

SmarTrip Regional Partner Comparative Billing Statements Audit Report

For the Fiscal Years Ended June 30, 2022 and June 30, 2021



Washington Metropolitan Area Transit Authority
Washington, DC



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Independent Auditor's Report

Board of Directors
Washington Metropolitan Area Transit Authority

Opinion

We have audited the SmarTrip Regional Partner Comparative Billing Statements of the Regional Customer Service Center (RCSC), the Regional Software Maintenance Service (RSMS), and the Compact Point of Sale Devices (CPOS) of Washington Metropolitan Area Transit Authority (the Authority) for the years ended June 30, 2022 and 2021, and the related notes (the statements).

In our opinion, the accompanying statements 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, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the statements, which describes that the accompanying statements were prepared for the purpose of providing information on the 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 results of operations of the Authority. As a result, the statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statements

Management is responsible for the preparation and fair presentation of the statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other-Matter Paragraph—Restriction of Use

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.
October 4, 2023

**Washington Metropolitan Area Transit Authority
SmarTrip Regional Partner Comparative Billing Statements
For the Fiscal Years Ended June 30, 2022, and 2021**

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 fiscal years ended June 30, 2022 and 2021.

FISCAL YEAR 2022		Budgeted Amount Billed		Actual Shared Expenses				Variance	
Participating Jurisdiction	Per Budget	Adjustments	Net Billed	RCSC ¹	RSMS	CPOS	TOTAL EXPENSES	Over/(Under) Payments	
ART (Arlington Transit)	\$ 47,531	\$ -	\$ 47,531	\$ 28,523	\$ 32,303	\$ -	\$ 60,826	\$ (13,295)	
CONN (Fairfax Connector)	130,400	-	130,400	70,294	96,911	-	167,205	(36,805)	
CUE (Fairfax City)	26,407	-	26,407	3,595	32,303	-	35,898	(9,491)	
DASH (Alexandria)	45,615	-	45,615	22,644	32,303	-	54,947	(9,332)	
DCCR (Dc Circulator)	81,356	-	81,356	35,266	96,911	-	132,177	(50,821)	
LOUD (Loudoun)	31,447	-	31,447	11,416	32,303	-	43,719	(12,272)	
MTA	75,664	-	75,664	33,382	16,172	-	49,554	26,110	
MCRO (Mont Cty Ride-on)	172,924	-	172,924	149,892	96,911	-	246,803	(73,879)	
PG County (The Bus)	29,319	-	29,319	16,541	32,303	-	48,844	(19,525)	
PRTC	68,996	-	68,996	21,229	64,606	5,594	91,429	(22,433)	
Total	\$ 709,659	\$ -	\$ 709,659	\$ 392,782	\$ 533,026	\$ 5,594	\$ 931,402	\$ (221,743)	

FISCAL YEAR 2021		Amount Billed		Actual Shared Expenses				Variance	
Participating Jurisdiction	Per Budget	Adjustments	Net Billed	RCSC ¹	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)	
Total	\$ 884,825	\$ -	\$ 884,825	\$ 345,027	\$ 557,137	\$ 6,128	\$ 908,292	\$ (23,467)	

1. During fiscal year 2022, the allocation among the regional partners of RCSC shared expenses is calculated using fiscal year 2019 ridership data so that SmarTrip expenses are equitably allocated and not affected by the non-collection of fares by some jurisdictions. Ridership data from fiscal year 2021 was used to allocated costs for fiscal year 2021.
2. The Regional shared actual SmarTrip expenses for fiscal years 2022 and 2021 were \$931,402 and \$908,292, respectively. Total shared budgeted SmarTrip expenses billed for fiscal years 2022 and 2021 were \$709,659 and \$884,825, respectively. Total overall actual SmarTrip expenses for fiscal years 2022 and 2021 were \$4,406,283 and \$4,834,932, respectively. Budgeted SmarTrip expenses for fiscal years 2022 and 2021 were \$4,158,613 and \$5,084,063, respectively. WMATA's share of actual SmarTrip program expenses for fiscal years 2022 and 2021 was \$3,474,881 and \$3,926,640, respectively.

Washington Metropolitan Area Transit Authority

Notes to SmarTrip Regional Partner Comparative Billing Statements

For the Fiscal Years Ended June 30, 2022, and 2021

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 (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 by each of the Participating Jurisdictions for the current and prior fiscal years ended June 30.

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 Service (RSMS): Estimated expenses related to the operation, enhancement, and maintenance of the fare collection software and computer networks of the SmarTrip system.
- 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 SmarTrip Regional Partner Comparative Billing Statements
For the Fiscal Years Ended June 30, 2022, and 2021

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. Because ridership data was not collected by some regional bus services in fiscal year 2022 ridership data from fiscal year 2019 was used to allocate costs. Ridership data from fiscal year 2021 was used to allocated costs for fiscal year 2021.
- 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. The Authority has evaluated subsequent events through October 4, 2023, the date on which the SmarTrip Regional Partner Comparative Billing Statements were available to be issued.

Basis of Accounting

The Authority prepared the SmarTrip Regional Partner Comparative Billing Statements for the fiscal years ended June 30, 2022 and 2021 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.