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**Review of the School Transit Subsidy Program
Administered by the District of Columbia
Department of Transportation**

April 19, 2005

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to a request from Councilmember Carol Schwartz, Chairperson, Committee on Public Works and the Environment, Council of the District of Columbia (the “Council”), and in accordance with section 455 of Pub.L.No. 93-198, D. C. Official Code § 1-204.55, the District of Columbia Auditor (“Auditor”) conducted a financial and compliance audit of the School Transit Subsidy program, which is administered by the District Department of Transportation (“DDOT”). The purpose of this audit was to assess whether accountable DDOT program managers and staff within the Office of the Chief Financial Officer (“OCFO”) efficiently and effectively managed the School Transit Subsidy program and finances.

CONCLUSION

The Auditor’s examination of the School Transit Subsidy program revealed significant weaknesses in internal controls and numerous program management deficiencies. These conditions resulted in inadequate and inefficient program administration and presented opportunities for abuse of the School Transit Subsidy program.

The Auditor found that DDOT’s Mass Transit Division and local schools lacked proper segregation of duties in critical areas of program administration. As a result, the School Transit Subsidy program may be vulnerable to improprieties and undetected errors.

Moreover, the Auditor found that inadequate budgeting practices used by DDOT and OCFO staff resulted in insufficient budgets for several fiscal years (FY). The Auditor noted that communication between DDOT Mass Transit Division staff and OCFO personnel regarding program performance and budget matters was poor and ineffective. As a result, School Transit Subsidy program budgets beginning in FY 2001 through FY 2004 did not adequately support increases in student trips taken on the Metrobus and Metrorail system. Insufficient program budgets led to the reprogramming of funds to address shortfalls of \$703,000 in FY 2003 and \$658,872 in FY 2004.

The Auditor also noted that DDOT and OCFO staff experienced difficulties in timely identifying potential budget shortfalls. The District’s School Transit Subsidy payments are based primarily on actual student trips taken on the Metrobus and Metrorail system as certified monthly by the Washington Metropolitan Area Transit Authority (“WMATA”). Because WMATA submits monthly certifications two to three months after the end of a month, DDOT and OCFO staff cannot

timely assess the adequacy of the budget based on actual certified data. This is especially problematic at fiscal year-end as the District closes its financial books because WMATA's certifications are not received until the first quarter of the next fiscal year.

The Auditor found that the District has not executed a written subsidy agreement with WMATA since 1979. A written subsidy agreement or memorandum of understanding would protect the District against unanticipated changes, unplanned obligations, and other unforeseen circumstances. Moreover, without a written agreement, there are no guidelines or parameters for holding WMATA program managers, DDOT, and OCFO staff accountable for program performance and financial results.

In addition, the Auditor found that the DDOT Mass Transit Division did not have procedures and controls in place to ensure compliance with legally-mandated School Transit Subsidy program requirements. Pursuant to the School Transit Subsidy law, students are to use subsidized transportation for educational purposes only. Additionally, students are not allowed to share their farecards, Smart Student passes, or bus tokens with others. Although these requirements exist, the DDOT Mass Transit Division did not have sufficient compliance monitoring procedures in place to detect or otherwise prevent violations of these requirements.

Furthermore, the Auditor found that DDOT currently allows students to replace lost Student Travel cards once during an academic year. This policy gives students the opportunity to abuse program benefits by purchasing and sharing farecards and Smart Student passes with others. Because no controls were built into the Student Travel Cards to track their usage or to disable farecards and Smart Student passes obtained with Student Travel cards, such abuses could occur without detection.

The Auditor also determined that due to several automated system deficiencies and poor record retention practices, DDOT's tracking of student information was inefficient. DDOT's Student Application Database often "crashed" because too much data was entered into the system. The Auditor found numerous errors or discrepancies in student data contained in the Student Application Database, such as wrong academic years of school enrollment and grade levels of students that were inconsistent with the student's age or the school of enrollment.

The Auditor identified significant weaknesses in system controls, including inadequate system security features and limited capability to effectively maintain the integrity of data.

In addition, DDOT's records retention practices were inadequate and violated the District's records retention law. The DDOT Mass Transit Division did not retain original or hard copies of student applications and supporting documents after student information was entered into the Student Application Database. Moreover, the DDOT Mass Transit Division periodically deleted electronic files of student information from the Student Application Database to address system capacity issues. These practices destroyed the audit trail and prevented DDOT from being able to substantiate students' eligibility to participate in the School Transit Subsidy program.

MAJOR FINDINGS

1. Poor internal administrative controls resulted in inadequate and inefficient program management.
2. Lack of segregation of duties within the DDOT Mass Transit Division and local schools presents opportunities for abuse or other improprieties.
3. Annual operating budgets beginning in FY 2001 did not support increased use of the Metrorail and Metrobus system resulting from the use of the Smart Student pass.
4. WMATA's untimely submission of monthly certifications to DDOT delayed identification of budget shortfalls.
5. The District has not executed a written subsidy agreement with WMATA since 1979.
6. The DDOT Mass Transit Division does not have procedures in place to ensure that students use the School Transit Subsidy program only for educational purposes and does not have adequate controls to prevent widespread abuse of program services.
7. The DDOT Mass Transit Division does not have adequate procedures and controls to ensure student compliance with legally-mandated non-transferability requirements.
8. Students were able to obtain up to three replacement student travel cards during a year which presented opportunities for widespread abuse of the School Transit Subsidy program.
9. System deficiencies and poor record retention practices hamper the DDOT Mass Transit Division's ability to efficiently track student information.

10. DDOT's Mass Transit Division does not retain documentation to verify and support student eligibility to participate in the School Transit Subsidy program.
11. The number of records input into the Student Application Database exceeded system capacity which resulted in system "crashes".
12. The accuracy of student information is questioned due to discrepancies between the main student search screen and the detailed update screen and other types of erroneous information.
13. Additional weaknesses in system controls may result in other inaccurate student information.

MAJOR RECOMMENDATIONS

1. DDOT develop and implement uniform policies and procedures which are to be followed by all schools administering the School Transit Subsidy program.
2. DDOT Mass Transit managers assign staff to coordinate and perform periodic School Transit Subsidy site visits or reviews at schools to assess controls, identify irregularities, and ensure compliance with program policies and procedures. As necessary, coordinate audit efforts with the Associate Chief Financial Officer's (ACFO) internal audit team or the DCPS Compliance Division.
3. DDOT Mass Transit staff and OCFO staff work collaboratively to determine and implement an agreed upon methodology that will be used to forecast future School Transit Subsidy funding needs. Based upon use of the agreed upon methodology, OCFO staff must ensure that budgets are sufficient to cover the cost of the School Transit Subsidy program.
4. DDOT managers establish a required timeframe after the end of a month for WMATA to submit monthly certifications to DDOT and include the required timeframe in the annual subsidy agreement.
5. The appropriate authorized District and WMATA officials develop and execute a memorandum of understanding or other written agreement which sets forth the responsibilities, obligations, rights, and other essential terms that govern program administration and accountability. The agreement must be reviewed and revised as necessary and appropriate at least once every three fiscal years.

6. DDOT program managers assess the feasibility of discontinuing use of student bus tokens. Limiting use in this manner allows DDOT and WMATA to build automatic controls into the Smart Student passes and farecards to restrict use to specific days and time periods. In addition, the risk of abusive use of bus tokens would be completely eliminated.
7. DDOT Mass Transit charge a substantial administrative fee to replace lost, stolen, or misplaced Student Travel Cards.
8. DDOT Mass Transit staff secure adequate space necessary to retain Student Travel Card applications and supporting documentation for at least a four year period.
9. Whenever data is intentionally deleted to address system capacity issues, DDOT Mass Transit staff ensure that data has been backed up or otherwise archived, noting the date that the information was deleted from the Student Application Database.
10. DDOT Mass Transit staff ensure that the deletion of electronic files is in compliance with the District's records retention law.
11. DDOT Mass Transit staff immediately determine the options available for upgrading the Student Application Database to address the existing capacity issues.
12. During the interim, DDOT Mass Transit staff or DDOT information technology personnel perform regular backups of the Student Application Database to ensure that no data is lost or rendered unrecoverable.

PURPOSE

Pursuant to a request from Councilmember Carol Schwartz, Chairperson, Committee on Public Works and the Environment, Council of the District of Columbia (the “Council”), and in accordance with section 455 of Pub.L.No.93-198, D. C. Official Code § 1-204.55,¹ the District of Columbia Auditor (“Auditor”) conducted a financial and compliance audit of the School Transit Subsidy program, which is administered by the District Department of Transportation (“DDOT”). The purpose of this audit was to assess whether accountable DDOT program managers and staff within the Office of the Chief Financial Officer (“OCFO”) efficiently and effectively managed the School Transit Subsidy program and finances.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to:

1. determine whether the processes used for budget execution, monitoring and, internal controls over expenditures were adequate to prevent over- expenditure (Anti-Deficiency violations) and misuse of funds, and other financial improprieties;
2. assess the operational efficiency of the School Transit Subsidy program;
3. assess the adequacy of internal controls used to administer the School Transit Subsidy program at the local school level;
4. determine whether DDOT, in administering the School Transit Subsidy program, complied with applicable laws, regulations, and guidelines; and
5. ensure that students receiving subsidized transportation satisfied the legislatively-mandated eligibility criteria.

¹See section 455 (b) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 790, D. C. Official Code §1-204.55 (b)): “The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District of Columbia in accordance with such principles and procedures and under such rules and regulations as he may prescribe.” See also, section 455(c) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 790, D. C. Official Code §1-204.55 (c)): “The Auditor shall have access to all books, accounts, records, reports, findings and all other things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit.”

The scope of the audit covered the period October 1, 1998 through March 31, 2004. In conducting the audit, the Auditor: (a) interviewed staff within DDOT's Mass Transit Division, the OCFO, and the Washington Metropolitan Area Transit Authority ("WMATA"); (b) reviewed applicable legislation, policies, procedures and other guidelines for administering the School Transit Subsidy program; (c) reviewed documentation that supports the eligibility of sampled students; and (d) analyzed budget data and actual expenditures for each of the fiscal years under review.

The audit was conducted in accordance with generally accepted governmental audit standards and included such tests of the records as deemed necessary and appropriate under the circumstances.

BACKGROUND

The School Transit Subsidy program was established in 1978, pursuant to the School Transit Subsidy Act of 1978.² The purpose of the program is to provide safe and affordable transportation for District of Columbia ("District") students going to and from District public, charter, parochial and private schools and other related educational activities in the District.³ Under this program, eligible students ride the Metrobus and Metrorail system at significantly reduced fares and benefit from substantial savings. Currently, the regular base rates for Metrobus and Metrorail transportation are \$1.25 and \$1.35, respectively. Student rates using bus tokens and farecards, however, are 62.5¢ for Metrobus transportation and 65¢ for travel on Metrorail. Thus, a student saves at least 62.5¢ on each trip taken on Metrobus and 65¢ on each trip taken on Metrorail.

Smart Student Pass

The Smart Student pass, which was introduced in January 2001, allows students to have unlimited use of the Metrobus and Metrorail system on weekdays, weekends, holidays, and during summer months. Students are required to pay only \$22 per month for unlimited use of the public transit system. If a student uses a Smart Student pass to travel to and from school during a month, his/her cost is 55¢ per trip. The current student rate is 65¢ per trip; therefore, the student saves an additional \$4.00 per month by purchasing the Smart Student pass.

²See the School Transit Subsidy Act of 1978, *aka* "School Transit Fare Act of 1955", eff. March 3, 1979, (D.C. Law 2-152, D.C. Official Code §35-232 - § 35-237), as amended by School Transit Fare Act of 1981, eff. September 26, 1981, (D.C. Law 4-33, D.C. Official Code § 35-233) and the Omnibus Budget Support Act of 1995, eff. September 26, 1995, 1995 D.C. Stat. 52, (D.C. Law 11-52, D.C. Official Code §35-233).

³See D.C. Official Code § 35-232.

For every Smart Student pass sold, the District pays WMATA a subsidy of \$22. In addition to the \$22 subsidy based on the number of Smart Student passes sold, the District also pays WMATA 35¢ per Metrorail trip taken by students using the Smart Student pass. Table I presents the annual School Transit subsidies paid by the District to WMATA between fiscal years 2001 and 2004 and the components of each payment.

Table I
District Annual School Transit Subsidy Payments

	FY 2001	FY 2002	FY 2003	FY 2004	Total
Subsidy Paid Based on Number of Smart Student Passes Sold (A)	\$510,480	\$1,422,780	\$1,803,346	\$2,136,266	\$5,872,872
Subsidy Paid Based on the Number of Metrorail Trips Taken with Smart Student Pass (B)	\$201,601	\$585,533	\$634,887	\$699,359	\$2,121,380
Total Smart Student Pass Subsidies Paid by the District to WMATA	\$712,081	\$2,008,313	\$2,438,233	\$2,835,625	\$7,994,252
Subsidy Paid on Number of Metrorail Trips Taken with Farecards (C)	\$627,460	\$255,636	\$192,026	\$206,398	\$1,281,520
Subsidy Paid on Number of Metrobus Trips Taken Using Tokens (D)	\$1,559,832	\$1,124,716	\$977,071	\$1,082,919	\$4,744,538
Subsidy Paid on the Number of Metrobus Trips Taken Using Tickets (E)	\$52,289	\$39,655	\$80,002	\$0	\$171,946
Total Annual School Transit Subsidy Paid by the District	\$2,951,662	\$3,428,320	\$3,687,332	\$4,124,942	\$14,192,256

Source: Information compiled from monthly certifications provided by DDOT Mass Transit

- (A) Until July 2003, the District subsidy rate was \$20 for each Smart Student pass sold. In July 2003, the rate changed to \$22 per Smart Student pass sold.
- (B) District subsidy rate is 35¢ per trip.
- (C) District pays a subsidy of 90¢ per trip for Metrorail trips taken on weekdays and 80¢ for Metrorail trips taken on weekends.
- (D) District pays 55¢ per trip taken on Metrobus using tokens.
- (E) District pays 55¢ per trip taken on Metrobus using tickets. (Tickets were discontinued in FY 2004)

Administration of School Transit Subsidy Program

DDOT's Mass Transit Division administers the School Transit Subsidy program in conjunction with WMATA and the D. C. Public Schools ("DCPS"). The DDOT Mass Transit Division has five major responsibilities, which include: (a) certifying students' eligibility; (b) issuing Student Travel Cards to permit subsidized travel on Metrorail; (c) distributing application forms for bus tokens; (d) verifying, on a monthly basis, the number of student trips taken; and (e) processing subsidy payments to WMATA.

Among its responsibilities, WMATA provides bus and rail transportation at reduced fares for eligible⁴ District of Columbia students. Additionally, on a monthly basis, WMATA certifies the number of student trips taken on the Metrobus and Metrorail system. These certifications serve as the basis for calculating the District's subsidy payment to WMATA.⁵

Each month WMATA also collects and counts student bus tokens to certify the number of student trips taken on Metrobus. Student bus tokens are uniquely configured to distinguish them from other tokens; they are smaller and have an embossed letter "M" in the center on one side. (See image on next page.) Metrobus drivers are required to use manual counters to track student trips taken by bus using Smart Student passes.

Student trips taken using Smart Student passes and farecards are electronically tracked in WMATA's System Monitoring Activating Device System (SMADS). A SMADS terminal is located at each Metro station. Each night, data collected by the SMADS is sent to WMATA's data warehouse, which enables WMATA staff to perform data queries and create reports.

The DCPS also plays an important role in the administration of the School Transit Subsidy program. Twenty (20) District public and charter schools sell farecards and Smart Student passes, and distribute bus token forms to eligible students.⁶ Specifically, schools receive School Transit Subsidy applications from students; certify student eligibility for program participation; sell farecards

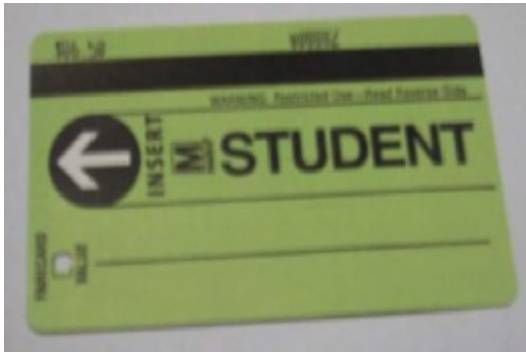
⁴See D.C. Official Code § 35-233 (d). Note that reduced fares for students on the Metrorail Transit System shall be available only to persons who possess a valid student Metrorail discount card.

⁵See D.C. Official Code § 35-236 (a) (1) and (2).

⁶See D.C. Official Code § 38-1802.08 (public charter schools) and § 38-1702.11 (charter schools).

and Smart Student passes to students; issue bus token forms to students; and work jointly with WMATA and DDOT Mass Transit staff to resolve any issues that may arise.

Eligible students may purchase farecards, Smart Student passes, or bus tokens to meet their specific school transportation needs. Brief descriptions of each of these items are provided below.



Student Farecards

Students purchase farecards with ten trips encoded on each. Ten one-way trips can be taken on the Metrorail system. Price prior to 06/17/04 was \$6.00; current price is \$6.50. Students may also purchase single round trip farecards. Price prior to 06/17/04 was \$1.20; current price is \$1.30.



Bus Tokens

Students obtain up to 2 token forms (termed “token blanks”) which are used by students to purchase tokens at any Metro sales outlet and selected Giant and Safeway Food Stores located in the District of Columbia. Each token form entitles a student to purchase a pack of 10 tokens. Price prior to 06/17/04 was \$6.00; current price is \$6.25.

Smart Student Passes



Students purchase Smart Student passes for \$22 (current price) which allows them to have unlimited use of the Metrobus and Metrorail system for one month.

School Transit Subsidy Program Application Process

In order for eligible students to travel at reduced fares, they must obtain Metrobus token forms (termed “token blanks”) or a Metrorail Student Travel Card application from their school or DDOT’s Mass Transit Division. Students and School Transit Subsidy program administrators follow the application procedures described below:

1. Student completes a Student Travel Card application.
2. Student submits the completed Student Travel Card application to staff at his/her school or DDOT’s Mass Transit Division for certification of eligibility. (In either instance, the school’s principal must certify the student’s eligibility by signing the Student Travel Card application before it is processed.)
3. Student or school personnel submits the signed Student Travel Card application to DDOT’s Mass Transit Division in person, by fax, or mail.
4. DDOT’s Mass Transit staff enters the student’s information into the Student Application Database and prints a Student Travel Card for the student. (The Student Travel Card contains numbered sections that reflect either monthly or bi-weekly periods for an academic year. The Student Travel Card will be punched each month or bi-weekly period when the student purchases passes or farecards.)

5. Student takes the Student Travel Card to a Metro sales office. It is punched by a sales clerk and the student buys a \$22 monthly Smart Student pass or a \$6.50 bi-weekly farecard. Alternatively, students can buy Smart Student passes directly from 20 schools that have been designated to provide this service. For these purchases, students are not required to show Student Travel Cards because it is assumed that school personnel would know whether students are eligible for the program. Students who purchase bus tokens must present a bus token blank to staff in a Metro sales office, or to sales agents in selected Giant or Safeway stores located in the District.

FINDINGS

POOR INTERNAL ADMINISTRATIVE CONTROLS RESULTED IN INADEQUATE AND INEFFICIENT PROGRAM MANAGEMENT

Beginning in FY 2001, the number of student Metrorail and Metrobus trips taken increased significantly due primarily to the introduction of the Smart Student Pass. This growth impacted staffing levels, information technology, office space, and equipment needed by DDOT to successfully support and sustain the School Transit Subsidy program. The policies, procedures, systems and staffing used by DDOT to administer the program during the audit period were inadequate and ineffective. Program growth, over the years, had outpaced the rate at which administrative changes were made by DDOT, thus resulting in weakened internal controls. The Auditor noted that DDOT Mass Transit managers did not periodically examine and adjust staffing levels and functions. Additionally, annual operating budgets did not keep pace with historical trends in the number of student trips taken. The Auditor also found that DDOT Mass Transit staff failed to develop and implement program compliance monitoring procedures. Moreover, as a result of these internal control weaknesses, the School Transit Subsidy program was, and still is, vulnerable to abuse by the general public.

Lack of Segregation of Duties Within the DDOT Mass Transit Division and Local Schools Presents Opportunities for Abuse or Other Improprieties

Currently, three DDOT Mass Transit staff perform functions related to the School Transit Subsidy program. Each of these individuals receives applications, answers inquiries received via telephone or from “walk-ins,” enters student information into a database, and prints Student Travel Cards. While it is beneficial to cross-train staff to perform each of these functions in the event that staff members are absent, this lack of segregation of duties presents certain risks. For instance, DDOT Mass Transit staff can make errors that remain undetected by other DDOT Mass Transit staff or management.

To reduce the risk of error or potential improprieties, the application intake, student information verification, and data input functions should be segregated. Such segregation of duties allows management to hold staff accountable for performing specific functions. Segregation of these duties would also improve the effectiveness of the performance monitoring and accountability

processes; the quality of customer service provided because “walk-ins” receive more focused attention; and provide an effective system of checks and balances to ensure compliance with program requirements.

Because DDOT relies heavily on school principals (or their designees) to certify the accuracy of student information and because 20 out of 250 schools also sell Smart Student passes and issue bus token forms, DDOT needs to monitor and assess the adequacy of each school’s procedures and controls and compliance with DDOT’s guidelines. The risk for impropriety and abuse is significantly increased when monitoring and accountability are inadequate. This allows school personnel the opportunity to inappropriately sell Smart Student passes, and distribute bus token forms to individuals who may be ineligible to participate in the program or to otherwise abuse these program assets.

RECOMMENDATIONS

1. DDOT Mass Transit reassign staff to perform the following functions:
 - Applications Intake - to receive applications from schools and “walk-ins,” respond to inquiries, and review applications for completeness;
 - Student Information Verification - to obtain necessary documentation from the schools or the applicants, using all available resources to confirm the accuracy of the information indicated on applications and to ensure that students meet legislatively-mandated eligibility criteria; and
 - Data Input - to enter student information into the Student Application Database using the data indicated on the certified student application.

Although the individuals performing these functions must interact on a daily basis to perform successfully, the tasks required within each function should be completed independently.

2. DDOT develop and implement uniform policies and procedures which are to be followed by all schools administering the School Transit Subsidy program.

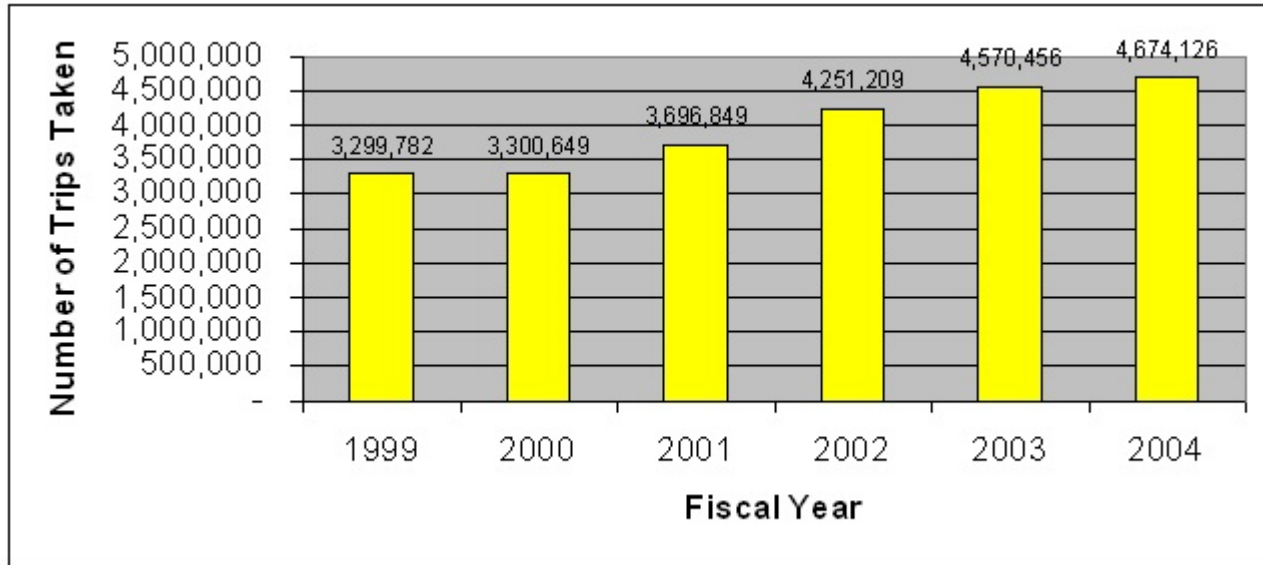
3. DDOT Mass Transit managers assign staff to coordinate and perform periodic School Transit Subsidy site visits or reviews at schools to assess controls, identify irregularities, and ensure compliance with program policies and procedures. As necessary, coordinate audit efforts with the Associate Chief Financial Officer's (ACFO) internal audit team or the DCPS Compliance Division.

Annual Operating Budgets Beginning in FY 2001 Did Not Support Increased Use of the Metrorail and Metrobus System Resulting from the Use of the Smart Student Pass

_____ DDOT Mass Transit staff develops annual School Transit Subsidy program budgets based on projections of future student trips to be taken on the Metrorail and Metrobus system. Between fiscal years 1999 and 2004, the number of student trips taken on the Metrorail system increased by 1,293,526 (from 937,615 in 1999 to 2,231,141 in 2004), or 138%. Similarly, over the same six-year period, the number of student trips taken on the Metrobus system increased by 1,418,163 (from 3,299,782 in 1999 to 4,717,945 in 2004), or 43%. These increases were due primarily to the introduction of the Smart Student Pass in January 2001. Because this pass allows students unlimited use of the Metrorail and Metrobus system for a flat rate of \$22 per month, the number of trips taken on the public transit system increased. Although the increase in the number of trips taken led to increased subsidy costs, the Auditor found that the program's budget decreased by \$350,000 between fiscal years 1999 and 2003.

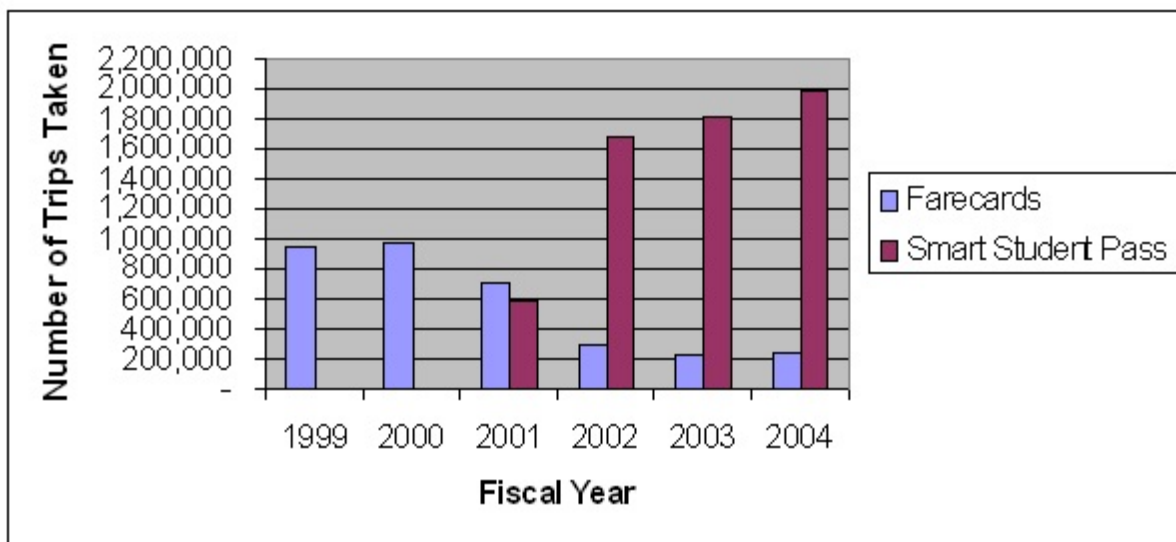
Trends in the number of student trips taken on Metrobus and Metrorail between FY 1999 and FY 2004 are presented in Graphs I and II below.

Graph I
Metro rail Student Usage (FY 1999 - FY 2004)



Source: Information compiled from monthly ridership certifications provided by DDOT's Mass Transit Division

Graph II
Metrobus Student Usage (FY 1999 - FY 2004)

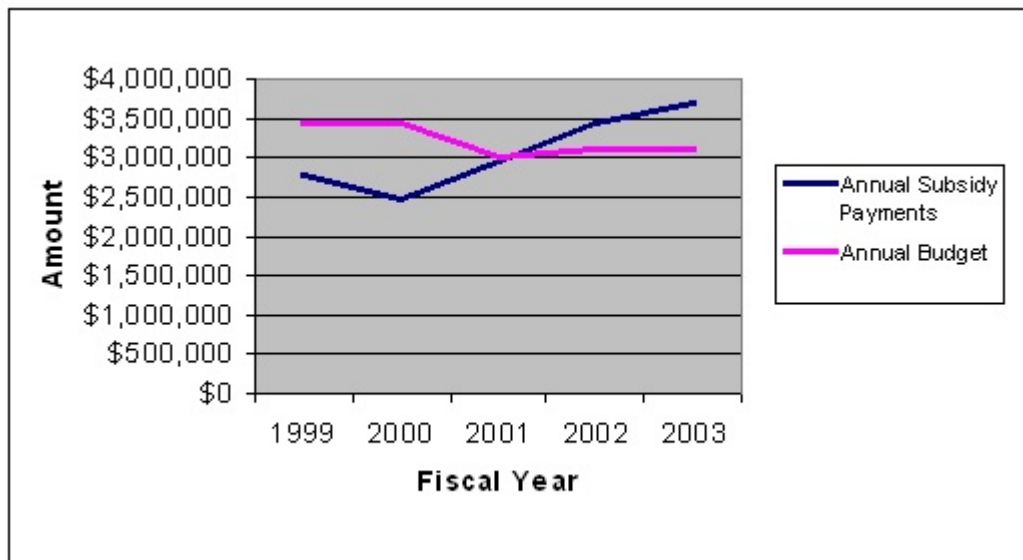


Source: Information compiled from monthly ridership certifications provided by DDOT's Mass Transit Division

Between FY 1999 and FY 2004, the number of student trips taken on the Metro system overall increased by 2,711,689, or 64%, from 4,237,397 in FY 1999 to 6,949,086 in FY 2004. Over the same six-year period, the District's School Transit Subsidy payments increased by \$1,349,488, or 48.6%. Between FY 1999 and FY 2003, the annual budget decreased by \$350,000, or 10.1%.

As previously noted, the most significant increase in student trips taken occurred in FY 2001 after the introduction of the Smart Student pass in January 2001. In that year, the Office of the Chief Financial Officer (OCFO) cut the budget for the School Transit Subsidy program by \$450,000, or 13%, to address a potential FY 2001 City-wide deficit of approximately \$325 million. The OCFO cut all agencies' budgets to eliminate this budget shortfall. At the close of fiscal years 1999 and 2000, the School Transit Subsidy program had surpluses of \$665,153 and \$400,000, respectively. OCFO officials erroneously assumed the \$450,000 reduction in the School Transit Subsidy program's budget would have an insignificant financial and programmatic impact. Graph III presents a comparison of annual subsidy payments and budgets as originally approved by Congress.

Graph III
Annual Subsidy Payments and Budgets



Source: Information compiled from monthly ridership certifications and the annual Budget and Financial Plans (for fiscal years 1999 through 2003)

The fact that the OCFO cut the School Transit Subsidy program budget at a time when student use of the program was on the rise indicates that there was no meaningful communication between OCFO and program staff prior to cutting the program's budget by \$450,000. In this case, financial decisions made by the OCFO, without giving consideration to pertinent factors such as ridership trends and increasing costs, undermined management and accountability for the School Transit Subsidy program, and negatively impacted its financial and program operations.

Annual performance measures for the School Transit Subsidy⁷ program indicate that in FY 2001, the year in which the budget was significantly cut by the OCFO, actual average monthly student trips taken on Metrobus exceeded the target of 275,000 trips by 33,000, or 12%. Moreover, in that same year, average monthly student trips taken on Metrorail exceeded the target of 80,100 trips by 26,500, or 33.1%. Similarly, in FY 2003, average monthly student trips taken on Metrobus exceeded the targeted goal by 68,000 trips, or 21.9%, and average monthly student trips taken on Metrorail exceeded the targeted goal by 63,000, or 58.9%, even though the budget remained unchanged from the prior year.

Between FY 2002 and FY 2003, although the number of student trips taken were on the rise, the annual budget remained stagnant at \$3.1 million. Table III presents a comparison of the original Congressionally-approved and revised budgets for FY 1999 through FY 2004 for the School Transit Subsidy program, the actual expenditures for each of those years, and the corresponding dollar and percentage variances for each year. As shown in Table II, FY 2003 was the first year in which the School Transit Subsidy program would have ended the fiscal year with a deficit, totaling \$703,000, if the OCFO had not redirected funds to this program to address the budget shortfall.

⁷See District of Columbia annual Operating Budgets and Financial Plans for fiscal years 2002 through 2005, which present targets and actual performance for FY 1999 through FY 2004.

Table II
Comparison of Original and Revised Budgets and Actual Expenditures

Fiscal Year	Original Budget (a)	Revised Budget (b)	Actual Expenditures (c)	Remaining Balance (Prior to Reprogramming) (a) - (c)	Remaining Balance (After Reprogramming) (b) - (c)
1999	\$3,450,000	\$3,450,000	\$2,784,847	\$665,153	\$665,153
2000	\$3,450,000	\$3,450,000	\$3,050,000	\$400,000	\$400,000
2001	\$3,000,000	\$3,000,000	\$2,973,445	\$26,555	\$26,555
2002	\$3,100,000	\$3,100,000	\$2,894,155	\$205,845	\$205,845
2003	\$3,100,000	\$3,804,000	\$3,803,132	(\$703,132)	\$868
2004	\$3,650,000	\$4,450,000	\$4,308,872	(\$658,872)	\$141,128
TOTALS	\$19,750,000	\$21,254,000	\$19,814,451	(\$64,451)	\$1,439,549

Source: District of Columbia Budget and Financial Plan (for fiscal years 1999 - 2003) and other financial data provided by the Office of the Chief Financial Officer Note: There is a \$4,117 (\$4,391,969 + \$11,117,148 - \$15,505,000) difference between the total subsidy amounts per the monthly ridership certifications and the actual expenditures as published in the Budget and Financial Plans.

_____The Auditor found that budgeting and forecasting practices applied by OCFO staff and DDOT program managers were inadequate. OCFO staff and DDOT program managers failed to fully consider critical factors, such as: (a) trends in student trips taken; (b) annual enrollment in District public, charter, private, and parochial schools; (c) performance measures; and (d) trends in annual funding levels. In addition, budget monitoring practices used by OCFO and DDOT Mass Transit staff were inadequate. Closer on-going monitoring of trends in student trips taken during the year in comparison to prior years was needed to accurately estimate funding requirements.

RECOMMENDATIONS

1. DDOT Mass Transit staff and OCFO staff work collaboratively to determine and implement an agreed upon methodology that will be used to forecast future School Transit Subsidy funding needs. Based upon use of the agreed upon methodology, OCFO staff must ensure that budgets are sufficient to cover the cost of the School Transit Subsidy program.

2. DDOT Mass Transit staff and OCFO personnel continue the practice of reviewing historical trends when projecting the number of future student trips to be taken.
3. Program and OCFO staff regularly and jointly monitor School Transit Subsidy expenditures and if potential shortfalls (spending pressures) are identified, continue to work together to proactively develop the necessary gap closing plans, being sure to timely notify the Office of Budget and Planning (OBP) of planned actions.

WMATA's Untimely Submission of Monthly Certifications to DDOT Delayed Identification of Budget Shortfalls

In accordance with the School Transit Subsidy Act of 1978, after receiving, reviewing, and agreeing with the monthly certifications provided by WMATA, DDOT is to pay the amounts shown in the certifications.⁸ WMATA is authorized by law to apply a late payment interest charge for subsidy payments received 30 days after the billing date. The late payment penalty applied is either the interest rate paid by WMATA for funds it borrowed during the month or, if WMATA has not borrowed funds, the penalty is WMATA's weighted portfolio yield for all accounts for the month. DDOT is also authorized to make advance subsidy payments to WMATA and, when payments are made early, WMATA is to provide the District with the appropriate interest credit.⁹

The Auditor found that prior to the beginning of each quarter, DDOT makes advance subsidy payments to WMATA based on estimates of student Metrorail and Metrobus trips. Each month, WMATA certifies actual student Metrorail and Metrobus trips taken and submits these certifications to DDOT, usually two to three months after the end of a month. DDOT's Mass Transit staff reviews these certifications for reasonableness and completeness. DDOT currently does not have the capability or resources to independently verify the accuracy of WMATA's certifications. DDOT is unable to count the number of student trips taken each month via Metrobus and Metrorail or the number of farecards, Smart Student passes, or bus tokens sold to students. DDOT must rely on WMATA's systems to accumulate and report this data. The Associate Chief Financial Officer (ACFO) for Government Services signs the certifications which indicates the District's acceptance of the information received. DDOT program and finance staff reconcile, at least quarterly, the

⁸See the School Transit Subsidy Act of 1978, (D.C. Law 2-152, D.C. Official Code § 35-236 (a) (1)).

⁹See the School Transit Subsidy Act of 1978, (D.C. Law 2-152, D.C. Official Code § 35-236 (b)).

advance payments made and the actual amounts owed to determine the balance due to WMATA or the amount to be credited to the District. DDOT Mass Transit staff indicated that as of March 31, 2004, the District owed WMATA \$488,708 as presented in Table III.

Table III
Amount District Owed to WMATA as of March 31, 2004

Date	Actual Usage	Interest	Amount Owed		Balance
				for Month	
Opening Balance					
As Of 09/30/03					\$744,317.07
10/31/03	\$435,033.35	\$1,200.97	\$436,234.32	\$-0-	\$1,180,551.39
11/30/03	\$395,919.20	\$1,004.27	\$396,923.47	\$1,000,000.00	\$577,474.86
12/31/03	\$383,431.55	\$1,216.82	\$384,648.37	\$-0-	\$962,123.23
01/31/04	\$381,061.85	\$1,354.11	\$382,415.96	\$-0-	\$1,344,539.19
02/29/04	\$416,394.90	\$311.90	\$416,706.80	\$1,744,317.00	\$16,928.92
03/31/04	\$471,179.55	\$597.79	\$471,777.34	\$-0-	\$488,706.26

Source: Information provided by staff in DDOT's Mass Transit Division

Although DDOT must address and be held accountable for any shortfalls that occur in the School Transit Subsidy budget, the Auditor found that delays in receiving certifications from WMATA made it difficult for DDOT and OCFO staff to timely identify potential shortfalls based on actual student trips taken. Table IV presents certification dates and dates on which the ACFO for Government Services accepted certifications during fiscal years 2003 and 2004. In these fiscal years, the School Transit Subsidy program experienced shortfalls that required the reprogramming of funds.

Table IV
Certification Dates and Dates of OCFO Acceptance
FY 2003 and FY 2004 (Through 2nd Quarter)

Fiscal Year	Month of Certification	Date of Certification	Number of Days After Month-End (Certification Received)	Date Signed by WMATA	Date Signed by Associate CFO for Government Services
FY 2003	October 2002	12/09/02	39 days	12/09/02	01/08/03
	November 2002	01/08/03	39 days	01/08/03	01/16/03
	December 2002	02/06/03	37 days	02/06/03	02/14/03
	January 2003	03/07/03	35 days	03/07/03	03/12/03
	February 2003	04/09/03	40 days	04/09/03	04/21/03
	March 2003	05/09/03	39 days	05/09/03	Not provided
	April 2003	06/11/03	42 days	06/11/03	06/19/03
	May 2003	08/01/03	62 days	08/01/03	08/11/03
	June 2003	09/05/03	67 days	09/05/03	09/15/03
	July 2003	10/15/03	76 days	10/15/03	12/05/03
	August 2003	10/15/03	45 days	10/15/03	12/05/03
	September 2003	11/18/03	49 days	11/18/03	12/05/03
		Average	47.5 days		
FY 2004	October 2003	01/28/04	89 days	01/28/04	Not provided
	November 2003	01/28/04	59 days	01/28/04	Not provided
	December 2003	02/09/04	40 days	02/09/04	Not provided
	January 2004	03/23/04	51 days	03/23/04	Not provided
	February 2004	04/30/04	61 days	04/30/04	Not provided
	March 2004	06/23/04	84 days	06/23/04	Not provided
		Average	64 days		

Source: Information compiled from the monthly ridership certifications

RECOMMENDATIONS

1. DDOT managers establish a required timeframe after the end of a month for WMATA to submit monthly certifications to DDOT and include the required timeframe in the annual subsidy agreement.
2. DDOT Mass Transit staff track actual ridership (student trips taken) throughout the fiscal year and prepare ridership projections and estimates of funding needs based on current trends and historical data.

The District Has Not Executed A Written Subsidy Agreement with WMATA Since 1979

Pursuant to D.C. Official Code § 35-232, the Mayor is authorized to enter into an agreement with WMATA for the transportation, at reduced fares, of students going to and from public, parochial, and private schools and to and from education-related activities in the District of Columbia.¹⁰ The Auditor was provided with a copy of the School Transportation Subsidy Agreement for the 1979-80 School Year, dated August 31, 1979, which was signed by WMATA's General Manager and the Director of the District's then Department of Transportation. As indicated in that document, the term of the agreement was for one year, commencing September 1, 1979, and ending August 31, 1980. This one-year agreement is the only written agreement that has ever been executed by the District and WMATA over the past 25 years. In other words, there has been no negotiation and execution of a new agreement since that time.

While the School Transit Subsidy law does not specifically require an annual agreement, the absence of a written agreement or memorandum of understanding renders the District vulnerable to unanticipated program changes, unplanned obligations, and other conditions. Without an annual subsidy agreement, there are also no agreed upon guidelines for program performance measures or parameters for holding program administrators and finance officials accountable for achieving clearly articulated program and financial goals, objectives, and results. In addition, there are no clear policies on how regular fare increases are to impact the student rate and District subsidy rate under the School Transit Subsidy program.

¹⁰See section 2 of the School Transit Subsidy Act of 1978 (D. C. Law 2-152, D.C. Official Code § 35-232).

RECOMMENDATIONS

1. The appropriate authorized District and WMATA officials develop and execute a memorandum of understanding or other written agreement which sets forth the responsibilities, obligations, rights, and other essential terms that govern program administration and accountability. The agreement must be reviewed and revised as necessary and appropriate at least once every three fiscal years.
2. Where appropriate, DDOT Mass Transit managers and staff implement procedures to carry out the terms of the agreement.

DDOT Mass Transit Does Not Have Procedures In Place to Ensure That Students Use the School Transit Subsidy Program Only for Educational Purposes And Does Not Have Adequate Controls to Prevent Widespread Abuse of Program Services

In accordance with section 35-233(b)(1) of the D.C. Official Code, students must use subsidized transportation for educational purposes only.¹¹ The Auditor noted, however, that neither DDOT nor WMATA have effective controls and safeguards in place to ensure compliance with this provision of law. As such, the School Transit Subsidy Program is at risk for abuse the general public to the extent that students farecards, Smart Student passes, and bus tokens may be used by ineligible individuals.

RECOMMENDATIONS

1. DDOT program managers assess the feasibility of discontinuing use of student bus tokens. Limiting use in this manner allows DDOT and WMATA to build automatic controls into the Smart Student passes and farecards to restrict use to specific days and time periods. In addition, the risk of abusive use of bus tokens would be completely eliminated.
2. DDOT Mass Transit staff continue to inform students that farecards, Smart Student passes, and bus tokens are to be used for educational purposes only. Include this policy

¹¹See the School Transit Subsidy Act of 1978 (D.C. Law 2-152, D.C. Official Code § 35-233 (b)(1)) which states: “This reduced student fare shall be valid only for transportation of students going to and from public, parochial, and private schools, and to and from related educational activities in the District of Columbia on school days.”

- statement/requirement in all printed materials that are distributed to students.
3. DDOT program managers clearly define “educational purposes” and further clarify definition by providing a list of examples to help students better understand the “do’s and don’t’s.”
 4. As part of the policy statement, DDOT program managers discuss the ramifications of non-compliance with the “educational purposes only” requirement, which may include temporary suspension of a student’s Student Travel Card, revocation of privileges for remainder of the academic year, or barring a student from future participation in the School Transit Subsidy program.

DDOT Mass Transit Does Not Have Adequate Procedures and Controls to Ensure Student Compliance With Legally Mandated Non-Transferability Requirements

Section 35-235 (e) (2) of the D.C. Official Code states that: “Metrorail student farecards [School Transit Subsidy fare media] shall be nontransferable.”¹² In other words, no one other than the student to whom a pass, farecard, or bus token booklet has been issued, may use these items to travel on the Metrorail and Metrobus system. The Auditor found that the DDOT Mass Transit Division does not have adequate procedures or other reliable controls in place to monitor and preclude individuals, other than eligible students, from using student farecards, Smart Student passes, and bus tokens. Currently, Metro staff may spot check student ID’s to ensure that users are authorized eligible students, however, the audit team was not provided any evidence as to the frequency and results of spot checks conducted by Metro staff.

RECOMMENDATION

DDOT Mass Transit continue to include the policies regarding non-transferability in all printed materials that are distributed to students. These policies should include penalties for violating the non-transferability requirement, which may include temporary suspension from the program or barring the student from any future participation in the School Transit Subsidy program.

¹²See the School Transit Subsidy Act of 197 (D.C. Law 2-152, D.C. Official Code § 35-235(e)(2)).

Students Were Able to Obtain Up to Three Replacement Student Travel Cards During a Year Which Presented Opportunities for Widespread Abuse of the School Transit Subsidy Program

Prior to Summer 2004, students were able to request and receive up to three replacement Student Travel Cards during a year. This practice allowed students to share Student Travel Cards and/or farecards, Smart Student passes, and bus tokens with other persons not certified for participation the School Transit Subsidy program. Ineligible persons could then travel at reduced fares on the Metrobus and Metrorail systems. Because no controls were built into Student Travel Cards to track their usage or to disable farecards or Smart Student passes obtained with the Student Travel Cards, the transfer of these items could occur without detection. In addition, because farecards, Smart Student passes, or bus tokens obtained through the improper use of a Student Travel Card would still be usable, the number of trips taken on the Metro system could increase. The resulting increase in the number of trips taken would have a fiscal impact on the District's subsidy payments to WMATA.

To address this problem, DDOT, beginning in Summer 2004, implemented a policy whereby a student may be issued only one replacement Student Travel Card during an academic year. Under the current policy, when a student misplaces a Student Travel Card, DDOT Mass Transit staff issues the student a letter each month. This letter requires the student to go to the DDOT Mass Transit Division for certification rather than obtaining eligibility certification at his/her school. DDOT Mass Transit staff believed this inconvenience would be sufficient to discourage students from requesting replacement Student Travel Cards. However, students are still able to obtain an initial Student Travel Card; use that Student Travel Card to obtain farecards, Smart Student passes, and/or bus tokens; and share the farecards, Smart Student passes, or bus tokens with unauthorized users. Students can then request a replacement Student Travel Card and use the replacement Student Travel Card to purchase additional farecards, Smart Student passes, or bus tokens.

RECOMMENDATIONS

1. DDOT Mass Transit charge a substantial administrative fee to replace lost, stolen, or misplaced Student Travel Cards.
2. DDOT Mass Transit managers consider other alternatives for reducing requests for

replacements, including:

- using color-coded Student Travel Cards for replacements and creating different color-coded farecards and Smart Student passes to distinguish replacements from originals;
- increasing the price of replacement farecards, Smart passes, and bus tokens; and
- increasing the amount paid by students for Smart Student passes from \$22 per pass to \$24 and reducing the District's subsidy on Smart Student passes sold from \$22 per pass to \$20.

SYSTEM DEFICIENCIES AND POOR RECORD RETENTION PRACTICES HAMPERED THE MASS TRANSIT DIVISION'S ABILITY TO EFFICIENTLY TRACK STUDENT INFORMATION

Currently, DDOT Mass Transit staff use a Microsoft Access database to record and maintain pertinent student information. The Auditor was informed that this database, created in 1999, was to be used for only three years to capture and retain student information. By the end of 2002, DDOT Mass Transit was to have a new system in place that was more suitable to support the expanding program. DDOT is currently investigating other systems to replace this database. The Auditor found that DDOT Mass Transit did not retain documentation to verify and track student eligibility. In addition, after observing system users and navigating through the database, the Auditor noted: (a) errors in student data; (b) lack of controls to prevent unintentional deletion or revision of data; and (c) periods in which the system was "down" or was operating slowly. As a result of these deficiencies and others, the Auditor found program administration practices that were ineffective and inefficient which caused delays in Student Travel Card application processing and printing of Student Travel Cards. Moreover, these weaknesses allowed unreliable data to be entered into and maintained in the Student Application Database.

DDOT's Mass Transit Division Does Not Retain Documentation to Verify and Support Student Eligibility to Participate in the School Transit Subsidy Program

Pursuant to section 35-233 of the D.C. Official Code, to be eligible to receive subsidized school transportation, an individual must be: (a) less than 19 years of age; (b) a resident of the District of Columbia; (c) enrolled in a public, private, or parochial school located in the District of

Columbia,¹³ and (d) in need of transportation on Metrobus and/or Metrorail for travel to and from school and related educational activities in the District.¹⁴ To determine whether participating students met these criteria, the Auditor sought to test documentation required by DDOT to establish student eligibility. The Auditor was informed that, for the most part, certification of student eligibility is handled by staff at local schools. Students complete a Student Travel Card application at school; the principal signs the Student Travel Card application certifying the accuracy of the information provided by the student; and the student or school personnel, as appropriate, submits the Student Travel Card application to DDOT. The Auditor was informed that, in the past, DDOT Mass Transit staff retained Student Travel Card applications in their files; however, due to limited space and the implementation of the Student Application Database in 1999, DDOT staff determined it best to discontinue retaining this original documentation. The decision to discard Student Travel Card applications violates the District's public records management and retention laws.¹⁵ Specifically, section 2-1706 of the D.C. Official Code requires each District agency to develop and maintain records containing adequate documentation of its organization, function, policies, decisions, procedures and essential functions. Any decision to change records retention practices or to discard records is to be made by the agency's designated records management officer, and must be in compliance with the instructions and directives of the District's Public Records Administrator and the Records Disposition Committee.¹⁶

Currently, after a student's information is entered into the Student Application Database, DDOT Mass Transit staff throw away the application. As a result of this practice, DDOT officials cannot substantiate through appropriate documentation proof of a student's eligibility to participate in the School Transit Subsidy program.

¹³See the School Transit Subsidy Act of 1978 (D.C. Law 2-152, D.C. Official Code § 35-233 (c)). Note that the School Transit Subsidy Act of 1978 Amendment Act of 1998, D.C. Law 12-156, amended D.C. Law 2-152, approved June 17, 1998, to permit disabled students *over* 19 years of age and *under* 22 years of age to participate in the school transit subsidy program.

¹⁴See the School Transit Subsidy Act of 1978 (D.C. Law 2-152, D.C. Official Code § 35-233 (b)(2)) which states: "Student travel on Metrobus and Metrorail during Saturdays, Sundays, holidays, and vacations shall be charged at the regular rate charged to passengers other than students and senior citizens, except for travel to and from a recognized school-related educational activity in the District of Columbia. The Mayor shall issue rules and regulations to enforce this section." See 15 DCMR §§ 1200-1201.

¹⁵See D.C. Official Code §§2-1701 *et seq.* and *see also* 15 DCMR §§1-1500-1-1533; and 15 DCMR §1-1599.

¹⁶See D.C. Official Code §2-1701, § 2-1705, and § 2-1706.

The Auditor also found that DDOT deletes, on an annual basis, electronic files containing student information. When selecting samples of student records for testing, the Auditor was informed that some of the data for AY 1999-2000 was deleted to prevent the system from “locking up.” DDOT Mass Transit staff also indicated that copies of the deleted information were not retained. Although system down-time prevents DDOT Mass Transit staff from timely processing applications or responding to inquiries, deleting data without retaining a hard or electronic copy further weakens internal controls and accountability.

In an effort to assess the accuracy of the student information contained in DDOT’s Student Application Database and to test student eligibility, the Auditor sent confirmations to District public, private and charter schools for a sample of 200 students. The confirmation responses received from schools are summarized in Table V.

Table V
Confirmation Responses

Result/Response	Number of Sampled Students	Percentage (Response Rate)
No response received	104	52%
All information correct	46	23%
Incorrect address	8	4%
Student name misspelled	4	2%
Incorrect date of birth	5	2.5%
Student never attended the school	15	7.5%
Incorrect year(s) of attendance	11	5.5%
School’s address changed	4	2%
Student no longer attends school and the school has no information on the student	3	1.5%
TOTAL	200	100%

RECOMMENDATIONS

1. DDOT Mass Transit staff secure adequate space necessary to retain Student Travel Card applications and supporting documentation for at least a four year period.
2. DDOT Mass Transit managers consider investing in an automated document imaging system. All student records (Student Travel Card application; proof of age, residency, school enrollment, and a copy of the Student Travel Card issued) could be imaged and made available to all School Transit Subsidy staff for quick retrieval. Such a system would eliminate the need to retain a hard copy of documents.
3. DDOT Mass Transit staff implement procedures to control the flow of documents/information to and from students' files. As such, DDOT may also consider designating a staff person as a Document Control Clerk. This clerk would set up the filing system, maintain the student files, and add new files as they are created. If electronic imaging is not used, the Document Control Clerk would log out files that are pulled by DDOT staff when servicing "walk-ins". In these instances, the clerk would record the following information in a log as files are pulled: Date Retrieved, Student File Retrieved, Retrieved By, Telephone Number, and Office/Room Number. Upon return of the student file, the Document Control Clerk would also log the date on which the file was returned.
4. Whenever data is intentionally deleted to address system capacity issues, DDOT Mass Transit staff ensure that data has been backed up or otherwise archived, noting the date that the information was deleted from the Student Application Database.
5. DDOT Mass Transit staff ensure that the deletion of electronic files is in compliance with the District's records retention law.

Number of Records Input into Student Application Database Exceeded System Capacity Which Resulted in System "Crashes"

At the time of the Auditor's initial review of the School Transit Subsidy application process, the Student Application Database was "down" and could not be accessed by DDOT Mass Transit staff. Through subsequent discussions, the Auditor was informed that the system had "locked" because there simply was too much data in the database.

RECOMMENDATIONS

1. DDOT Mass Transit staff immediately determine the options available for upgrading the Student Application Database to address the existing capacity issues.
2. During the interim, DDOT Mass Transit staff or DDOT information technology personnel perform regular backups of the Student Application Database to ensure that no data is lost or rendered unrecoverable.
3. DDOT information technology staff develop and implement daily systems maintenance procedures that are in compliance with the policies of the District of Columbia Chief Technology Officer.

Accuracy of Student Information Questioned Due to Discrepancies Between the Main Student Search Screen and the Detailed Update Screen and Other Types of Erroneous Information

When navigating through the Student Application Database, the Auditor noted several instances in which student information shown on the main Student Search screen failed to agree with detailed information shown on the Update screen as well as other instances of erroneous information. Such discrepancies or inaccuracies included the following:

- academic year per the update screen reflected as 2004-2005 regardless of the academic year of the inquiry shown on the main Student Search screen;
- grade shown on the update screen inconsistent with the student's age or the grade levels taught at the student's designated school of enrollment; and
- designated metro stations not in proximity to the designated address for student.

Such discrepancies raise serious questions about the integrity of the entire database.

RECOMMENDATIONS

1. DDOT Mass Transit staff work with DDOT's Information Technology staff and staff from the Office of the Chief Technology Officer (OCTO) to identify system deficiencies and develop and implement plans to resolve problems noted.

2. To the extent that deficiencies cannot be resolved through continued use of Microsoft Access, compile a listing of system needs or specifications to be used when identifying, comparing and selecting a suitable alternative system.
3. The DDOT Mass Transit Division manager designate specific DDOT Mass Transit staff members to periodically audit student information captured in the Student Application Database to proactively detect and correct errors. To the extent necessary, these staff members should work with staff at the various schools to ensure that student information is accurate.

Additional Weaknesses in System Controls May Result in Other Inaccurate Student Information

The Auditor noted several deficiencies in system controls which, if not addressed, could result in other inaccuracies in student information. These include the following:

- DDOT Mass Transit staff and others who are able to gain access can view student information by accessing the Student Search and Update screens. Because such inquiries are not restricted as “Read Only,” individuals may intentionally or inadvertently make changes to student information.
- DDOT Mass Transit staff informed the Auditor that students enrolled in Special Education programs must be 22 years old or younger to participate in the School Transit Subsidy program.¹⁷ Controls to prevent students over the age of 19 but less than 22, who are not enrolled in Special Education programs, from participating in the School Transit Subsidy program are inadequate. Currently, the system alerts DDOT staff when a student’s age is over 19 years. The system user, however, can approve the student’s information and enter it into the system whether the student is enrolled in Special Education or not. The Auditor found several students in the Student Application Database over the age of 19 who had been issued a Student Travel Card; however, there was no indication that these students were enrolled in Special Education at, or subsequent to, the time when the Student Travel Cards were issued.

¹⁷The School Transit Subsidy Act of 1978 Amendment Act of 1998, D.C. Law 12-156, amended D.C. Law 2-152, and was approved June 17, 1998. This law permitted disabled students *over* 19 years of age and *under* 22 years of age to participate in the school transit subsidy program.

- As student applications are received, DDOT Mass Transit staff asks the applicant whether the application is for a new or replacement Student Travel Card and then verifies information by contacting the school which the student attends. This process is inefficient in that the system should automatically flag a student record whenever a replacement Student Travel Card is requested. When DDOT staff enters the student's name into the database for the current academic year and the student has already received a Student Travel Card, the system should display a message indicating that a record already exists for this student and a Student Travel Card has already been issued. Unless the student moved, changed schools or made other changes, his/her information should already be recorded in the database. If changes occurred, written certification as to the accuracy of the updated student information should be provided by appropriate school personnel.
- Although a student's name appears on the main Student Search screen numerous times (once for each academic year and summer session during which a Student Travel Card was issued), the detail screen is updated whenever a new Student Travel Card is issued to the student or other circumstances necessitate a change in the information. There is no detailed student information screen for each academic year or summer session during which a student received subsidized transportation. In other words, if a student received subsidized transportation for academic year (AY) 2003 - 2004 and summer 2004, but moved from one place of residence to another at the start of the 2004 summer session, the detail screen (Update screen) would only show the most recent address. There would not be a separate detail (Update) screen for AY 2003 - 2004. Thus, the audit trail would not be complete and DDOT would be unable to fully substantiate the student's program eligibility for AY 2003-2004.

RECOMMENDATIONS

1. DDOT Mass Transit staff work with DDOT's Information Technology staff and OCTO personnel to incorporate a student inquiry feature that allows viewing of student information in a "Read Only" form. At a minimum, before saving and exiting a student's profile, the system should provide a prompt indicating that the student's information has been changed and allow the system user to review changes and accept or reject the changes prior to saving the student information.

2. DDOT's information technology staff and OCTO personnel add a security feature to the system which allows DDOT Mass Transit staff to retrieve, view, or change certain student information based on the level of access (security) they have been assigned by the system administrator.
3. DDOT Mass Transit staff and Information Technology personnel revise the system so that information for a student who is older than 19 but less than 22 can be entered into and accepted by the system only if the field for Special Education has been "checked."
4. DDOT Mass Transit staff and Information Technology personnel revise the Student Application database to automatically "flag" a student record when student information is entered at the time of request for a replacement Student Travel Card.
5. DDOT Information Technology staff and OCTO personnel develop queries needed to generate Cumulative Student Travel Card Reports on a monthly basis. DDOT Mass Transit staff should request these reports listing students who received Student Travel Cards on a cumulative basis from the beginning of the academic year through the end of the most recent month. This cumulative report should show the dates on which Student Travel Cards were generated and issued to students. By referring to this monthly report as students request replacement Student Travel Cards, DDOT Mass Transit staff could more readily determine the number of Student Travel Cards previously issued to each student.
6. DDOT Mass Transit staff work with DDOT's Information Technology staff and OCTO personnel to build controls within the system to prevent the issuance of replacement Student Travel Cards in excess of the number allowed under DDOT Mass Transit policy.
7. DDOT Mass Transit staff change the design of the Student Application database to ensure that there is a separate updated detail screen for each year and/or summer session during which the student received and used a Student Travel Card. If such a change cannot be made using Microsoft Access, consider the need to use a different system in future years.

CONCLUSION

The Auditor's examination of the School Transit Subsidy program revealed significant weaknesses in internal controls and numerous program management deficiencies. These conditions resulted in inadequate and inefficient program administration and presented opportunities for abuse of the School Transit Subsidy program.

The Auditor found that DDOT's Mass Transit Division and local schools lacked proper segregation of duties in critical areas of program administration. As a result, the School Transit Subsidy program may be vulnerable to improprieties and undetected errors.

Moreover, the Auditor found that inadequate budgeting practices used by DDOT and OCFO staff resulted in insufficient budgets for several fiscal years (FY). The Auditor noted that communication between DDOT Mass Transit Division staff and OCFO personnel regarding program performance and budget matters was poor and ineffective. As a result, School Transit Subsidy program budgets beginning in FY 2001 through FY 2004 did not adequately support increases in student trips taken on the Metrobus and Metrorail system. Insufficient program budgets led to the reprogramming of funds to address shortfalls of \$703,000 in FY 2003 and \$658,872 in FY 2004.

The Auditor also noted that DDOT and OCFO staff experienced difficulties in timely identifying potential budget shortfalls. The District's School Transit Subsidy payments are based primarily on actual student trips taken on the Metrobus and Metrorail system as certified monthly by the Washington Metropolitan Area Transit Authority ("WMATA"). Because WMATA submits monthly certifications two to three months after the end of a month, DDOT and OCFO staff cannot timely assess the adequacy of the budget based on actual certified data. This is especially problematic at fiscal year-end as the District closes its financial books because WMATA's certifications are not received until the first quarter of the next fiscal year.

The Auditor found that the District has not executed a written subsidy agreement with WMATA since 1979. A written subsidy agreement or memorandum of understanding would protect the District against unanticipated changes, unplanned obligations, and other unforeseen circumstances. Moreover, without a written agreement, there are no guidelines or parameters for holding WMATA program managers, DDOT, and OCFO staff accountable for program performance and financial results.

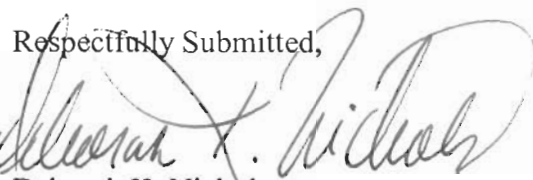
In addition, the Auditor found that the DDOT Mass Transit Division did not have procedures and controls in place to ensure compliance with legally-mandated School Transit Subsidy program requirements. Pursuant to the School Transit Subsidy law, students are to use subsidized transportation for educational purposes only. Additionally, students are not allowed to share their farecards, Smart Student passes, or bus tokens with others. Although these requirements exist, the DDOT Mass Transit Division did not have sufficient compliance monitoring procedures in place to detect or otherwise prevent violations of these requirements.

Furthermore, the Auditor found that DDOT currently allows students to replace lost Student Travel cards once during an academic year. This policy gives students the opportunity to abuse program benefits by purchasing and sharing farecards and Smart Student passes with others. Because no controls were built into the Student Travel Cards to track their usage or to disable farecards and Smart Student passes obtained with Student Travel cards, such abuses could occur without detection.

The Auditor also determined that due to several automated system deficiencies and poor record retention practices, DDOT's tracking of student information was inefficient. DDOT's Student Application Database often "crashed" because too much data was entered into the system. The Auditor found numerous errors or discrepancies in student data contained in the Student Application Database, such as wrong academic years of school enrollment and grade levels of students that were inconsistent with the student's age or the school of enrollment.

The Auditor identified significant weaknesses in system controls, including inadequate system security features and limited capability to effectively maintain the integrity of data.

In addition, DDOT's records retention practices were inadequate and violated the District's records retention law. The DDOT Mass Transit Division did not retain original or hard copies of student applications and supporting documents after student information was entered into the Student Application Database. Moreover, the DDOT Mass Transit Division periodically deleted electronic files of student information from the Student Application Database to address system capacity issues. These practices destroyed the audit trail and prevented DDOT from being able to substantiate students' eligibility to participate in the School Transit Subsidy program.

Respectfully Submitted,

Deborah K. Nichols
District of Columbia Auditor

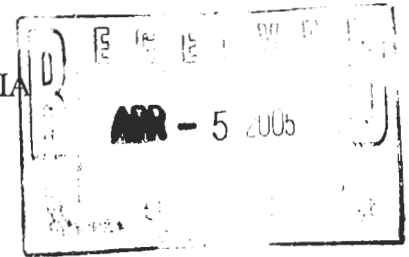
AGENCY COMMENTS

AGENCY COMMENTS

On March 25, 2005, the Office of the District of Columbia Auditor submitted this report in draft for review and comment to the District Department of Transportation (“DDOT”), the Washington Metropolitan Area Transit Authority (“WMATA”), and the Associate Chief Financial Officer for the Government Services Cluster of the Office of the Chief Financial Officer.

Written comments to the draft report were received from DDOT Director, Dan Tangherlini, on April 5, 2005, and from WMATA Auditor General, James C. Stewart, on April 4, 2005. Where appropriate, changes were made to the final report to reflect the comments received. All comments are appended in their entirety to this final report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF TRANSPORTATION
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Office of the Director

April 5, 2005

Ms. Deborah K Nichols
District of Columbia Auditor
717 14th Street, N.W., Suite 900
Washington, DC 20005

Re: Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation ("Draft Report")

Dear Ms. Nichols:

This is a response to the draft report of the Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation ("DDOT"). After reviewing the Draft Report, we have discovered a number of factual inaccuracies and some conclusions that appear to be inappropriate or misleading.

Significant disagreements with the Draft Report are as follows:

- Key facts regarding the purchase and sale of student fare media were misunderstood including how passes, farecards and bus tokens are sold.
- It was misleading to assume that given the decline of DC Public School student enrollment figures, student travel should also decline.
- It is not valid to conclude that a lack of segregation of duties within the office that administers the program, the Mass Transit Division (MTD), presents opportunities for abuse.
- It is inaccurate to state that MTD staff does not review WMATA ridership certifications for accuracy. MTD has discovered errors in the past.
- The assertion that budgeting and forecasting practices applied by the OCFO and MTD staffs were inadequate is not valid.
- The recommendation to discontinue use of student fare media on weekends would be very harmful to the program's core mission of providing reduced fare for educational purposes. This harm outweighs the likely reductions in abuse of this subsidized fare media.

Deborah Nichols Letter re School Transit Subsidy
Page Two

There was disagreement with the need to charge an administrative fee for lost travel cards because the program is working with WMATA to convert student fare media to replaceable SmarTrip cards.

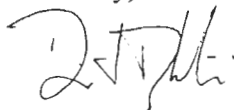
The following are several key recommendations that MTD staff agree with and that have been or will be implemented:

- MTD staff concur with the recommendation to provide better education to students, parents and school officials on the use of student fare media for education purposes only.
- MTD staff agree with the recommendations on improved record keeping and upgrading of the School Transit Subsidy Program computer system.
- MTD staff will work with WMATA on development of a Memorandum of Understanding on the School Transit Subsidy Program.
- MTD staff has already improved its collaboration with OCFO staff in the preparation of budgets and ridership forecasts.
- MTD staff has already implemented verification procedures for student registration.

Unfortunately, DDOT received the Draft Report at close-of-business on March 25th. As a result of staff being on leave for Easter and preparations underway for DDOT's budget hearing before the Council, there has not been time for DDOT's General Counsel or other staff to provide a more thorough review. However, we have attached preliminary comments prepared by MTD staff. We will work over the next several days to refine our responses.

DDOT appreciates working with you on this project. We thank you for the opportunity to review and comment upon the Draft Report. If you have any follow-up questions in response to our comments, please contact Emmanuel Onyekwere, Senior Financial and Economic Analyst, Mass Transit Division, at 671-0535.

Sincerely,



Dan Tangherlini
Director

DDOT Response to Draft Review of the School Transit Subsidy Program Administered
by the District of Columbia Department of Transportation

SUMMARY

Significant disagreements with the Draft Report are as follows:

- Key facts regarding the purchase and sale of student fare media were misunderstood including how passes, farecards and bus tokens are sold.
- It was misleading to assume that given the decline of DC Public School student enrollment figures, student travel should also decline.
- It is not valid to conclude that a lack of segregation of duties within the office that administers the program, the Mass Transit Division (MTD), presents opportunities for abuse.
- It is inaccurate to state that Mass Transit staff does not review WMATA ridership certifications for accuracy. MTD has discovered errors in the past.
- The assertion that budgeting and forecasting practices applied by the OCFO and Mass Transit staffs were inadequate is not valid.
- The recommendation to discontinue use of student fare media on weekends would be very harmful to the program's core mission of providing reduced fare for educational purposes. This harm outweighs the likely reductions in abuse of this subsidized fare media.
- There was disagreement with the need to charge an administrative fee for lost travel cards because the program is working with WMATA to convert student fare media to replaceable SmarTrip cards.

The following are several key recommendations that we agree with and that have been or will be implemented:

- Mass Transit staff concur with the recommendation to provide better education to students, parents and school officials on the use of student fare media for education purposes only.
- Mass Transit staff agree with the recommendations on improved record keeping and upgrading of the School Transit Subsidy Program computer system.
- Mass Transit staff will work with WMATA on development of a Memorandum of Understanding on the School Transit Subsidy Program.
- Mass Transit staff has already improved its collaboration with OCFO staff in the preparation of budgets and ridership forecasts.
- Mass Transit staff has already implemented verification procedures for student registration.

Below, DDOT addresses the detailed findings and recommendations set forth in the Draft Report:

OBJECTIVE, SCOPE AND METHODOLOGY (page 1, # 2): Assess the operational efficiency of the School Transit Subsidy Program.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

DDOT Response. Mass Transit staff observed that, although DC Auditor staff interviewed WMATA staff and observed their participation in the program, no comments were made about WMATA's involvement in the program.

Administration of School Transit Subsidy Program (last paragraph, page 4 second sentence): Many District public charter schools sell farecards and Smart Student passes, and distributes bus token forms to eligible student.

DDOT Response/Correction. Many District public charter schools sell Smart Student passes and distribute bus token forms to eligible students.

Administration of School Transit Subsidy Program (last paragraph, page 4 third sentence): Specifically, schools receive School Transit Subsidy applications from students; certify student eligibility for program participation; sell farecards and Smart Student passes to students; issues bus token forms to students; and work jointly with WMATA and DDOT Mass Transit staff to resolve any issues that may arise.

DDOT Response/Correction. Specifically, schools receive School Transit Subsidy applications from students; certify student eligibility for program participation; sell and Smart Student passes to students; issues bus token forms to students; and work jointly with WMATA and DDOT Mass Transit staff to resolve any issues that may arise.

Administration of School Transit Subsidy Program (Student Farecards, first sentence): Students purchase farecards in packs of ten.

DDOT Response/Correction. Students purchase farecards with 10 trips encoded on each.

Administration of School Transit Subsidy Program (Student Farecards, fourth sentence): Students may also purchase single round trip farecards.

DDOT Response/Correction. Schools may also purchase single round trip farecards in bulk for special trips.

Administration of School Transit Subsidy Program (Bus Tokens, first sentence): Students obtain token forms (termed "token blanks") in packs of ten which are used by students to purchase tokens at any Metro sales outlet and selected Giant and Safeway Stores located in the District of Columbia.

DDOT Response/Correction. Students obtain up to two token forms (termed "token blanks") which are used by the student to purchase tokens. Each token blank entitles a student to purchase a pack of 10 tokens.

School Transit Subsidy Program Application Process (#3): Student takes the signed Student Travel Card application to DDOT's Mass Transit Division.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

DDOT Response/Correction. The signed Student Travel Card application is submitted to DDOT's Mass Transit Division either via fax or mail from various schools, or in person by individual students.

School Transit Subsidy Program Application Process (#5): Student takes the Student Travel Card to a sales outlet (such as his/her school or the Metro sales office) to purchase farecards or a Smart Student pass. Student also must present his/her Student Travel Card when obtaining bus token forms that are used to purchase bus tokens.

DDOT Response/Correction. Students take the Student Travel Card to a Metro sales office. It is punched by a sales clerk and the student buys a \$22 monthly Smart Student pass or a \$6.50 bi-weekly farecard. Alternatively, students can buy the Smart Student passes directly from only 20 schools that have been designated to provide this service. This purchase does not require a Travel Card because the schools are assumed to know who their eligible students are. In yet another way, students who purchase bus tokens must present a bus token blank to Metro sales offices, or to Giant or Safeway stores in the District."

School Transit Subsidy Program Application Process (#6): The sales agent (school or WMATA/Metro) punches the student's Student Travel Card for the month and gives the student the farecard, Smart Student pass, or bus tokens purchased.

DDOT Response. Eliminate #6, redundant with #5 on preceding page.

FINDINGS

Lack of Segregation of Duties Within the DDOT Mass Transit Division and Local Schools Presents Opportunities for Abuse or Other Improprieties (page 8, 2nd paragraph): To prevent such improprieties, the application intake, student information verification, and data input functions should be segregated. Such segregation of duties allows management to hold staff accountable for performing specific functions, thus, improving the effectiveness of the performance monitoring and accountability processes; improves the quality of customer service provided because "walk-ins" receive more focused attention; and provides an effective system of checks and balances to ensure compliance with program requirements.

DDOT Response. Mass Transit staff disagrees with the recommendation to segregate intake, verification, and data input functions. First, existing processing policies allow DDOT to track which employees are processing specific applications. Second, Mass Transit staff have already developed procedures to obtain and verify eligibility information. Finally, Mass Transit Division lacks the resources necessary to segregate these functions because student walk-ins can come at any time and often several at one time, so that staff flexibility is required for the timely processing of applications.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

Lack of Segregation of Duties Within the DDOT Mass Transit Division and Local Schools Presents Opportunities for Abuse or Other Improprieties (page 9, 1st sentence): Because DDOT relies heavily on school principals (or their designees) to certify the accuracy of student information and because many schools also sell farecards and Smart Student passes, and issue bus token forms, DDOT needs to implement policies and procedures to monitor and assess each school's procedures and controls.

DDOT Response/Correction. Because DDOT relies heavily on school principals (or their designees) to certify the accuracy of student information and because 20 out of 250 schools also sell Smart Student passes, and issue bus token forms, DDOT needs to implement policies and procedures to monitor and assess each school's procedures and controls.

FINDINGS

Recommendation #1: DDOT Mass Transit reassigns staff to perform the following functions: Applications Intake – to receive applications from schools and “walk-ins,” respond to inquiries, and review applications for completeness; Student Information Verification – to obtain necessary documentation from the school or the applicants, using all available resources to confirm the accuracy of the information indicated on applications and to ensure that students meet legislatively-mandated eligibility criteria; and Data Input – to enter student information into the Student Application Database using the data indicated on the certified student application. Although the individuals performing these functions must interact on a daily basis to perform successfully, the tasks required within each function should be completed independently.

DDOT Response. DDOT disagrees. See comments above re: page 8, 2nd paragraph.

Annual Operating Budget Beginning in FY 2001 Did Not Support Increases in Use of the Metrorail and Metrobus System Resulting from the Use of the Smart Student Pass (page 10, 4th sentence): These increases were due primarily to the introduction of the Smart Student Pass in January 2001.

DDOT Response. Mass Transit staff notes that the increase in student travel also occurred as a result of an expansion of Green Line Metrorail service to new stations in 2001 and as a result of the creation of new charter schools throughout the District.

Graph II, Metrobus Student Usage FY 1999 – FY 2004 (3rd & 4th sentences): This represents a decrease of 878 students, or 1.1%. Over the same six-year period, the District's School Transit Subsidy payments increased by \$1,349,488, or 48.6%.

DDOT Response. As mentioned above, although the DCPS enrollment was static, many students transferred from neighborhood public schools (within walking distance) to charters schools further away, resulting in more transit use.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

Graph III, Annual Subsidy Payments and Budgets (page 13, entire page):

DDOT Response. Mass Transit staff agrees that there was a communication breakdown, but it was not for a lack of effort on their part.

Table III, Comparison of Original and Revised Budgets and Actual Expenditures (last paragraph, 1st sentence): The Auditor found that budgeting and forecasting practices applied by OCFO staff and DDOT program managers were inadequate.

DDOT Response. Mass Transit Division takes exception to the auditor's finding (p.14, 2nd paragraph) that **budgeting and forecasting practices applied by OCFO staff and DDOT Program Managers were inadequate.** Mass Transit Division wish to acknowledge the existence of a number of forecasting methodologies, the one method used by current transit staff appear to have yielded good results for the FY 2004 fiscal year, when the program came under forecast. While MTD staff cannot attest to past practices, current budget practices at this division follow similar budget template and instructions issued to other agencies and instruments of the District government by the Office of Budget and Planning (OBP).

Table III, Comparison of Original and Revised Budgets and Actual Expenditures Recommendation #1 (page 15): DDOT Mass Transit staff and OCFO staff work collaboratively to determine and implement an agreed upon methodology that will be used to forecast future School Transit Subsidy funding needs. Based upon use of the agreed methodology, OCFO staff must ensure that budgets are sufficient to cover the cost of the School Transit Subsidy Program.

DDOT Response. Mass Transit and OCFO budget staff collaboratively work to develop the School Transit Subsidy forecast. Mass Transit staff cannot verify past practices. However, collaboration between Mass Transit staff and OCFO resulted in bringing this program's escalating costs under control.

Table III, Comparison of Original and Revised Budgets and Actual Expenditures Recommendation #3 (page 15): Program and OCFO staff regularly and jointly monitor School Transit Subsidy expenditures and if potential shortfalls (spending pressures) are identified, continue to work together to proactively develop the necessary gap closing plans, being sure to timely notify the Office of Budget and Planning (OBP) of planned actions.

DDOT Response. Mass Transit staff agrees and note that this recommendation has already been implemented. Joint monitoring of the School Transit Subsidy expenditures was implemented following availability of staff resources at the OCFO in FY 2004.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

WMATA's Untimely Submission of Monthly Certifications to DDOT Delayed Identification of Budget Shortfalls (last paragraph, 2nd sentence & phase in 3rd sentence): Each month, WMATA certifies actual student Metrorail and Metrobus trips taken and submits these certifications to DDOT, usually two to three months after the end of a month.but fails to review for accuracy.

DDOT Response. Mass Transit staff disputes this claim. If true, the recent restatement by WMATA of the October 2004 Metrorail certification of student farecard usage for October 2004 would not have taken place; a \$23, 618.65 understatement in favor of WMATA. Also, the District saved \$45,072 due to an error contained in the June 2004 certification submitted by WMATA, which was uncovered by Mass Transit Division finance staff. Error occurred from the inclusion 75,120 Metrobus tickets@ .60c each when this type of fare media was no longer in use. These examples are typical of the verification activities undertaken by Mass Transit staff.

Table V, Certification Dates and Dates of OCFO Acceptance FY 2003 and FY 2004 Through 2nd Quarter (page 19)

Recommendation #1: DDOT managers establish a required timeframe (e.g., 15 days after the end of a month) for WMATA to submit monthly certifications to DDOT and include the required timeframe in the Annual Subsidy Agreement.

DDOT Response. DDOT agrees that a timeframe should be established in an MOU between WMATA and DDOT. However, WMATA has stated that it takes an average of 30 days to access all the Metrorail and Metrobus faregate and farebox data and to collect adequate ridership data following the close of a particular calendar month. MTD has no power to compel WMATA to operate in conformity within the recommended time frame of 15 days. Furthermore, WMATA can respond no sooner than it receives data from DCPS schools. In order to ensure timely response from DCPS schools, the prompt execution of this activity must become part of performance standards used to evaluate principals of participating schools.

Table V, Certification Dates and Dates of OCFO Acceptance FY 2003 and FY 2004 Through 2nd Quarter (page 19)

Recommendation #2: DDOT Mass Transit staff track actual ridership (student trips taken) throughout the fiscal year and prepare ridership projections and estimates of funding needs for the last three months of the fiscal year based on current trends and historical data.

DDOT Response. Mass Transit staff agrees and notes that ridership projections from Certifications are already in place using actual data.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

The District Has Not Executed a Written Subsidy Agreement with WMATA Since 1979 (page 20, 2nd paragraph): While the School Transit Subsidy law does not specifically require an annual agreement, the absence of a written agreement or memorandum of understanding renders the District vulnerable to unanticipated program changes, unplanned obligations, and other conditions that can be initiated by WMATA. For instance, fare increases can affect the amount of the District's School Transit Subsidy Payments to WMATA. When regular fares increase, WMATA and DDOT officials determine whether to: (a) increase the student rate; (b) increase the District's subsidy rate to make up the difference between the student and regular rates; or (c) continue to operate the School Transit Subsidy program with unchanged student and subsidy rates. Without an annual subsidy agreement, there are also no agreed upon guidelines for programs performance or parameters for holding program administrators and finance officials accountable for achieving clearly articulated program and financial objectives, goals, and results. In addition, there are no clear policies on how regular fare increases are to impact the student rate and District subsidy rate under the School Transit Subsidy Program.

DDOT Response. Mass transit staff disagrees about the absence of a written agreement governing the impacts of fare increases on the program. When regular WMATA fares increase, DDOT officials are required by Section 2(a) of the School Transit Subsidy Act of 1978, effective March 3, 1979 as amended by the "Omnibus Budget Support Emergency Act of 1995", Sec. 508, to increase student fares to ½ of the regular fares.

The District Has Not Executed a Written Subsidy Agreement with WMATA Since 1979 (page 20)

Recommendation #1: The appropriate authorized District and WMATA officials develop and execute a memorandum of understanding or other written agreement which sets forth the responsibilities, obligations, rights, and other essential terms that govern program administration and accountability. The agreement must be reviewed and revised as necessary and appropriate at least once every three fiscal years.

DDOT Response. Mass Transit staff agrees with this recommendation. They expect to initiate the development of an MOU with WMATA during the summer of 2005.

DDOT Mass Transit Does Not Have Procedures In Place to Ensure That Students Use the School Transit Subsidy Program Only for Education Purposes and Does Not Have Adequate Controls to Prevent Widespread Abuse of Program Services (page 21)

Recommendation #1: DDOT program managers consider the need to discontinue allowing the use of student farecards and Smart Student passes on weekends. This will not only reduce program expenditures but will lessen the opportunity for students to use subsidized transportation to attend non-educational, weekend, holiday, or summer activities. This will require DDOT to assess the impact this action will have on students' ability to attend educational functions.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

DDOT Response. Mass Transit staff disagrees. Discontinuing the use of student fare media on weekends would impact the need for students to travel to many educational activities including regular non-traditional charter schools with Saturday classes, student enrichment classes, SAT and ACT test taking, community service requirements for graduation, and athletic events.

DDOT Mass Transit Does Not Have Procedures In Place to Ensure That Students Use the School Transit Subsidy Program Only for Education Purposes and Does Not Have Adequate Controls to Prevent Widespread Abuse of Program Services (page 21)

Recommendation #2: DDOT program managers assess the feasibility of discontinuing use of student bus tokens. Limiting use in this manner allows DDOT and WMATA to build automatic controls into Smart Student passes and farecards to restrict use to specific days and time periods. In addition, the risk of abusive use of bus tokens would be completely eliminated.

DDOT Response. Mass Transit staff agrees. Phasing in the new Student SmarTrip card will allow for the phase-out of bus tokens over the next two to three years.

DDOT Mass Transit Does Not Have Adequate Procedures and Controls to Ensure Student Compliance With Legally-Mandated Non-Transferability Requirements (page 22)

Recommendation #1: DDOT Mass Transit continue to include the policies regarding non-transferability in all printed materials that are distributed to students. These policies should include the punishment or penalties for violating the non-transferability requirement, which may include temporary suspension from the program or barring the student from any future participation in the School Transit Subsidy Program.

DDOT Response. Mass Transit staff will meet with DDOT general counsel. Current penalty for violation is a \$50 ticket issued by WMATA transit police. MTD will investigate the need for legislative or regulatory authority for other penalties and disincentives for abuse.

Students Were Able to Obtain Up to Three Replacement Student Travel Cards During a Year Which Presented Opportunity for Widespread Abuse of the School Transit Subsidy Program (page 23)

Recommendation #1: DDOT Mass Transit charge a substantial administrative fee to replace lost, stolen, or misplaced Student Travel Cards.

DDOT Response. Mass Transit Division would require new authority and procedures to handle administrative fees. Instead of charging an administrative fee to replace lost, stolen or misplaced Student Travel Cards, DDOT has proposed to WMATA the conversion of the student passes to reusable SmarTrip cards within the next two years. These cards would allow DDOT to simplify its administrative process. Also, if the SmarTrip card is lost or stolen, it can be deactivated and replaced for a \$5 fee by WMATA.

DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

Students Were Able to Obtain Up to Three Replacement Student Travel Cards During a Year Which Presented Opportunity for Widespread Abuse of the School Transit Subsidy Program (page 24)

Recommendation #2: DDOT Mass Transit managers consider other alternatives for reducing requests for replacements, including: charging a substantial administrative fee at Metro sales outlet and schools for purchases of replacement farecards and Smart Student passes during the month; using different color-coded farecards and Smart Student Cards for replacement and creating different color-coded farecards and Smart Student passes to distinguish replacements from originals; increasing the price of replacement farecards, Smart passes, and bus tokens; and increasing the amount paid by students for Smart Student passes from \$22 per pass to \$24 and reducing the District's subsidy on Smart Student passes sold from \$22 per pass to \$20.

DDOT Response. See notes to Recommendation # 1 above.

SYSTEM DEFICIENCIES AND POOR RECORD RETENTION PRACTICES HAMPER THE MASS TRANSIT DIVISION'S ABILITY TO EFFICIENTLY TRACK STUDENT INFORMATION (page 24, 1st sentence): Currently, DDOT Mass Transit staff use a Microsoft Access database to record and maintain pertinent student information, such as birth date, school enrolled, academic year, grade, address, type of travel media issued (farecard, Smart Student pass, or bus token forms), and Metro stations to be used (entry/exit).

DDOT Response/Correction. Currently, DDOT Mass Transit staff use a Microsoft Access database to record and maintain pertinent student information, such as birth date, school enrolled, academic year, grade, address, type of travel media issued (farecard, or Smart Student pass), and Metro stations to be used (entry/exit).

Table VI, Confirmation Responses (page 27)

Recommendation #1: DDOT Mass Transit staff secures adequate space necessary to retain Student Travel Card applications and supporting documentation for at least a four year period.

DDOT Response. Mass Transit staff agrees. They have included these requirements as part of their space request for an upcoming move to new office space. The move anticipated during the summer of 2005.

Number of Records Input into Student Application Database Exceeds System Capacity Which Resulted in System "Crashes" (page 28)

Recommendation #1: DDOT Mass Transit staff immediately determines the option available for upgrading the Student Application Database to address the existing capacity issues. One alternative may be to upgrade the database using Microsoft SQL.

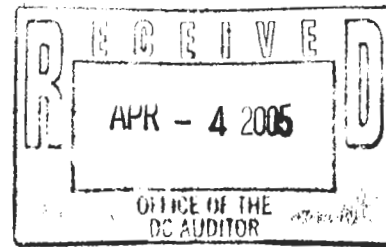
DDOT Response to Draft Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation

DDOT Response. Mass Transit staff agrees. They have received a proposal to update this system. Money is currently in the MTD budget to do so. Also MTD wants this upgrade to be Internet accessible for students and parents to apply on-line.

Meetings will be held with DDOT Technology staff in approximately two to four months to begin creating a system that addresses all of the needs spelled out in this audit.

Accuracy of Student Information Questioned Due to Discrepancies Between the Main Student Search Screen and the Detailed Updated Screen and Other Types of Erroneous Information (page 29, 3rd bullet): Grade shown on the Update screen inconsistent with the student's age or the grade level taught at the student's designated school of enrollment.

DDOT Response. The discovery of Metro stations in the database that were not proximate to students' home addresses was believed to be an indication of inaccuracies in the database. Mass Transit staff notes that many students access Metrorail by taking Metrobus, and thus it may be perfectly reasonable for these stations to be distant from students' homes.



April 4, 2005

Deborah K. Nichols
 District of Columbia Auditor
 Office of the District of Columbia Auditor
 717 14th Street, N.W., Suite 900
 Washington, DC 20005

Dear Ms. Nichols:

We are in receipt of your draft Audit Report entitled "Review of the School Transit Subsidy Program Administered by the District of Columbia Department of Transportation" for review and comment.

A summary of the findings and/or recommendations pertaining to WMATA and our response is as follows:

- WMATA's Untimely Submission of Monthly Certifications to DDOT delayed identification of budget shortfalls

According to Table V included in the draft report, the number of days after month end that the certification was received is as follows:

FY 2003	47.5 days
FY 2004 through March	64 days

The recommendation is that DDOT managers establish a required timeframe (e.g. 15 days after the end of the month) for WMATA to submit Monthly Certifications to DDOT and include the required timeframe in the Annual Subsidy Agreement.

DC Statue 35-236 states that "The Washington Metropolitan Area Transit Authority shall certify to the Mayor, as soon as practicable, following the end of each calendar month."

We are in the process of reviewing our internal procedures. To the extent that we can implement a process that improves our efficiencies, we will do so.

**Washington
 Metropolitan Area
 Transit Authority**

600 Fifth Street, NW
 Washington, DC 20001
 202/962-1234

By Metrorail:
 Judiciary Square—Red Line
 Gallery Place—Chinatown—
 Red, Green and
 Yellow Lines
 By Metrobus:
 Routes D1, D3, D6, P6,
 70, 71, 80, X2

Letter – Ms. Deborah K. Nichols
4/4/2005
Page 2

- The District has not executed a written subsidy agreement with WMATA since 1979.

The draft report states that no agreement has been signed since August 31, 1979 for the period ending August 31, 1980.

The draft report recommends that appropriate authorized District and WMATA officials develop and execute a Memorandum of Understanding or other written agreement which sets forth the responsibilities, obligations, rights and other essential terms that govern program administration and accountability.

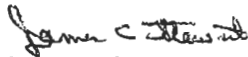
We agree that a Memorandum of Understanding or other written agreement should be created between the District and WMATA.

- DDOT mass transit does not have procedures in place to ensure that students use the school transit subsidy program only for educational purposes and does not have adequate controls to prevent widespread abuse of program services.

The draft report recommends that DDOT program managers assess the feasibility of discontinuing use of student bus tokens. Limiting use in this manner allows DDOT and WMATA to build automatic controls into the Smart Student passes and fare cards to restrict use to specific days and time periods.

We agree. We have previously identified these risks and discussed them with DDOT representatives. When DDOT is ready to implement changes and internal controls in the program, we will be glad to coordinate with them, make recommendations as appropriate and implement additional controls to reduce the risk of abuse.

Sincerely,


James C. Stewart
Auditor General