

# SmarTrip Regional Partner Comparative Billing Statements Audit Report

For the Fiscal Years Ended June 30, 2021 and 2020



Washington Metropolitan Area Transit Authority  
Washington, DC



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**Independent Auditor's Report**

Board of Directors  
Washington Metropolitan Area Transit Authority

**Report on the Statements**

We have audited the accompanying SmarTrip Regional Partner Comparative Billing Statements (the Statements) of the Regional Customer Services Center (RCSC), 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, 2021 and 2020, 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 these 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 entity's preparation and fair presentation of the Statements 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

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 shared expenses of the RCSC, the RSMS, and the CPOS and the budgeted amounts billed for the years ended June 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1 to the Statements, the accompanying Statements as of June 30, 2021 and 2020 were prepared to provide an allocation of the actual operating expenses incurred and amounts billed for the RCSC, the RSMS and the CPOS for the Alexandria Transit Company, Arlington County, Virginia; Fairfax Connector, Fairfax County, Virginia; City-University Energysaver Bus, City of Fairfax, Virginia; Driving Alexandria Safely Home, Alexandria Transit Company; DC Circulator, District of Columbia; Loudoun County Transit, Loudoun County, Virginia; Maryland Transit Administration; Montgomery County Transit, Montgomery County, Maryland; Prince George's County Transit, Prince George's County, Maryland; and Potomac and Rappahannock Transportation Commission (collectively, the Participating Jurisdictions) in accordance with the requirements of the Operating Funding Agreement and are not intended to be a complete presentation of the financial position and operations of the Authority. 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 US LLP*

Washington, D.C.  
March 9, 2022

**Washington Metropolitan Area Transit Authority**  
**SmarTrip Regional Partner Comparative Billing Statements**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

The Regional shared actual SmarTrip Expenses for fiscal years 2021 and 2020 were \$908,292 and \$996,099, respectively. Total shared budgeted SmarTrip Expenses for fiscal years 2021 and 2020 were \$884,825 and \$880,038, respectively. Total overall actual SmarTrip expenses for fiscal years 2021 and 2020 were \$4,834,932 and \$4,680,118 respectively. Budgeted SmarTrip expenses for fiscal years 2021 and 2020 were \$5,084,063 and \$4,990,788, respectively. WMATA's share of actual SmarTrip Program expenses for fiscal years 2021 and 2020 was \$3,926,640 and \$3,684,020, respectively.

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, 2021 and 2020.

FISCAL YEAR 2021	Budgeted Amount Billed			Actual Shared Expenses				Variance
Participating Jurisdiction	Per Budget	Adjustments	Net Billed	RCSC <sup>2</sup>	RSMS	CPOS	TOTAL EXPENSES	Over/(Under) Payments
ART (Arlington Transit)	\$ 60,616	\$ -	\$ 60,616	\$ 251	\$ 35,991	\$ -	\$ 36,242	\$ 24,374
CONN (Fairfax Connector)	157,452	-	157,452	3,962	107,972	-	111,934	45,518
CUE (Fairfax City)	26,660	-	26,660	26,996	35,991	-	62,987	(36,327)
DASH (Alexandria)	50,880	-	50,880	219,318	35,991	-	255,309	(204,429)
DCCR (Dc Circulator)	61,887	-	61,887	4,452	71,981	-	76,433	(14,546)
LOUD (Loudoun)	40,847	-	40,847	53,643	35,991	-	89,634	(48,787)
MTA	105,540	-	105,540	4	17,276	-	17,280	88,260
MCRO (Mont Cty Ride-on)	258,647	-	258,647	13,250	107,972	-	121,222	137,425
PG County (The Bus)	38,854	-	38,854	69	35,991	-	36,060	2,794
PRTC	83,442	-	83,442	23,082	71,981	6,128	101,191	(17,749)
<b>Total</b>	<b>\$ 884,825</b>	<b>\$ -</b>	<b>\$ 884,825</b>	<b>\$ 345,027</b>	<b>\$ 557,137</b>	<b>\$ 6,128</b>	<b>\$ 908,292</b>	<b>\$ (23,467)</b>

FISCAL YEAR 2020	Amount Billed			Actual Shared Expenses				Variance
Participating Jurisdiction	Per Budget	Adjustments	Net Billed	RCSC	RSMS	CPOS	TOTAL EXPENSES	Over/(Under) Payments <sup>1</sup>
ART (Arlington Transit)	\$ 56,267	\$ (18,795)	\$ 37,472	\$ 46,754	\$ 28,785	\$ -	\$ 75,539	\$ (38,067)
CONN (Fairfax Connector)	152,017	(42,053)	109,964	123,720	86,356	-	210,076	(100,112)
CUE (Fairfax City)	26,755	(11,969)	14,786	8,731	28,786	-	37,517	(22,731)
DASH (Alexandria)	53,183	(12,227)	40,956	42,632	28,786	-	71,418	(30,462)
DCCR (Dc Circulator)	90,070	(78,745)	11,325	46,280	57,571	-	103,851	(92,526)
LOUD (Loudoun)	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
MCRO (Mont Cty Ride-on)	260,589	(67,755)	192,834	211,373	86,356	-	297,729	(104,895)
PG County (The Bus)	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)
<b>Total</b>	<b>\$ 880,038</b>	<b>\$ (310,130)</b>	<b>\$ 569,908</b>	<b>\$ 574,533</b>	<b>\$ 415,322</b>	<b>\$ 6,244</b>	<b>\$ 996,099</b>	<b>\$ (426,191)</b>

1. FY2020 invoices totaling \$440,971 were not billed to regional partners. WMATA agreed to absorb these expenses. A \$14,780 credit was applied to MTA resulting in net FY2020 adjustments of \$426,191.
2. In October 2020, a new RCSC contract was awarded to a new vendor (Group-O) resulting in a change to the billing structure; the new structure is calculated by call volume and not calling tiers, as the prior contract was structured, resulting in reduced expenses.

## **Washington Metropolitan Area Transit Authority Notes to the SmarTrip Regional Partner Comparative Billing Statements For the Fiscal Years Ended June 30, 2021 and 2020**

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### **Nature of Activity**

On December 11, 2018, the Washington Metropolitan Area Transit Authority ("Authority") renewed an Operations Funding Agreement (OFA) for a five-year term 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 (The Bus), 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 by 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 USmail.
- Regional Software Maintenance Service (RSMS): 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 replacing estimated expense. The retired name of this contract is the Regional Software Maintenance Agreement (RSMA).
- 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, 2021 and 2020**

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**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:

- In October 2020, a new RCSC contract was awarded to a new vendor (Group-O). This resulted in a change in the billing structure; the new structure is by volume of calls instead of calling tiers. The new contract has reduced the total paid each month since volume is low during the pandemic. This is a program cost savings passed on to the Jurisdictional Partners.
- 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.
- 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 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, 2021 and 2020 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.