



M E M O R A N D U M

SUBJECT: Results of the Audit of WMATA's SmarTrip
Regional Partner Comparative Billing Statements
Fiscal Years Ended 2020 & 2019 (OIG 21-03)

DATE: February 25, 2021

FROM: OIG – Geoffrey A. Cherrington

TO: GMGR – Paul J. Wiedefeld

The Operating Funding Agreement between the participating jurisdictions¹ requires an independent external auditor, as determined by the Inspector General, to annually audit the WMATA's actual allocated operating expenses and amounts billed included in the SmarTrip Regional Partner Comparative Billing Statements. In compliance with this requirement, OIG retained RSM US, LLP (RSM) to conduct this annual audit.

FY 2020 Audit Results

- Unmodified opinion

RSM issued their opinion on the results of the audit on January 7, 2021.

Objective of the SmarTrip Regional Partner Comparative Billing Statements Audit

The objective of a SmarTrip Regional Partner Comparative Billing Statements Audit is to determine whether the audited entity's Billing Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Billing Statements.

The audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the billing statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the billing statements, whether due to fraud or error. In making those risk

¹ The Alexandria Transit Company; Arlington County, Virginia; City of Fairfax, Virginia; District of Columbia, Fairfax County, Virginia; Loudoun County, Virginia; Montgomery County, Maryland; Prince George's County, Maryland; Maryland Transit Administration; and Potomac and Rappahannock Transportation Commission

assessments, the auditor considers internal control relevant to the Authority in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, they expressed no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation.

OIG Oversight of RSM Performance

To fulfill our responsibilities under the contract for ensuring the quality of the audit work performed, we monitored RSM's audit of WMATA's FY 2020 Billing Statements by:

- Reviewing RSM's audit approach and planning.
- Monitoring audit progress at key points.
- Reviewing RSM's audit report to ensure compliance with Government Auditing Standards.
- Coordinating the issuance of the audit report.
- Performing other procedures deemed necessary.

RSM is responsible for the attached auditors' report and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with applicable standards, was not intended to enable us to express, and accordingly we do not express an opinion on WMATA's Billing Statements.

However, our monitoring review disclosed no instances where RSM did not comply, in all material respects, with applicable auditing standards.

Attachment

SmarTrip Regional Partner Comparative Billing Statements Audit Report

For the Fiscal Years Ended June 30, 2020 and 2019



**Washington Metropolitan Area Transit Authority
Washington, DC**



**Washington Metropolitan Area Transit Authority
SmarTrip Regional Partner Comparative Billing Statements
For the Fiscal Years Ended June 30, 2020 and 2019**

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Independent Auditor's Report

To the Board of Directors
Washington Metropolitan Area Transit Authority

Report on the Statements

We have audited the actual allocated operating expenses and amounts billed included in the accompanying SmarTrip Regional Partner Comparative Billing Statements (the Statements) of the Regional Customer Services Center (RCSC), the Regional Software Maintenance Agreement (RSMA), the Regional Software Maintenance Service (RSMS), and the Compact Point of Sale Device (CPOS) of Washington Metropolitan Area Transit Authority (the Authority) for the years ended June 30, 2020 and 2019, and the related notes to the Statements.

Management's Responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statements referred to above present fairly, in all material respects, the actual allocated operating expenses of the RCSC, the RSMA, the RSMS, and the CPOS and the amounts billed for the years ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the accompanying Statements for the years ended June 30, 2020 and 2019 were prepared to provide an allocation of the actual operating expenses incurred and amounts billed for the RCSC, the RSMA, the RSMS and the CPOS for The Alexandria Transit Company; Arlington County, Virginia; City of Fairfax, Virginia; District of Columbia, Fairfax County, Virginia; Loudoun County, Virginia; Montgomery County, Maryland; Prince George's County, Maryland; Maryland Transit Administration; and Potomac and Rappahannock Transportation Commission (collectively, the Participating Jurisdictions) in accordance with the audit requirements of the Operating Funding Agreement and is not intended to be a complete presentation of the financial position and operations of the Authority in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

RSM VS LLP

Washington, D.C.
January 7, 2021

Washington Metropolitan Area Transit Authority
The SmarTrip Regional Partner Comparative Billing Statements
For the Fiscal Years Ended June 30, 2020 and 2019

The following tables present budget to actual comparison of the Regional SmarTrip Program's amounts billed, operating expenses and the related amounts due to or from each of the respective Participating Jurisdictions for the fiscal years ended June 30, 2020 and 2019.

Participating Jurisdictions	Fiscal Year 2020							
	Amounts Billed			Actual Operating Expenses				Over (Under) Payments
	Per Budget	Adjust-ments ^{1,2}	Net Billed	RCSC ⁴	RSMA & RSMS ³		Total	
					CPOS			
ART	\$ 56,267	\$ (18,795)	\$ 37,472	\$ 46,754	\$ 28,785	\$ -	\$ 75,539	\$ (38,067)
CONN	152,017	(42,053)	109,964	123,720	86,356	-	210,076	(100,112)
CUE	26,755	(11,969)	14,786	8,731	28,786	-	37,517	(22,731)
DASH	53,183	(12,227)	40,956	42,632	28,786	-	71,418	(30,462)
DC Circulator	90,070	(78,745)	11,325	46,280	57,571	-	103,851	(92,526)
Loudon County Transit	38,975	(10,986)	27,989	10,638	28,786	-	39,424	(11,435)
MTA	99,460	(30,223)	69,237	42,131	12,326	-	54,457	14,780
Ride On	260,589	(67,755)	192,834	211,373	86,356	-	297,729	(104,895)
TheBus	42,795	(16,956)	25,839	16,112	28,785	-	44,897	(19,058)
PRTC	59,927	(20,421)	39,506	26,162	28,785	6,244	61,191	(21,685)
Total	\$ 880,038	\$ (310,130)	\$ 569,908	\$ 574,533	\$ 415,322	\$ 6,244	\$ 996,099	\$ (426,191)

Participating Jurisdictions	Fiscal Year 2019								
	Amounts Billed			Actual Operating Expenses				Over Payments ²	
	Per Budget	Adjust-ments ¹	Net Billed	RCSC	RSMA ³	CPOS	Total		
ART	\$ 56,166	\$ -	\$ 56,166	\$ 27,677	\$ 16,024	\$ -	\$ 43,701	\$ 12,465	
CONN	147,440	-	147,440	75,160	48,073	-	123,233	24,207	
CUE	26,526	-	26,526	3,502	16,024	-	19,526	7,000	
DASH	48,187	-	48,187	26,061	16,024	-	42,085	6,102	
DC Circulator	107,540	-	107,540	19,527	48,073	-	67,600	39,940	
Loudon County Transit	37,103	-	37,103	13,967	16,024	-	29,991	7,112	
MTA	99,227	31,696	130,923	61,683	7,910	-	69,593	61,330	
Ride On	254,956	-	254,956	161,493	48,073	-	209,566	45,390	
TheBus	43,755	-	43,755	16,418	16,024	-	32,442	11,313	
PRTC	58,360	-	58,360	22,786	16,024	6,239	45,049	13,311	
Total	\$ 879,260	\$ 31,696	\$ 910,956	\$ 428,274	\$ 248,273	\$ 6,239	\$ 682,786	\$ 228,170	

1. The FY 2018 underpayment for MTA totaling \$31,696 was billed in the fourth quarter of FY 2019. The FY 2018 overpayments totaling \$101,764 were not adjusted during fiscal year 2019, but in the first quarter of FY 2020 due to a staffing transition. During the FY 2019 audit, a new query was created to replace a faulty query. This led to an additional adjustment for FY 2018 of \$11,889, which was adjusted in the fourth quarter of FY 2020.

2. The FY 2019 overpayments were credited in the fourth quarter billing of FY 2020.

3. On October 1, 2019, a new RSMA contract was awarded (now RSMS) to the same vendor, which caused an increase in expenses due to a change in the pricing agreement.

4. During FY 2020, RCSC expenses increased due to a contract modification executed on July 20, 2019 that increased the pricing for each calling tier.

See notes to SmarTrip Regional Partner Comparative Billing Statements.

Washington Metropolitan Area Transit Authority

Notes to the SmarTrip Regional Partner Comparative Billing Statements

For the Fiscal Years Ended June 30, 2020 and 2019

Nature of Activity

On December 11, 2018, the Washington Metropolitan Area Transit Authority (Authority) entered into another 5-year Operations Funding Agreement (OFA) with the following participating regional transit agencies (collectively referred to as "Participating Jurisdictions"):

- Arlington Transit (ART), Arlington County, VA
- Fairfax Connector (CONN), Fairfax County, VA
- City-University Energysaver (CUE) Bus, City of Fairfax, VA
- Driving Alexandria Safely Home (DASH), Alexandria Transit Company
- DC Circulator, District of Columbia
- Loudoun County Transit, Loudoun County, VA
- Maryland Transit Administration (MTA)
- Montgomery County Transit (Ride On), Montgomery County, MD
- Prince George's County Transit (TheBus), Prince George's County, MD
- Potomac and Rappahannock Transportation Commission (PRTC)

The purpose of the OFA is to provide a seamless regional system for transit fare collections for both the service areas of the Authority and the MTA using smart card technology. The Authority and the Participating Jurisdictions have agreed to fund their share of the operating expenses of the SmarTrip system. The agreement defines the regionally shared operating expenses, allocation methods, and funding requirements.

Each year, the Authority is required to prepare SmarTrip Regional Partner Comparative Billing Statements to provide an allocation of the actual operating expenses incurred for the Regional SmarTrip Program for each of the Participating Jurisdictions for the current and prior fiscal years ended June 30. The actual operating expenses are audited at the end of each fiscal year.

Annual Budget Development

Each year, the Authority estimates expenses of operating the Regional SmarTrip Program and prepares an annual budget, which is reviewed and approved by the Participating Jurisdictions. The annual budget covers the following Regional SmarTrip Program service areas:

- Regional Customer Service Center (RCSC): Estimated expenses related to providing regional SmarTrip customer service and support. Activities include handling customer inquiries; processing smartcard replacements, refund requests, and account registrations; and fulfilling smartcard orders. Customer requests are received by phone, email and mail.
- Regional Software Maintenance Agreement (RSMA): Estimated expenses related to the operation, enhancement, and maintenance of the fare collection software and computer networks of the SmarTrip system. On October 1, 2019, a new contract was awarded that bills expenses based on time and services and not an estimated expense. The new name of this contract is the Regional Software Maintenance Services (RSMS) agreement.
- Compact Point of Sale Devices (CPOS): Estimated expenses related to the operation of the SmarTrip retail point of sale network. This network consists of third-party retail merchants, such as CVS and Giant, and regional commuter stores that sell smartcards, add stored value, and pass products to existing smartcards.

Washington Metropolitan Area Transit Authority
Notes to the SmarTrip Regional Partner Comparative Billing Statements
For the Fiscal Years Ended June 30, 2020 and 2019

Regional Expense Allocation

The Authority bills each Participating Jurisdiction in advance of each quarter based on their share of the annual regional SmarTrip approved budget. As expenses related to the regional operation of the SmarTrip Program are incurred, the Authority tracks and reconciles these expenses to the approved budget. Actual operating expenses incurred by the Authority are allocated to the Participating Jurisdictions for each expense category based on the following methods:

- RCSC expenses are allocated to the Participating Jurisdictions based on the total amount of SmarTrip usage in each quarter. Specifically, this percentage is calculated by dividing an agency's quarterly usage by the total regional usage. The RCSC expenses are then multiplied by this percentage to determine the Participating Jurisdiction's share of the quarterly expenses.
- RSMA/ RSMS expenses are allocated to the Participating Jurisdictions based on the number of garages each agency operates. An agency's number of garages is divided by the total number of regional garages to calculate the allocation percentage. The quarterly RSMA/ RSMS expenses are then multiplied by this percentage to determine the Participating Jurisdiction's share of the quarterly expenses.
- CPOS expenses are allocated based on the number of devices operated by each Participating Jurisdiction. An agency's total number of devices is divided by the total number of regional devices to calculate the allocation percentage; the quarterly CPOS expenses are then multiplied by this percentage to determine the Participating Jurisdiction's share of the quarterly expenses.

Actual operating expenses are tracked monthly and a year-end true up is performed to identify variances between the amounts collected from the Participating Jurisdictions and actual operating expenses incurred. After the annual reconciliation is completed, overpayments or underpayments between the amounts billed and actual operating expenses are required to be remitted to or collected from the Participating Jurisdictions. The Authority adjusts for overpayments and underpayments from each Participating Jurisdiction as part of a quarterly billing in the subsequent fiscal year.

Basis of Accounting

The Authority prepared the SmarTrip Regional Partner Comparative Billing Statements for the fiscal years ended June 30, 2020 and 2019 using the accrual basis of accounting as established by the Governmental Accounting Standards Board, as appropriate for business-type activities. The Authority recognizes revenues when earned and expenses when incurred.