each month, will select random days to reconcile the driver manifests to make sure the contractor is fulfilling the terms of the contract. ACCS tends to focus its review on the non-dedicated and taxi driver manifests rather than the dedicated vehicles, because the latter have the Rangers capturing the information electronically.

To test the reliability of ridership data for completeness and accuracy, we flowcharted the process, from the time a customer makes a reservation to the time a trip is completed. We haphazardly selected two (2) two-day periods to test: November 2-3, 2009 (in FY 2010) and September 23 -24, 2010 (in FY 2011). We examined a sample of source documents (hard-copy driver manifests), checked for mathematical and classification accuracy, and traced data from source documents to electronic reports processed by SpiderInfo.

Of the 26 driver manifests we tested, we found that 23 manifests had errors in the data summarized, *i.e.*, passenger count totals did not tie to the data on the individual trips. For many of the manifests we reviewed, the hard copy source documentation did not tie to the *Daily Audit Reports* processed by SpiderInfo. For example, we found that:

- On November 3, 2009, the driver summary page for Route 409 indicated 10 passengers, whereas the number on the driver manifest

totaled 11 passengers. The SpiderInfo *Daily Audit Report* for Route 409 for the same day showed a summary of 8 passengers, but the columns within the SpiderInfo *Daily Audit Report* indicated 12 passengers.

- The driver summary page on September 24, 2010 for Route 753 indicated 8 passengers whereas, the number on the driver manifest totaled 9 passengers. The SpiderInfo *Daily Audit Report* for Route 753 for the same day showed a summary of 6 passengers, but the columns in the SpiderInfo *Daily Audit Report* indicated 10 passengers.

Based on our audit, we determined that the computer-processed reports/data on ridership contain inaccuracies because: (1) the drivers did not properly classify and summarize the manifests (source documents), and (2) the reconciliations and review processes were not thorough.

Lastly, there was a difference of about 5,000 in the ridership number reported in the Monthly Financials for FY 2010 by OMBS (2,382,000) and that provided by ACCS (2,377,265). The difference is due to rounding to the nearest thousand. For example, ACCS reported 136,013 passengers for February 2010, while OMBS rounded the number and reported 137,000 passengers. Similarly, ACCS reported 231,832 passengers for March 2010, and OMBS reported 233,000 in the Monthly Financials Report. An OMBS financial manager informed us that ACCS and OMBS recently put new review procedures in place so that the final numbers reported by ACCS and OMBS are more closely aligned.

The integrity and reliability of WMATA's paratransit ridership information is critical to helping management make sound business and financial decisions, as well as to carrying out its mission and objectives.

Recommendations

We recommend that the DGMA/CFO direct the AGM for ACCS to take appropriate action to ensure that:

- 2.1. Procedures and processes are implemented to properly reconcile source documentation (driver manifests, driver cover sheets) with data in the SpiderInfo and Trapeze systems.
- 2.2. Reports developed and generated by the Trapeze and SpiderInfo systems are complete and accurate.

Management Comment

Management concurred with the finding and recommendations but disagreed with the comment in the draft report that the drivers did not properly classify and summarize driver manifests or source documents. Management stated that the hard-copy documents are secondary documents subject to human error and that the electronic version is the arbiter in case of differences.

OIG Comment

OIG opines that the electronic documents can also be subject to human error if data is entered incorrectly. Secondly, not all vehicles, *i.e.* non-dedicated vehicles and taxis, are equipped with Rangers. For these vehicles, only the hard-copy manifests exist. We stand by our comments regarding the need of thorough reconciliation of documents.

OTHER MATTERS OF CONCERN

During our audit, we identified a matter of concern outside of our audit objective of determining the accuracy of paratransit revenues and ridership reported in the Monthly Financial Reports. This concern relates to the significant cost incurred by

WMATA for providing free trips to passengers when the contractor misses a trip or is late and the disincentive used to encourage on-time performance by the contractor. We noted that WMATA paid out a net amount of approximately \$4.5 million to the contractor in FY 2010 for the “free” trips because the contractor missed a trip or was late. We question whether the current compensation structure provides a true incentive for reliable, on-time performance by the contractor.

We discussed earlier in the report that WMATA provides one of the two free trips given to a passenger due to a late or missed trip by the contractor per the court settlement agreement. (Prior to this settlement agreement, the contractor was obligated under the contract to provide one free trip coupon/credit to the passenger when a trip was missed or late.) The contractor automatically credits the free trips to the passengers’ E-Z Pay accounts. The contractor provides a credit memo for its share of the free trips with the invoices it sends WMATA. But, WMATA foregoes passenger revenue for its share of the free trips.

In FY 2010, there were 58,836 late and missed trips, resulting in lost revenue to WMATA of approximately \$153,000 (based on a fare of \$2.60) for its share of the free trips provided to passengers.¹¹ WMATA continues to pay the contractor an average cost of \$41 per trip for the two free trips that are given to passengers when the contractor misses a trip or is late.

WMATA may assess the contractor \$30,000 in disincentives for each month that the contractor does not meet certain performance thresholds.¹² In FY 2010, the contractor did not meet these thresholds seven months. Taking into consideration

¹¹ Since MetroAccess fares increased in FY 2011, the customer continues to receive only a \$3.00 per trip credit, which covers the base fare. The customer pays the difference if the fare, which can be up to \$7.00, is more.

¹² WMATA may assess the contractor \$15,000 for on-time performance of 92 percent or less; \$10,000 for missed/excessively late trips of 1.5 percent or more; and, \$5,000 for productivity trips per hour of 1.1 percent or less.

the \$210,000 on-time performance disincentives assessed against the contractor and the \$153,000 in passenger revenue credits for free trips assumed by the contractor, the free trips still cost WMATA at least \$4.4 million. The net costs to WMATA for free trips provided passengers because the contractor missed a trip or was late were over \$11 million from FY 2006 through 2011, see table below:

Net Costs of Free Trips: FY 2006 – FY 2011

Description	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Free Rides	22,072	23,301	22,607	55,964	117,672	74,848	316,464
Customer Revenue Foregone by WMATA¹³	\$55,180	\$58,253	\$56,518	\$69,943	\$152,974	\$112,272	\$821,604
Contractor Performance Disincentives	\$0	\$0	(\$240,000)	(\$120,000)	(\$210,000)	(\$210,000)	(\$780,000)
Costs to WMATA Based on Per Trip Avg¹⁴	\$777,442	\$815,652	\$800,921	\$2,037,397	\$4,824,552	\$3,068,768	\$12,324,742
Net Costs to WMATA	\$722,262	\$757,399	\$504,403	\$1,847,454	\$4,461,578	\$2,746,496	\$11,039,592

The current contract is in the second option period and will expire on June 30, 2013. WMATA should reconsider its current on-time performance metric and disincentive formula when the contractor is late or misses a trip, as well as by whom and how the costs associated with the free trip should be paid in its next contract award.

¹³ Computations are based on WMATA's share of free trips as follows: \$2.50 per trip for FYs 2006-2009; \$2.60 for FY 2010; and \$3.00 for FY 2011.

¹⁴ Average cost per trip was: \$35.223 for FY 2006; \$35.005 for FY 2007; \$35.428 for FY 2008; \$36.412 for FY 2009; and \$41.00 for FYs 2010 and 2011.

Recommendation

We recommend that the DGMA/CFO, before the next paratransit contract is awarded:

3. Direct the AGM for ACCS to reassess its on-time performance metric and disincentive formula when the contractor is late or misses a trip.

Management Comment

Management indicated that this topic is outside the scope of the audit and that it does not concur that the free trip provision has resulted in poorer on-time performance. Management discussed recovering revenue lost due to free trips through a monthly disincentive. Management stated that ACCS is in the development stage of the next paratransit contract, and the intent is to establish more direct ties between compensation and performance. However, ACCS does not concur that a separate on-time performance metric is warranted for the provision of free trips.

OIG Comment

We acknowledge that the concern that we raised is outside of the audit objective of determining the accuracy of paratransit revenues and ridership. Our concern is that WMATA bears a significant cost when the contractor misses a trip or is late, and the current compensation structure may not be a good incentive for on-time performance and deterrent of excessively late/missed trips.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine the accuracy of (1) paratransit passenger fare revenues and (2) paratransit passenger ridership reported in the Monthly Financial Reports. To accomplish our audit objectives, we met with representatives from ACCS, OMBS, ACCT, and the contractor. We focused our audit on the paratransit ridership and revenues for FY 2010 and the first quarter of

FY 2011. The audit was conducted in accordance with generally accepted government auditing standards (GAGAS) promulgated by the GAO and included: (1) obtaining sufficient and appropriate evidence; (2) conducting interviews; (3) performing walkthroughs; (4) preparing flowcharts; (5) reviewing applicable GAAP, (6) evaluating internal controls, and (7) performing substantive testing. Audit fieldwork was conducted from November 2010 through July 2011.

To obtain a representative sample of cash receipts and E-Z Pay receipts, we sampled 15 passenger revenue transactions composed of accounts payable vouchers and direct pay vouchers, from a population of 365 entries recorded in the paratransit adult full fare account (40101010). Cash passenger fare collections were captured in the accounts payable vouchers. E-Z Pay customer deposits were reflected in direct pay vouchers. The sample transactions covered FY 2010 and the first quarter of FY 2011. For the ridership data sample, we haphazardly chose driver manifests and related electronic reports for four days covering two fiscal years (FY 2010 and FY 2011). We used this size sample because of the large volume of trips reflected in the data for each day. We verified the driver manifest data by comparing them to the data in MV Transportation's software, SpiderInfo.

As stated, we conducted our audit in accordance with GAGAS appropriate to the scope of the review described above. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessment of applicable internal controls and compliance requirement of laws and regulations when necessary to satisfy our audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

ADMINISTRATIVE MATTERS

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected departments/offices will be monitored and tracked through OIG's Audit Accountability and Resolution Tracking system. OIG policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance. Management has stated that a corrective action plan (CAP) will be implemented within 30 days to establish a consistent reporting mechanism. We appreciate the cooperation and assistance extended by your staff during the audit. Should you or your staff have any questions, please contact Andrew Clemmons, Assistant Inspector General for Audits on (202) 962-1014, or me on (202) 962-2515.

Attachment

cc: CHOS – S. Pant
ACCS – C. Kent
ACCT – S. Audette
COUN – C. O'Keeffe

MANAGEMENT'S RESPONSE

M E M O R A N D U M



SUBJECT: RESPONSE TO OIG DRAFT AUDIT REPORT **DATE: September 12, 2011**

Contract Audit No. 11-045
*Audit of Reported Paratransit
Revenues and Ridership*

FROM: DGMA/CFO – Carol Kissal

TO: OIG – Helen Lew

FINDING 1 – INACCURACIES IN REVENUE RECOGNITION AND REPORTING BY ACCT AND ACCS

The Department of Access Services (ACCS) and the Office of Accounting (ACCT) concur that there was a difference in the amount of revenue reported for FY 2010. This difference resulted from the different treatment of the E-Z-Pay receipts. These receipts were included as revenue in the accounting reports for FY2010 and excluded from the ACCS reports. Our estimate of the impact of not deferring a part of this revenue would be less than \$200,000. We do not agree with the findings that cash fares were charged to the wrong fiscal year nor that revenue reported by ACCS was higher than that reported by ACCT.

RECOMMENDATIONS

1. ACCT implements guidelines to ensure that revenue is properly classified as deferred revenue or revenue, as appropriate. We concur.
2. ACCT and ACCS confer and make use of available E-Z Pay data and reports, including reports from the third party software contractor, to determine E-Z Pay usage amounts. We concur.
3. ACCT establish a deferred revenue account for paratransit revenue customers who pay in advance. We concur.

A corrective action plan will be implemented within 30 days to establish a consistent reporting mechanism.

**Washington
Metropolitan Area
Transit Authority**

FINDING 2 – INACCURACIES IN RIDERSHIP DATA PROVIDED BY ACCS

ACCS concurs with Finding #2 which addresses inconsistencies in ridership data provided due to rounding. The issue of inconsistent rounding of ridership has since been addressed and resolved through a working group comprised of representatives from ACCS, ACCT, OMBS, BUS, and RAIL. Since March 2011, Access Services now prepares the paratransit ridership and revenue narrative for the monthly financial report. The narrative is reviewed by OMBS and included in the financial report "as submitted," using the actual ridership without rounding.

ACCS does not concur with the determination on page 11 stating "*the drivers did not properly classify and summarize the manifests (source documents).*" The hard-copy manifests are secondary documents subject to human error. Standard Operating Procedure prescribes the electronic data as the final arbiter (source material) in cases of variation presented on hard-copy manifests.

The installation and use of GPS driven Mobile Data Terminals (MDTs) as referenced in the final paragraph of page nine was an ACCS requirement contained in the RFP for the current paratransit contract. GPS-driven MDTs have been in use since the inception of the current contract in January 2006. Trip data and information (passenger name, pick-up and drop-off address, PCA, fare due, etc.) is primarily downloaded into the Mentor Ranger MDTs through an automated process from centralized reservations/scheduling. ACCS concurs with the OIG provided examples which compare the *Daily Audit Report* detail columns with its summary line. The query used to generate the summary line needs to be adjusted, and MetroAccess staff is working with the paratransit contractor at this time to complete this task.

RECOMMENDATIONS

Access Services concurs with the two OIG recommendations on page 11 and is implementing appropriate corrective action.

OTHER MATTERS OF CONCERN (Provision of Free Trips)

Aside from the fact that this entire topic addresses a business decision outside the scope of the audit, ACCS does not concur that the costs associated with free trip provision have resulted in poorer on-time performance. The application of the on-time performance disincentive alone in the paratransit contract recovered 95% of the fare revenues lost on free

rides, and if the \$10,000 monthly disincentive for missed/excessively late trips were included in the analysis, Metro recovered more from the contractor than the amount of fare revenues lost. Since the contractor did provide these trips, regardless of their timeliness, it is not a reasonable or fair business practice to deprive the contractor of payment for completing these trips.

ACCS is in the development stage of the next paratransit contract, and the intent is to establish more direct ties between compensation and performance; however, ACCS does not concur that a separate on-time performance metric is warranted for the provision of free trips.

AUDIT METHODOLOGY

Some data points in the background and subsequent sections of the audit are inaccurate and do not take into account information provided by those interviewed during the course of the audit. The audit also did not have the benefit of input from either the AGM of ACCS (to whom most of the recommendations are directed) or the Comptroller because neither individual was interviewed at any time during the course of the audit. ACCS believes interviewing the principals of the offices/departments involved should be standard procedure.