



# M E M O R A N D U M

SUBJECT: Results of the Audit of WMATA's  
SmarTrip Regional Partner Comparative Billing  
Statements for the fiscal years ended  
June 30, 2019 and 2018 (OIG 20-06)

DATE: December 31, 2019

FROM:  OIG – Geoffrey A. Cherrington 

TO: GMGR – Paul J. Wiedefeld

The Operating Funding Agreement between the participating jurisdictions<sup>1</sup>, 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 2019 Audit Results

### Unmodified opinion

RSM issued their opinion on the results of the audit on December 26, 2019.

## 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.

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<sup>1</sup> 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

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 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 2019 and FY 2018 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, 2019 and 2018



**Washington Metropolitan Area Transit Authority  
Washington, D.C.**



**Washington Metropolitan Area Transit Authority  
SmarTrip Regional Partner Comparative Billing Statements  
For the Fiscal Years Ended June 30, 2019 and 2018**

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RSM US LLP

## 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), and the Compact Point of Sale Device (CPOS) of Washington Metropolitan Area Transit Authority (the Authority), for the years ended June 30, 2019 and 2018, 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, and the CPOS and the amounts billed for the years ended June 30, 2019 and 2018 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, 2019 and 2018 were prepared to provide an allocation of the actual operating expenses incurred and amounts billed for the RCSC, the RSMA, 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 US LLP*

Washington, District of Columbia  
December 26, 2019

**Washington Metropolitan Area Transit Authority  
SmarTrip Regional Partner Comparative Billing Statements  
For the Fiscal Years Ended June 30, 2019 and 2018**

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, 2019 and 2018.

	<b>Fiscal Year 2019</b>					
	<b>Amounts</b>	<b>Actual Operating Expenses</b>				<b>Over (Under)</b>
	<b>Billed <sup>1</sup></b>	<b>RCSC</b>	<b>RSMA</b>	<b>CPOS</b>	<b>Total</b>	<b>Billed</b>
<b>Participating Jurisdiction</b>						
Arlington County, VA	\$ 56,166	\$ 27,677	\$ 16,024	\$ -	\$ 43,701	\$ 12,465
Fairfax County, VA	147,440	75,160	48,073	-	\$ 123,233	24,207
City of Fairfax, VA	26,526	3,502	16,024	-	\$ 19,526	7,000
Alexandria Transit Company	48,187	26,061	16,024	-	\$ 42,085	6,102
District of Columbia	107,540	19,527	48,073	-	\$ 67,600	39,940
Loudon County, VA	37,103	13,967	16,024	-	\$ 29,991	7,112
Maryland Transit Administration	99,227	61,683	7,910	-	\$ 69,593	29,634
Montgomery County, MD	254,956	161,493	48,073	-	\$ 209,566	45,390
Prince George's County, MD	43,755	16,418	16,024	-	\$ 32,442	11,313
Potomac and Rappahannock Transportation Commission	58,360	22,786	16,024	6,239	\$ 45,049	13,311
Total	<u>\$ 879,260</u>	<u>\$428,274</u>	<u>\$248,273</u>	<u>\$6,239</u>	<u>\$ 682,786</u>	<u>\$ 196,474</u>

	<b>Fiscal Year 2018</b>					
	<b>Amounts</b>	<b>Actual Operating Expenses</b>				<b>Over (Under)</b>
	<b>Billed <sup>1</sup></b>	<b>RCSC</b>	<b>RSMA</b>	<b>CPOS</b>	<b>Total</b>	<b>Billed <sup>2</sup></b>
<b>Participating Jurisdiction</b>						
Arlington County, VA	\$ 55,584	\$ 29,985	\$ 19,520	\$ -	\$ 49,505	\$ 6,079
Fairfax County, VA	150,696	74,910	58,561	-	\$ 133,471	17,225
City of Fairfax, VA	27,952	3,492	19,520	-	\$ 23,012	4,940
Alexandria Transit Company	50,440	25,002	19,520	-	\$ 44,522	5,918
District of Columbia	89,488	39,406	19,520	-	\$ 58,926	30,562
Loudon County, VA	37,636	14,362	19,520	-	\$ 33,882	3,754
Maryland Transit Administration	50,316	71,712	10,299	-	\$ 82,011	(31,695)
Montgomery County, MD	253,484	174,002	58,561	-	\$ 232,563	20,921
Prince George's County, MD	43,880	18,874	19,520	-	\$ 38,394	5,486
Potomac and Rappahannock Transportation Commission	56,664	23,378	19,520	6,850	\$ 49,748	6,916
Total	<u>\$ 816,140</u>	<u>\$475,123</u>	<u>\$264,061</u>	<u>\$6,850</u>	<u>\$ 746,034</u>	<u>\$ 70,106</u>

1. The prior year over/under billed amounts are not reflected in the amounts billed column in the Comparative Billing Statements. The amounts billed agree to the annual budget, which is reviewed and approved by the Participating Jurisdictions.

2. The fiscal year 2018 over/under billed amounts were reflected in the first quarter of the fiscal year 2020 billing.

See notes to the 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, 2019 and 2018

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#### 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 Ride On, Montgomery County, MD
- Prince George's County Transit, 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 incurred and the allocation to each Participating Jurisdiction 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, 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.
- 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, Giant and the regional commuter stores that sell smartcards, can add stored value, and can 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, 2019 and 2018**

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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:

- 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 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 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 a subsequent fiscal year.

**Basis of Accounting**

The Authority prepared the SmarTrip Regional Partner Comparative Billing Statements for the fiscal years ended June 30, 2019 and 2018 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.