



# 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 2024 & 2023 (OIG 25-06)

DATE: February 27, 2025

FROM: OIG – Michelle A. Zamarin *Michelle Zamarin*

TO: GMGR – Randy S. Clarke

The Operations Funding Agreement between the Participating Jurisdictions<sup>1</sup> requires an independent external auditor to annually audit 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.

## **Audit Results**

- Unmodified opinion

RSM issued their opinion on the results of the audit on January 31, 2025.

## **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 assessments, the auditor considers internal control relevant to the Authority in order to design audit procedures that are

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<sup>1</sup> Participating Jurisdictions are: 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.

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 FY2024 and FY2023 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.

#### **Attachment**

- SmarTrip Regional Partner Comparative Billing Statements Audit Report  
For the Fiscal Years Ended June 30, 2024 and June 30, 2023

# SmarTrip Regional Partner Comparative Billing Statements Audit Report

For the Fiscal Years Ended June 30, 2024 and June 30, 2023



Washington Metropolitan Area Transit Authority  
Washington, DC



## Table of Contents

	<b><u>Page</u></b>
Independent Auditor's Report.....	2
SmarTrip Regional Partner Comparative Billing Statements .....	4
Notes to the SmarTrip Regional Partner Comparative Billing Statements .....	5

## 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 each of the years ended June 30, 2024 and 2023, 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, 2024 and 2023, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 audit. 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 to 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 financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

### Responsibility 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 the 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 historical summaries.

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 historical summaries.
- 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 Company'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.  
January 31, 2025

**Washington Metropolitan Area Transit Authority  
SmarTrip Regional Partner Comparative Billing Statements  
For the Fiscal Years Ended June 30, 2024 and 2023**

**Comparative Billing Statements**

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 (FY) ended June 30, 2024 and June 30, 2023.

FISCAL YEAR 2024	Budgeted Amount Billed			Actual Shared Expenses			TOTAL EXPENSES	Variance
	Per Budget	Adjustments	Net Billed	RCSC 1	RSMS	CPOS		
Participating Jurisdiction								Over/(Under) Payments
ART (Arlington Transit)	\$ 60,845	\$ -	\$ 60,845	\$ 11,185	\$ 30,156	\$ -	\$ 41,341	\$ 19,504
CONN (Fairfax Connector)	161,050	-	161,050	27,774	90,469	-	118,243	42,807
CUE (Fairfax City)	30,609	-	30,609	1,257	30,156	-	31,413	(804)
DASH (Alexandria)	52,705	-	52,705	9,300	30,156	-	39,456	13,249
DCCR (DC Circulator)	120,342	-	120,342	14,578	90,469	-	105,047	15,295
LOUD (Loudoun)	41,397	-	41,397	4,776	30,156	-	34,932	6,465
MTA	105,621	-	105,621	13,196	22,367	-	35,563	70,058
MCRO (Mont Cty Ride-On)	270,738	-	270,738	64,597	90,469	-	155,066	115,672
PG (The Bus)	48,181	-	48,181	7,038	30,156	-	37,194	10,987
PRTC	85,585	-	85,585	8,672	60,313	4,585	73,570	12,015
<b>Total</b>	<b>\$ 977,073</b>	<b>\$ -</b>	<b>\$ 977,073</b>	<b>\$ 162,373</b>	<b>\$ 504,867</b>	<b>\$ 4,585</b>	<b>\$ 671,825</b>	<b>\$ 305,248</b>

FISCAL YEAR 2023	Amount Billed			Actual Shared Expenses			TOTAL EXPENSES	Variance
	Per Budget	Adjustments	Net Billed	RCSC	RSMS	CPOS		
Participating Jurisdiction								Over/(Under) Payments
ART (Arlington Transit)	\$ 60,012	\$ -	\$ 60,012	\$ 21,850	\$ 28,568	\$ -	\$ 50,418	\$ 9,594
CONN (Fairfax Connector)	158,576	-	158,576	54,258	85,705	-	139,963	18,613
CUE (Fairfax City)	29,816	-	29,816	2,455	28,568	-	31,023	(1,207)
DASH (Alexandria)	51,880	-	51,880	18,168	28,568	-	46,736	5,144
DCCR (DC Circulator)	117,928	-	117,928	28,479	85,705	-	114,184	3,744
LOUD (Loudoun)	40,588	-	40,588	9,329	28,568	-	37,897	2,691
MTA	104,984	-	104,984	25,779	16,546	-	42,325	62,659
MCRO (Mont Cty Ride-On)	268,104	-	268,104	126,192	85,705	-	211,897	56,207
PG (The Bus)	47,364	-	47,364	13,749	28,568	-	42,317	5,047
PRTC	83,780	-	83,780	16,940	57,136	4,405	78,481	5,299
<b>Total</b>	<b>\$ 963,032</b>	<b>\$ -</b>	<b>\$ 963,032</b>	<b>\$ 317,199</b>	<b>\$ 473,637</b>	<b>\$ 4,405</b>	<b>\$ 795,241</b>	<b>\$ 167,791</b>

1. The allocation among the regional partners of RCSC shared expenses is calculated using FY2019 ridership data so that SmarTrip expenses are equitably allocated and not affected by the non-collection of fares by some jurisdictions, that would otherwise skew an equitable allocation. The RCSC contract ended on January 1, 2024 and is now managed internally by the Customer Experience & Engagement department.

- The Regional shared actual SmarTrip expenses for FY2024 and FY2023 were \$671,825 and \$795,241, respectively. Total shared budgeted SmarTrip Expenses for FY2024 and FY2023 were \$977,073 and \$963,032, respectively. Total overall actual SmarTrip expenses for FY2024 and FY2023 were \$2,440,183 and \$3,690,493, respectively. Budgeted SmarTrip expenses for FY2024 and FY2023 were \$4,850,001 and \$4,810,716, respectively. WMATA's share of actual SmarTrip Program expenses for FY2024 and FY2023 was \$1,768,357 and \$2,895,252, respectively.
- The Regional shared actual SmarTrip Expense variances were primarily driven by RCSC which decreased by (\$155K) or 48% between FY2024 to FY2023 or (\$359K) or 69% lower than budget in FY2024 due to the contract being managed internally as of January 1, 2024. The RCSC budget accounts for 53% of the total Regional shared budget. RSMS is higher by \$31K or 7% higher in FY2024 compared to FY2023 in actual expenses or \$57K or 11% higher to budget in FY2024 due to an annual contract increase for AT&T services. CPOS is \$180 or 4% higher in actual expenses from FY2024 to FY2023 due to a slight contract increase or (\$2K) or 56% lower to budget in FY2024.

# Washington Metropolitan Area Transit Authority

## Notes to the SmarTrip Regional Partner Comparative Billing Statements

### For the Fiscal Years Ended June 30, 2024 and 2023

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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 (DCCR)
- Loudoun County Transit (LOUD), Loudoun County, VA
- Maryland Transit Administration (MTA)
- Montgomery County Transit (Ride On), (MCRO) Montgomery County, MD
- Prince George's County Transit (PG 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 mail. RCSC contract ended on January 1, 2024 and is now managed internally by the Customer Experience & Engagement department.
- 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, 2024 and 2023**

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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. Because ridership data was not collected by some regional bus services in FY2023 and FY2022, FY2019 ridership data was used to allocate costs. The RCSC contract ended on January 1, 2024 and is now managed internally by the Customer Experience & Engagement department.
- 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, 2024 and 2023 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.