United States Government Accountability Office

GAO

Testimony

Before the Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Thursday, July 28, 2005

MASS TRANSIT

Preliminary Views on Options for Additional Fiscal Oversight of the Washington Metropolitan Area Transit Authority

Statement of Katherine Siggerud, Director
Physical Infrastructure Issues

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GAO-05-922T

July 28, 2005

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Highlights

Highlights of GAO-05-922T, a testimony before the Committee on Government Reform, House of Representatives

MASS TRANSIT

Preliminary Views on Options for Additional Fiscal Oversight of the Washington Metropolitan Area Transit Authority

Why GAO Did This Study

In recent years, the Washington Metropolitan Area Transit Authority (WMATA) has faced serious financial and budgetary problems as well as continuing challenges related to the safety and reliability of its transit services. At the same time, ridership is at an all-time high, and WMATA continues to provide critical services and considerable benefits to the Washington region and to the federal government.

This statement discusses (1) WMATA's responsibilities for serving the interests of the federal government, including the agency's role in transporting federal employees and visitors to the nation's capital and in supporting homeland security for the Washington metropolitan region; (2) the current funding challenges facing WMATA and the options proposed to address these challenges; (3) preliminary information on some of the entities that currently provide oversight of WMATA and the focus of their recent reviews; and (4) some considerations and options in instituting spending safeguards and oversight of any additional federal assistance provided to WMATA, should Congress decide to provide such assistance.

GAO discussed this testimony with WMATA and FTA officials, who provided comments and additional information that GAO incorporated as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-05-922T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kate Siggerud at (202) 512-2834 or siggerudk@gao.gov.

What GAO Found

WMATA transports a substantial share of the federal workforce and provides an important means of transportation to special events that occur in Washington, D.C., as the nation's capital. WMATA's Metro Transit Police assists federal law enforcement agencies by providing expertise in civil disturbance management and explosives detection and by training first responders in emergency management techniques specific to transit environments. WMATA's Metrorail and Metrobus are the preferred means of transportation in an emergency scenario requiring evacuation, and both the regional and the District of Columbia emergency transportation plans rely heavily on them.

A regional funding panel estimated WMATA's budgetary shortfall at $2.4 billion for fiscal years 2006 through 2015 if WMATA were to fund many of the projects in its 10-year capital improvement plan. This shortfall may be even greater because the panel's shortfall calculation did not include the costs of providing specialized transportation for persons with disabilities, as required under the Americans with Disabilities Act. To deal with WMATA's funding shortfall, the regional panel concluded that the region needs to develop a dedicated source of revenue for WMATA (e.g., local sales tax) and that the federal government needs to provide significant contributions because of the benefits it receives from WMATA. However, given the large federal budget deficit and competing claims on federal resources, GAO believes WMATA may also need to reexamine its own spending priorities.

As part of its ongoing work on WMATA's oversight entities, GAO found that WMATA is subject to oversight from multiple entities that, since 2003, have issued hundreds of reports—which vary in scope—on a broad range of topics. These entities include WMATA's Auditor General, an independent external auditor, the Federal Transit Administration (FTA), and industry peer review panels. The entities have made recommendations to WMATA, which WMATA has generally implemented or plans to implement. As part of its ongoing work, GAO plans to analyze these reviews in more detail to determine if they comprehensively identify and address WMATA's overall management and operational challenges. GAO's ongoing work will also cover other FTA reviews and safety reviews of WMATA's operations.

Congress, the administration, and GAO have long recognized the benefits of having spending safeguards and management oversight for entities that receive federal funding. If Congress decides to provide WMATA with additional federal funding, there needs to be reasonable assurance that the funds will be spent effectively. We identified several options for additional oversight that could be incorporated into legislation that provides additional federal funding to WMATA, including having WMATA officials periodically report to Congress on how the funding is being spent; specifying the types of projects for which federal funds could be used; and requiring that any additional federal funding be subject to FTA's oversight programs.

Mr. Chairman and Members of the Committee:

We are pleased to testify before you today on issues related to the Washington Metropolitan Area Transit Authority (WMATA) and the federal government. In recent years, WMATA has faced financial and budgetary problems, as well as continuing challenges related to the safety and reliability of its transit services. At the same time, ridership is at an all-time high, and WMATA continues to provide critical services and considerable benefits that support the Washington region's economy and the federal government. For example, WMATA operates a transit system that provides an indispensable commuting option for hundreds of thousands of Washington-area workers, including federal government employees, tourists, and others who visit the region each day.

Our statement today is based on the interim results of our work on WMATA. We will discuss

- WMATA's responsibilities for serving the interests of the federal government, including the agency's role in transporting federal employees and visitors to the nation's capital and in supporting homeland security for the Washington metropolitan region;
- the current funding challenges facing WMATA and the options proposed to address these challenges;
- preliminary information on some of the entities that currently provide oversight of WMATA and the focus of their recent reviews; and
- some considerations and options in providing spending safeguards and oversight of any additional federal assistance provided to WMATA, should Congress decide to provide such assistance.

Our work is based on our review of WMATA's documentation of the transit services it provides to federal employees and others; its budgetary and other financial documentation; our analysis of reports on WMATA's financial problems that we and others have issued; and interviews with officials at WMATA, the U.S. Department of Transportation (DOT), other federal agencies that rely on WMATA's services, and officials with expertise in the transit industry, transportation planning, and transportation finance. We reviewed selected reports issued by entities that oversee WMATA—including WMATA's Auditor General, an independent external auditor, and the Federal Transit Administration (FTA). We also reviewed prior GAO reports on various oversight issues

related to mass transit and other areas of surface transportation. We conducted our work from March 2005 through July 2005 in accordance with generally accepted government auditing standards. We obtained oral comments on this statement from WMATA and DOT officials, who generally agreed with the information and provided technical comments, which we incorporated as appropriate. We also provided selected portions of the statement to the District of Columbia Department of Transportation, the General Services Administration, the Office of Personnel Management, the National Capital Planning Commission, the U.S. Capitol Police, and the U.S. Secret Service. Some of these agencies provided technical comments, which we incorporated as appropriate. Details of our scope and methodology are provided in appendix I.

In summary:

- WMATA transports a substantial share of the federal workforce and provides an important means of transportation to the special events that occur in Washington, D.C., as the nation's capital and its "seat of government." WMATA's Metro Transit Police also plays an important role in assisting federal law enforcement agencies by providing expertise in civil disturbance management and explosives detection and by making Metrobuses available for perimeter security and for redirecting traffic at high-security federal events. Additionally, WMATA trains first responders in emergency management techniques specific to transit environments at its tunnel facility in Landover, Maryland, and through its training course on managing Metrorail emergencies. The Metrorail system is equipped with chemical and radiological early warning systems to alert first responders to potential hazardous materials incidents. In addition, both the regional and the District of Columbia emergency transportation plans rely heavily on Metrorail and Metrobus for transportation in an emergency scenario requiring evacuation.

- Over the years, WMATA has faced funding challenges, and the options proposed to address those challenges generally include both a dedicated revenue source and a federal contribution. A regional panel, convened in September 2004, estimated that under its current revenue structure, WMATA would have a total budgetary shortfall of $2.4 billion during fiscal years 2006 through 2015 if it went forward with the projects remaining in its 10-year capital improvement plan, except for those that involved expanding the current system. We believe that WMATA's anticipated shortfall may be even greater because, in calculating the shortfall, the

panel did not include the costs of providing paratransit services as required under the Americans with Disabilities Act (ADA).[1] These costs are significant; in fact, the panel estimated that these services could result in a shortfall for WMATA of about $1.1 billion over the 10-year period from fiscal year 2006 through fiscal year 2015, thus raising the total anticipated shortfall to $3.5 billion for that period. In dealing with its funding challenges, WMATA—unlike most other major transit systems—does not have a dedicated source of revenue, such as a local sales tax whose receipts are automatically directed to the transit authority. As a result, the regional panel and others have concluded that the Washington region needs to develop a dedicated source of revenue for WMATA. In addition, the panel has concluded that the federal government needs to participate "significantly" in addressing WMATA's budgetary shortfall, particularly for capital maintenance and system enhancement, because WMATA has provided numerous benefits to the Washington region and the federal government over the years. To the extent that the federal government cannot provide significant additional support to WMATA because of competing claims on federal resources, and WMATA's current revenue structure continues to be insufficient to support its planned capital projects, WMATA may need to reexamine its spending priorities, including how it will meet its ADA obligations.

- As part of our preliminary review of WMATA's oversight entities, we found that WMATA is subject to oversight from multiple entities that, since 2003, have issued hundreds of reports and made dozens of recommendations. These entities include WMATA's Office of Auditor General, which has issued nearly 500 reports, including internal and investigative audits and reviews of contracts and pricing proposals, and an independent external auditor, which annually reviews WMATA's financial statements and related internal controls. Additionally, FTA oversees WMATA's major capital projects through the project management oversight program; FTA has issued 125 monthly monitoring reports on seven of WMATA's major projects through this program since 2003. FTA also reviews WMATA's compliance with a wide range of administrative and statutory requirements through its Triennial Review. In 2005, at WMATA's request, panels assembled by a transit industry association conducted peer reviews of WMATA's bus and rail operations. The peer review panels developed recommendations to improve the effectiveness and efficiency of bus and rail operations in multiple areas, including staffing, organization,

[1]Paratransit most often refers to wheelchair-accessible, demand-response van service for individuals who are unable to use the regular transit system independently because of a physical or mental impairment.

maintenance, and technology. WMATA has generally implemented or plans to implement the recommendations resulting from the various oversight reviews. As part of our ongoing work, we plan to analyze these reviews in greater detail to determine whether, taken as a whole, they identify systemic problems and are adequate to address WMATA's overall management and operational challenges. Our ongoing work will also include FTA's in-depth reviews of program or system compliance, as well as safety reviews conducted by external and internal entities.

- To control costs and ensure results—especially for high-cost transportation infrastructure projects—Congress, the administration, and GAO have long recognized the benefits of spending safeguards and management oversight for the state and local governments and transportation agencies that receive federal funding. For example, certain federal laws have historically controlled the uses of federal transportation funds, including instituting "matching" requirements to ensure the use of some local funds for capital infrastructure projects and prohibiting the use of these funds for operating expenses. Several ongoing, planned, and past efforts illustrate the benefits of management oversight and the ways it can be carried out. At the local level, in the 1980s, New York City's ailing Metropolitan Transit Authority was subject to increased oversight legislated by the state. This oversight, along with increased revenue, was followed by improvements in the performance of the authority's subway system. We have also reported that safeguards should accompany any increased federal funds provided to the District of Columbia to address the structural imbalance between its costs and revenue-raising capacity. At the federal level, FTA's project management oversight program is designed to help ensure that grantees building major capital projects have the qualified staff and procedures needed to successfully plan and carry out those projects. Finally, the House and Senate versions of the surface transportation reauthorization bill currently before Congress include provisions that enhance management oversight for major capital projects receiving federal funds. We have not fully analyzed the applicability of these oversight options to WMATA or evaluated their relative merits. However, we believe that should Congress decide to provide WMATA with additional federal funding in recognition of its support of the federal government, Congress should have reasonable assurances that the funds would be spent efficiently and effectively. Accordingly, we identified several options for writing safeguards into legislation that provides any additional federal funding to WMATA. These options include having WMATA officials periodically report to Congress on how the funding is being spent; specifying the types of projects for which federal funds could be used; and instituting additional oversight bodies for WMATA.

Background

WMATA was created in 1967 by an interstate compact that resulted from the enactment of identical legislation by Virginia, Maryland, and the District of Columbia, with the concurrence of the U.S. Congress.[2] WMATA began building its Metrorail system in 1969, acquired four regional bus systems in 1973, and began the first phase of Metrorail operations in 1976. In January 2001, WMATA completed the originally planned 103-mile Metrorail system, which included 83 rail stations on five rail lines. The transit system encompasses (1) the Metrorail subway system, which now has 86 Metrorail stations on five rail lines and a fleet of about 946 rail cars; (2) the Metrobus system, which has a fleet of about 1,447 buses serving 350 routes; and (3) the MetroAccess ADA complementary paratransit system, which provides specialized transportation services, as required by law, to persons with disabilities who are certified as being unable to access WMATA's fixed-route transit system.

Congress and the executive branch have supported considerable federal funding for WMATA since its inception in the 1960s, citing several reasons including (1) the federal government's large presence in the area, (2) the attraction of the nation's capital for tourists, (3) the overlapping needs of adjacent jurisdictions, and (4) the limitations faced in raising other revenue for transit needs. This federal funding has taken several forms over the years.[3] First, WMATA relied on federal funding to pay for nearly 70 percent of the costs to build its Metrorail subway system. From 1969 through 1999, the federal government provided about $6.9 billion[4] of the approximately $10 billion that WMATA spent to construct the original 103-mile system, according to WMATA officials.[5] Second, WMATA has also relied on federal funding to cover more than 40 percent of its capital improvement costs during the last 10 fiscal years. Of about $3.5 billion that WMATA received from all sources for capital improvements during fiscal years 1995 through 2005 (as of February 2005), about $1.5 billion, or about

[2]Washington Metropolitan Area Transit Authority Compact, Pub. L. No. 89-774 (1966).

[3]See GAO, *Mass Transit: Information on the Federal Role in Funding the Washington Metropolitan Area Transit Authority*, GAO-05-358T (Washington, D.C.: Feb. 18, 2005).

[4]In our February 2005 testimony (see GAO-05-358T), we reported information, provided by WMATA officials, showing that the federal government's contribution from 1969 through 1999 was $6.2 billion. In commenting on a draft of today's testimony statement, WMATA officials told us that they had provided us with incomplete information in February 2005 and that, in fact, the total federal contribution during those years was $6.9 billion.

[5]All dollar figures presented in this statement are in nominal dollars (not adjusted for inflation).

43 percent, came from the federal government, with the remaining $2 billion, or about 57 percent, coming from the state and local jurisdictions that WMATA serves and from other sources. Most of this federal funding has come through grants administered by FTA. Finally, WMATA received about $49.9 million for congressionally designated projects, including a new Metrorail station at New York Avenue in the District of Columbia, during fiscal years 1995 through 2005.

WMATA operates in a complex environment, with many organizations influencing its decision-making and funding and providing oversight. WMATA is governed by a board of directors—composed of individuals appointed by each of the local jurisdictions WMATA serves—which sets policies and oversees all of WMATA's activities, including budgeting, operations, development, expansion, safety, procurement, and other activities. In addition, a number of local, regional, and federal organizations affect WMATA's decision-making, including (1) state and local governments, which subject WMATA to a range of laws and requirements; (2) the National Capital Region Transportation Planning Board of the Metropolitan Washington Council of Governments, which develops the short- and long-range plans and programs that guide WMATA's capital investments; (3) FTA, which provides oversight of WMATA's compliance with federal requirements; (4) the National Transportation Safety Board, which investigates accidents on transit systems as well as other transportation modes; and (5) the Tri-State Oversight Committee, which oversees WMATA's safety activities and conducts safety reviews.

WMATA's combined rail and bus ridership totaled about 343.8 million passenger trips in fiscal year 2005. WMATA operates the second largest heavy rail transit system and the fifth largest bus system in the United States, based on passenger trips, according to WMATA. WMATA's fiscal year 2005 budget is $1.29 billion. Of the total amount, about 76 percent, or $977.9 million, is for operations, including maintenance activities, and the remaining 24 percent, or $314.1 million, is for capital improvements. WMATA obtains its funding from a variety of sources, including the federal, state (Virginia and Maryland), District of Columbia, and local governments; passenger fares; and other sources. In general, WMATA relies on passenger fares and subsidies from its member jurisdictions to

cover the majority of its operating costs.[6] Its capital funds are obtained from other sources, including the federal government and the state and local jurisdictions that it serves. Of all WMATA's funding, less than 2 percent is from a dedicated source.

WMATA Supports Federal Government Operations by Providing Transportation and Security and by Supporting Emergency Preparedness

As the major transit agency in the national capital area, WMATA provides transportation to and from work for a substantial portion of the federal workforce and is also integral to the smooth transportation of visitors to the nation's capital. WMATA also assists federal law enforcement agencies by providing security for high-profile events and other security-related expertise and services. Furthermore, the emergency transportation plans of the District of Columbia and the Washington region both rely heavily on Metrorail and Metrobus for transportation in an emergency scenario requiring evacuation.

WMATA's Transit Services Affect Daily Federal Government Operations

According to estimates prepared by WMATA, a substantial share of Metrorail's riders, particularly at peak commuting periods, are federal employees.[7] Using data from its 2002 passenger survey (the most recent data available), WMATA estimates that approximately 35 percent of all

[6]Metrorail has the second highest cost recovery ratio (revenues from fares per total operating expenses) of any heavy rail system in the nation, according to 2002 data, whereas Metrobus's cost recovery ratio is ranked 17th out of the largest 20 bus systems.

[7]WMATA's estimates do not include federal contractors and do not consider the extent to which federal employees use Metrobus or MetroAccess services.

Metrorail riders were federal employees in 2002.[8] WMATA's estimates are higher for peak[9] period times, when the system faces capacity constraints: according to the survey, approximately 41 percent of the morning peak period riders and approximately 37 percent of the afternoon peak period riders are federal employees. The federal employees who ride Metrorail to and from work each day represent a substantial share of federal employees in the Washington, D.C., region. Using an estimate based on its 2002 passenger survey data on the number of federal employees who are Metrorail passengers, together with data from OPM on the number of civilian federal employees in the Washington, D.C., region, WMATA estimated that in 2002, approximately 40 percent of federal employees used Metrorail.

WMATA's operating status is an important factor in OPM's decisions about the day-to-day operations of the federal government. OPM officials told us that WMATA is a key stakeholder in OPM's decision to have an early dismissal, late arrival, or closure of the federal government, since a substantial portion of the federal workforce rides WMATA's transit system to and from work. Those officials said that they are aware of WMATA's operating constraints and take them into account when deciding to close the federal government. However, the officials told us that OPM makes the final decision and uses the safety of employees as the sole factor in its decision. OPM officials further noted that the functioning of the federal government is not dependent on WMATA's operating status and that employees have other options, such as flexible work schedules and teleworking, available should they not be able to get to their usual workplace.

[8]Like other estimates, WMATA's estimates are subject to various forms of possible error that might cause the actual percentage of Metrorail riders that are federal employees to differ from the estimated percentage. One form is sampling error. Because WMATA surveyed a large sample of riders, the sampling errors associated with its estimates are small. All the estimates that we cite from WMATA's 2002 passenger survey have sampling margins of error of less than plus or minus 0.5 percentage points at the 95 percent confidence level. As a result, based on sampling error alone, the chances are 95 out of 100 that the actual percentage of Metrorail riders that were federal employees in 2002 lies between 34 and 35 percent. However, the practical difficulties of conducting any survey can introduce errors from other sources, commonly referred to as nonsampling errors, which may reduce one's level of confidence in the estimates. In particular, the WMATA survey had an overall response rate of less than 28 percent. As response rates decrease, so does the likelihood that the characteristics of the survey respondents represent those of the entire universe of Metrorail riders.

[9]WMATA defines the morning peak period as 5:30 a.m. through 9:29 a.m. and the afternoon peak period as 3:00 p.m. through 6:59 p.m.

Federal Guidance Provides Incentives for Federal Employees to Use Mass Transit

Executive Order 12072, issued on August 16, 1978,[10] instructs federal agencies to consider such factors as the availability of public transportation and parking as well as accessibility to the public when evaluating and selecting federal facilities. The General Services Administration (GSA)—which has overall responsibility for reviewing and approving the acquisition of federal facilities—created a Site Selection Guide[11] for federal agencies that implements the provisions of this executive order, as well as other public laws and executive orders. Within the National Capital Region, the National Capital Planning Commission also has review and approval authority over federal building construction, renovations, and transportation plans in the District of Columbia, and it has review authority only over federal sites in the Virginia and Maryland areas of the region. Both GSA and the commission instruct federal agencies to locate their facilities near mass transit stops whenever possible.

The Federal Employees Clean Air Incentives Act of 1993[12] also encourages the federal use of mass transit, with specific provisions for the National Capital Region.[13] The purpose of this act was to authorize agencies to create programs for federal employees to encourage their use of alternatives to single-occupancy vehicles for commuting. Under the act, the heads of agencies were authorized to establish programs for agency employees that would provide, for example, transit passes, space for bicycles, and nonmonetary incentives.

[10]43 F.R. 36869.

[11]U.S. General Services Administration, *Site Selection Guide* (Washington, D.C.: March 2003).

[12]Codified at 5 USC § 7905.

[13]Executive Order 13150, issued on April 21, 2000, implemented the act by mandating that federal agencies establish a "transit pass" program for federal employees in the National Capital Region and offer a program that allows federal employees to exclude a portion of their income from taxes for commuting costs, where such commuting includes mass transportation and vanpools. Federal employees in the National Capital Area may personally claim up to $1,260 per year in transit benefits for commuting purposes.

WMATA Provides Transportation to Special Events in the Nation's Capital

WMATA's services are integral to the smooth operation of the myriad of special activities that occur in Washington, D.C., as the nation's capital and its "seat of government." According to a visitor transportation survey administered for the National Park Service, 61 percent of visitors used Metrorail during their visit to Washington, D.C.[14] In several instances, ridership has been highest on days when events (1) were sponsored by the federal government, such as the first and second inaugurations of President George W. Bush and the grand opening of the National Museum of the American Indian or (2) occurred in Washington because it is the seat of government, such as political rallies. On June 6, 2004, the date of former President Ronald Reagan's state funeral ceremony, WMATA marked its highest ridership day ever, with more than 850,000 riders.

The federal government also relies on WMATA to provide transportation services outside its normal hours and routes. Some examples follow:

- In May 2004, WMATA, along with other regional transit agencies, provided buses to shuttle attendees from Metrorail stations to the World War II dedication ceremony on the National Mall.[15]
- Metrobuses ran overnight between RFK Stadium and the U.S. Capitol for 2 nights in June 2004 to enable people to pay respects to former President Ronald Reagan.[16]
- On Inauguration Day, in January 2005, WMATA opened Metro 2 hours early and closed it 3 hours later than normal, at the request of the Presidential Inaugural Committee.

[14]National Park Service, *Visitor Transportation Survey* (Washington, D.C.: Nov. 2003).

[15]The American Battle Monuments Commission and Transportation Management Services paid WMATA $223,320 for the use of 240 buses. WMATA charged these organizations the standard charter bus rate of $310.50 for the first 3 hours plus $34.50 for each additional 30 minutes.

[16]The Ronald Reagan Presidential Foundation paid WMATA $16,110 for the use of 20 buses. WMATA charged the foundation the standard charter bus rate.

WMATA Assists Federal Law Enforcement Agencies in Providing Security for High-Profile Government Events

WMATA's Metro Transit Police supports the U.S. Secret Service by making available its officers who have expertise in areas such as explosives detection and civil disturbance management to help ensure a safe and secure environment before and during events involving the President, the Vice President, or high-level foreign dignitaries. For example, when events are held in venues located above Metrorail stations, Metro Transit Police's explosive ordnance detection team inspects the stations to ensure they are free from explosives. The Metro Transit Police deployed its civil disturbance team at the 2005 presidential inaugural parade at the request of the Secret Service, which had received specific intelligence that protestors might attempt to breach the parade route. The Metro Transit Police received $299,371 in Department of Homeland Security (DHS) Urban Area Security Initiative (UASI) grants for overtime associated with providing security for the 2005 presidential inauguration. In commenting on the importance of the Metro Transit Police's security expertise, Secret Service officials told us that they consider the Metro Transit Police to be a full law enforcement partner, along with the District of Columbia's Metropolitan Police Department, the U.S. Capitol Police, and the U.S. Park Police.

The Metro Transit Police also provides enhanced security throughout the Metrorail and Metrobus system when DHS raises the threat level, which is communicated through the Homeland Security Advisory System.[17] Since DHS implemented the color-coded system in March 2002, the Metro Transit Police has spent about $2.7 million on overtime related to increased threat levels, for such activities as increasing patrols of Metrorail stations, trains, and buses. WMATA received $632,356 through a DHS UASI grant for overtime costs in 2004; this grant was WMATA's first reimbursement for costs associated with increased threat levels, according to a Metro Transit Police official.

WMATA also supports federal law enforcement efforts by providing Metrobuses to the U.S. Capitol Police to establish security perimeters, block intersections, and reroute traffic for events that take place on the grounds of the U.S. Capitol, such as presidential inaugurations and State of the Union addresses, and at other locations where presidential and vice presidential events occur. The Secret Service also uses Metrobuses periodically to establish temporary security perimeters; for example, it did

[17]The Homeland Security Advisory System is a threat-based system that DHS uses to communicate to public safety officials and the public the likelihood of a terrorist attack.

so along the 2005 presidential inauguration parade route. The law enforcement agencies that use Metrobuses are charged the same standard charter rate that WMATA charges all parties to rent its Metrobuses for special events.

WMATA Supports Emergency Preparedness by Providing First Responder Training, Early Warning Sensors, and Emergency Evacuation Infrastructure

WMATA supports homeland security efforts for the Washington region and the federal government through a variety of efforts. It provides training for local and federal first responders at its tunnel training facility and has deployed early-warning systems to detect chemical and radioactive contamination in some of its underground Metrorail stations. WMATA's infrastructure is key to emergency evacuation of the region, including the evacuation of workers in federal buildings concentrated in downtown Washington, D.C.

First Responder Training

WMATA's emergency response training facility in Landover, Maryland, provides a realistic setting for fire, police, emergency, and transit personnel to learn how to respond to events such as collisions, fires, and weapons of mass destruction incidents that occur in a transit or tunnel environment. The facility includes a 260-foot tunnel that houses two subway cars positioned to resemble a wreck, as well as simulated electrified third rail, cabling, and lighting that appear identical to those in a real tunnel. Emergency personnel from across the region train at the center. The training center's federal clients include the Federal Bureau of Investigation's Hostage Rescue Team, the Federal Protective Services, and the U.S. Marines' Chemical-Biological Incident Response Force. Additionally, according to WMATA officials, FTA's Transportation Safety Institute plans to use the Emergency Response Training Facility as a host site for the counterterrorism training it plans to provide to transit agencies' law enforcement and safety personnel. WMATA funds this training facility entirely out of its regular operations budget.

WMATA is also introducing a training course on managing Metrorail emergencies, which will address emergency management concepts, techniques to respond to weapons of mass destruction attacks, and emergency traffic control. The course, which WMATA is funding with a $335,261 DHS UASI grant, will be available to first responders from the region, transit agencies nationwide, and FTA.

Early Warning Sensor Systems

Metrorail is equipped with a permanent chemical detection system to help detect hazardous substances in selected stations in the Metrorail system. This system, known as the Program for Response Options and Technology (PROTECT), acts as an early warning to safeguard first responders,

employees, and Metrorail customers and is installed in selected locations in underground Metrorail stations. WMATA had assistance from the U.S. Departments of Transportation, Energy, and Justice in developing the sensor system. It received $15 million in federally appropriated funds in fiscal year 2002 and $1.4 million in additional funds in fiscal year 2004 through a direct grant from DHS's Office of Domestic Preparedness to pay for the installation of the sensors.[18]

Additionally, Metro Transit Police has distributed pager-sized devices to about 100 officers to wear in the Metrorail system to detect radiation. According to the Metro Transit Police, these pagers are worn mostly by officers in the downtown core because this area is considered to be at higher risk for attack. WMATA paid for about half of the radiological pagers, and the Department of Energy furnished the remainder.

These early warning devices are important to the area's first responders because if a high reading of a chemical or radioactive substance is detected, it is considered a potential hazardous materials or "hazmat" incident. In such an event, the portion of the Metrorail system involved could be temporarily closed, affecting traffic in the area, and local emergency management agencies would be notified and become responsible for coordinating any additional response.

Emergency Evacuation

The local emergency response officials we interviewed generally prefer using Metrorail and Metrobus in an emergency scenario that requires evacuation because mass transit can move large numbers of people efficiently and help keep roadways clear for first responders and other emergency vehicles. To assist in coordinating evacuation planning across jurisdictions, the region's metropolitan planning organization, the Metropolitan Washington Council of Governments, has developed guidance on emergency evacuation that includes the use of Metrorail and regular Metrobus routes as well as Metrobuses on special evacuation routes. The District of Columbia's emergency evacuation plans also rely heavily on WMATA. Additionally, because the federal presence in the District is so large, the District Department of Transportation consulted with federal agencies in developing its emergency transportation plans.

[18]Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States for Fiscal Year 2002, Public Law No. 107-117, Div. B, Ch. 4, 115 Stat. 2230, 2304.

Options for Addressing Anticipated Future Funding Shortfall Would Likely Include both Local and Federal Contributions

Over the years, WMATA has faced funding challenges, and options have been proposed to address them. Although WMATA has taken steps to improve its management, such as prioritizing its planned capital improvements, it lacks a dedicated funding source and must rely on variable, sometimes insufficient contributions from local, regional, and federal organizations to pay for its planned capital improvements. A report published by a regional funding panel estimated that, over the next 10 years, under its current revenue structure, WMATA will face a $2.4 billion budget shortfall, due largely to expenditures planned for capital improvement projects—an estimate that may not fully reflect the magnitude of the anticipated budget shortfall. Proposed options would provide a dedicated funding source, such as a local sales tax, and would increase federal funding for capital improvements.

Estimated Costs of WMATA's Planned Capital Projects Exceed Anticipated Funding

WMATA and others have projected continuing shortfalls in its capital and, to some extent, its operating budgets. For example, in 2001, we reported that WMATA faced uncertainties in obtaining funding for planned capital spending for two of its capital programs, discussed below, the Infrastructure Renewal Program (IRP) and the System Access and Capacity Program (SAP).[19] At that time, WMATA anticipated a shortfall of $3.7 billion in the funding for these programs over the 25-year period from fiscal year 2001 through fiscal year 2025.

Since that time, in response to recommendations that we and others made, WMATA created a strategic plan, which it issued in October 2002. In November 2002, it documented and prioritized its planned capital projects in a 10-year capital improvement plan that called for spending $12.2 billion over the period from fiscal year 2004 through fiscal year 2013. Then, in September 2003, WMATA launched a campaign called "Metro Matters" to obtain $1.5 billion in capital funding over a 6-year period to avert what WMATA believed was a crisis in its ability to sustain service levels and system reliability and to meet future demands for service. In response, WMATA and its member jurisdictions approved a $3.3 billion funding plan

[19]See GAO, *Mass Transit: Many Management Successes at WMATA, but Capital Planning Could Be Enhanced*, GAO-01-744 (Washington, D.C.: July 3, 2001) and *Mass Transit: WMATA Is Addressing Many Challenges, but Capital Planning Could Be Improved*, GAO-01-1161T (Washington, D.C.: Sept. 21, 2001).

for fiscal years 2005 through 2010 to help pay for WMATA's most pressing short-term capital investment priorities.[20]

As concerns about WMATA's anticipated funding shortfall grew, a regional funding panel known as the Metro Funding Panel—cosponsored by the Metropolitan Washington Council of Governments, the Greater Washington Board of Trade, and the Federal City Council[21]—was convened in September 2004 to study the magnitude of the shortfall, identify sources of funding, and evaluate options for generating additional revenues to address that shortfall. The panel estimated that under its current revenue structure, WMATA would have a total funding shortfall of about $2.4 billion for fiscal years 2006 through 2015 for maintaining and upgrading its existing system, assuming that Metro Matters was fully funded. As shown in table 1, the panel attributed nearly 80 percent of the total estimated shortfall of $2.4 billion to WMATA's capital activities (IRP and SAP) and the remainder to operations activities associated with future capital projects as they are completed.

[20]The $3.3 billion included $1.8 billion in previously pledged funding and $1.5 billion in new commitments called for in Metro Matters. The $1.5 billion is largely funded by the local jurisdictions; however, it also includes a request for about $260 million in federal appropriations over the 6-year period, to be used for rail cars. WMATA officials told us that the federal government has not acted on the additional funding request.

[21]The formal name of the panel is "Panel on the Analysis of and Potential for Alternate Dedicated Revenue Sources for WMATA." See PB Consult, Inc., *Report of the Metro Funding Panel* (Washington, D.C.: Jan. 6, 2005).

Table 1: Components of the Metro Funding Panel's Estimate of WMATA's Budgetary Shortfall, Fiscal Years 2006 through 2015

Dollars in millions			
WMATA projects or activities	**Shortfall in fiscal years**	**Total amount of shortfall**	**Percentage of total**
Infrastructure Renewal Program (IRP) projects	2011 through 2013	**$430.1**	18
System Access and Capacity Program (SAP) projects	2008 through 2015	**$1,450.5**	61
Operations activities associated with future operation of capital projects—not including system expansion projects	2006 through 2015	**$500.8**	21
Total		**$2,381.4**	**100**

Source: GAO analysis of information in *Report of the Metro Funding Panel*, January 2005.

Funding for the following projects and activities is included in the shortfall estimate:

- *IRP projects*: The IRP projects occur in fiscal year 2011 through 2013, after the Metro Matters funding agreement expires. These projects, which provide ongoing maintenance and renewal of the Metrorail and Metrobus systems, include replacing and rehabilitating buses and rail cars, rehabilitating escalators and elevators, rehabilitating Metrorail stations and parking lots, renovating rail car and bus maintenance facilities, and rehabilitating electrical systems, among other things.

- *SAP projects*: These projects, which are intended to increase the capacity of the current Metrorail and Metrobus systems to handle increased passenger levels, include the purchase of 130 new rail cars and 275 new buses; a variety of improvements to four maintenance facilities, two storage facilities, two new bus garages, and one replacement bus garage; enhancements at Metro Center, Union Station, and Gallery Place Metrorail stations; the construction of pedestrian connections between two pairs of Metrorail stations (between Farragut North and Farragut West and between Metro Center and Gallery Place); and 140 miles of bus corridor improvements, such as signal priority for buses, route delineation techniques using pavement materials and painted markings, and passenger waiting area enhancements.

- *Operating activities*: Finally, the panel included a relatively small portion of WMATA's operating budget in the shortfall estimate. This portion

consists of some additional operating costs associated with some of the capital projects. According to WMATA, these are mostly preventative maintenance projects, such as bus engine overhauls, bus tire replacements, bus parts, rail parts, and labor costs.

Appropriately, the panel's budgetary shortfall estimate did not include the portion of WMATA's capital improvement plan that involves expanding the system—by adding new rail lines, for example. The projects in this portion of the plan, known as the System Expansion Program, are estimated to cost roughly $6 billion. WMATA officials told us that these projects would be paid for by the local jurisdictions and businesses where they would be built, as well as by federal grants for new transit expansion.

In preparing its estimate of WMATA's budgetary shortfall, the panel did not evaluate the need for, or priority of, individual projects in SAP and IRP. Likewise, we did not independently assess the suitability of including these projects, as a whole or individually, in the shortfall estimate. However, when WMATA developed its 10-year capital improvement plan in 2002, the projects were approved by its board of directors, which includes representatives from all of WMATA's member jurisdictions. In addition, the IRP projects and some of the projects in SAP have been incorporated into the region's Constrained Long-Range Plan for transportation improvements over the next 20 years by the Transportation Planning Board of the Metropolitan Washington Council of Governments.

Estimates of the Magnitude of WMATA's Funding Shortfall May Not Be Comprehensive

In estimating WMATA's budgetary shortfall, the panel did not include a major cost category and, thus, may have significantly underestimated the shortfall. The panel did not include the costs of providing paratransit services as required under ADA. Compliance with the act's requirements may result in significant costs over the next 10 years. The panel recognized that including these costs, which are included in WMATA's operating budget, would result in a greater budgetary shortfall. In fact, the panel estimated the shortfall from MetroAccess, WMATA's paratransit system, at about $1.1 billion over the 10-year period from 2006 through 2015, thus raising the total anticipated shortfall to $3.5 billion for that period. However, the panel stated that funding for these services should be provided through a creative packaging of social service, medical, and other nontransportation resources in the region, rather than by WMATA. We believe that any estimate of WMATA's funding shortfall should include

the costs associated with MetroAccess because WMATA is required by ADA to provide paratransit services.[22]

Options for Addressing WMATA's Funding Challenges Would Generally Establish a Local Dedicated Revenue Source and Include a Federal Contribution

In our 2001 report and testimony,[23] we noted that WMATA's funding comes from a variety of federal, state, and local sources, but that unlike most other major transit systems, WMATA does not have a dedicated source of nonfarebox revenue, such as a local sales tax, whose receipts are automatically directed to the transit authority. As far back as April 1979, we reported on concerns about the lack of a revenue source dedicated to pay the costs of mass transportation for the Washington region.[24] Concerns about WMATA's lack of dedicated revenues surfaced again in reports issued by the Brookings Institution in June 2004[25] and by the Metro Funding Panel in January 2005.[26] According to the Brookings report, WMATA's lack of dedicated revenues makes WMATA's core funding uniquely vulnerable and at risk as WMATA's member jurisdictions struggle with their own fiscal difficulties. The Brookings report and the Metro Funding panel report both state that the Washington region needs to develop a dedicated source of revenue, and they evaluate the advantages and disadvantages of a menu of revenue options that could support the dedicated revenue source—specifically, gasoline taxes, sales taxes, congestion charges, parking taxes, land-value capture,[27] and payroll taxes.

Observing that WMATA has provided numerous benefits both to the Washington region and the federal government over the years, the Metro Funding Panel also concluded that WMATA will require a commitment of new revenue sources to sustain those benefits. Accordingly, the panel

[22]The Metropolitan Washington Council of Governments is currently evaluating how well the National Capital Region delivers paratransit services to local constituents and the extent to which local agencies have coordinated the provision of these services. In particular, the study will seek more cost-effective ways to provide the service.

[23]GAO-01-744 and GAO-01-1161T.

[24]GAO, *Issues Being Faced by the Washington Metropolitan Area Transit Authority*, CED-79-52 (Washington, D.C.: Apr. 10, 1979).

[25]Robert Puentes, *Washington Metro: Deficits by Design* (Washington, D.C.: Brookings Institution Series on Transportation Reform, June 2004).

[26]*Report of the Metro Funding Panel* (2005).

[27]Land-value capture is a tax arrangement under which incremental growth in property tax receipts generated in the Metrorail service areas would be shared with WMATA.

recommended, among other things, that (1) WMATA's compact jurisdictions of Virginia, Maryland, and the District of Columbia mutually create and implement a single regional dedicated revenue source to address WMATA's budgetary shortfalls and (2) the federal government participate "significantly" in addressing WMATA's budgetary shortfalls, particularly for capital maintenance and system enhancement.

In the current situation of large budget deficits, any additional federal funding for WMATA would need to be considered along with the many other competing claims for federal resources. To the extent that the federal government cannot provide significant additional support to WMATA, and WMATA's current revenue structure continues to be insufficient to support its planned capital projects, WMATA may need to reassess its capital improvement plan to determine which projects could be undertaken within a more constrained funding level. WMATA also may need to consider how it will meet its obligations under ADA.

WMATA Is Subject to Oversight from Multiple Entities Whose Reviews Address a Wide Range of Issues

WMATA is subject to oversight from multiple entities that have issued numerous reports on the agency since 2003. The scope of the reports varies and includes compliance reviews of specific statutory requirements, monthly assessments of major construction projects, and reviews of WMATA's overall bus and rail operations. Specifically, WMATA's Office of Auditor General has issued nearly 500 reports, including internal and investigative audits and reviews of contracts and pricing proposals. In addition, an independent external auditor, which reports to WMATA's board of directors, annually reviews WMATA's financial statements and related internal controls. FTA oversees WMATA's major capital projects through its project management oversight program and assesses its compliance with a wide range of requirements through its Triennial Review process. In 2005, at WMATA's request, transit industry panels conducted peer reviews of WMATA's bus and rail operations. Details on these entities and the types of oversight they provide are presented in table 2. All of these entities included recommendations in their reports, and, in general, WMATA implemented them or has plans to implement them. As part of our ongoing work, we plan to analyze these reviews in greater detail, together with other specialized FTA reviews and safety reviews conducted by external and internal entities.

Table 2: Selected Entities Providing Oversight of WMATA

Oversight entity	Type of oversight	Subject of review	Number of reports[a]
WMATA's Auditor General	Internal audits	Cash processes and revenue sources, reliability and effectiveness of WMATA's paratransit contractor, workers' compensation and benefits programs, escalator and elevator maintenance contracts, inventory management, and internal controls related to the budget and fixed assets	39
	Investigative audits	Preventing or detecting mismanagement, waste, fraud, or abuse within WMATA	18
	Information technology audits	Information technology systems that are under development; electronic collection of revenue (e.g. Smart Card, MetroCheck sales, and Internet sales)	7
	Contract audits	Cost reasonableness of sole-source contracts, contract modifications and cost-reimbursable tasks and contracts, oversight and review of engineering firms	404
	Control self-assessments	Quality of customer service within WMATA (designed to improve working relationships among departments within the agency)	20
Independent external auditor	Single Audit Act	WMATA's financial statements and internal controls related to these statements and to major federal programs	2
FTA	Project management oversight program	Monthly reports on various aspects of major capital projects, including scheduling, budget, and performance	125
	Triennial Review	Compliance with statutory and administrative requirements in 23 areas	1
American Public Transportation Association (APTA)	Peer reviews	WMATA's overall bus and rail operations	2
Total			**618**

Sources: GAO analysis of data from WMATA, FTA, and APTA.

[a]Numbers are for reports issued since January 2003, except for the Triennial Review, which was most recently completed for WMATA in September 2002.

WMATA's Auditor General

WMATA's Auditor General is responsible for planning and implementing operational, financial, and information system audits, as well as for carrying out investigations to prevent or detect mismanagement, waste, fraud, or abuse. The Office of Auditor General also conducts audits of contracts to ensure they are being done in accordance with WMATA policy and cost-effectively. The Auditor General reports directly to the General Manager/Chief Executive Officer and briefs the audit committee of the board of directors quarterly. The Auditor General prepares an annual audit plan that covers most aspects of the agency.

When deficiencies in a program are found, the Office of Auditor General makes recommendations for corrective actions to be taken and follows up on the implementation status of recommendations with the executive manager responsible for the program or office to which the recommendations were directed. If the recommendations are not implemented in a timely fashion, the Chief Executive's office may intervene to ensure that appropriate corrective action is taken. For the most part, WMATA management implements these recommendations.

The following are examples of audit reports issued by the Office of Auditor General in recent years:

- *Contract/Procurement Oversight*. Since January 2004, the Office of Auditor General has issued five internal audit reports on contracting processes and the documentation of contracting activities. Recommendations were made to improve the documentation process, improve the administration of the cost-estimating process, and develop procedures to document the cost-estimating process.

- *Information Technology (IT) Renewal Program*. The IT Renewal Program is a multiyear, multimillion-dollar initiative to renew WMATA's IT systems for the next generation of service. The Office of Auditor General has issued six reports during the past 3 years on the implementation of this program, with suggestions for improving communication and ensuring that appropriate security measures are in place.

- *Audit of Cell Phone Usage*. This review of employee cell phone plans and usage made recommendations for more efficient and effective cell phone use, which resulted in potential savings of approximately $300,000 per year. Additional recommendations were made to improve the administration of the cell phone program.

Single Audit Act

WMATA is subject to federal financial reporting requirements under the Single Audit Act as amended.[28] Under this act, nonfederal entities that expend more than specified amounts of federal awards (currently $500,000) are subject to either a single audit or a program-specific audit, which must be performed by an independent external auditor in accordance with generally accepted government auditing standards.[29] The

[28]31 U.S.C. §§ 7501-7507.

[29]GAO, *Government Auditing Standards*, GAO-03-673G (Washington, D.C.: June 2003).

purpose of the Single Audit Act[30] was to streamline and improve the effectiveness of audits of federal awards and to reduce the audit burden on states, local governments, and nonprofit entities receiving federal awards by replacing multiple grant audits with one audit of a recipient as a whole (or, for entities receiving federal awards under one program, an optional audit of that program only).

In conducting WMATA's annual audits under the act's requirements, an independent auditor is required to (1) provide an opinion on WMATA's financial statements and the Schedule of Expenditures of Federal Awards, (2) report on WMATA's internal controls related to the financial statements and major programs, and (3) report on WMATA's compliance with laws and regulations that could have a material effect on WMATA's financial statements and major federal programs.

For fiscal years 2003 and 2004, WMATA's independent external auditor[31] found no reportable conditions or material weaknesses in WMATA's internal controls over financial reporting and the major programs receiving federal assistance.[32] The independent auditor's reviews of WMATA's financial statements and internal controls did, however, note several areas of noncompliance related to requirements for grants for both years. When such areas of noncompliance are found, the auditor recommends steps for WMATA to take to correct the noncompliance. WMATA generally concurred with the auditor's recommendations and agreed to implement them. The following are examples of noncompliance

[30]The Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-profit Organizations* provides implementing guidance for the act's requirements and sets forth standards for obtaining consistency and uniformity for the audits of nonfederal entities expending federal awards.

[31]See KPMG LLP, *Washington Metropolitan Area Transit Authority, Single Audit Report, Year Ended June 30, 2003* (Washington, D.C.: Sept. 26, 2003) and KPMG LLP/F.S. Taylor & Associates, P.C., Certified Public Accountants, *Washington Metropolitan Area Transit Authority, Single Audit Report, Year Ended June 30, 2004* (Washington, D.C.: Sept. 28, 2004).

[32]A reportable condition is a significant deficiency in the design or operation of an internal control that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

and recommendations for corrective action found at WMATA during fiscal years 2003 and 2004:

- Property records for equipment purchased with a federal grant did not include serial numbers or prices for the equipment—as required by federal law.[33] The auditor recommended that WMATA revise the records to include the required information, and WMATA agreed to do so.

- WMATA did not correctly submit federal grant expenditure status reports. The auditor recommended that WMATA revise and resubmit its financial status reports to include total expenditures, which WMATA agreed to do.

FTA's Project Management Oversight Program

FTA oversees the progress of WMATA's major capital projects through the project management oversight (PMO) program, which we discuss in greater detail later in this statement. To receive financial assistance, FTA's grantees must develop and implement a project management plan that address each project's scheduling, budget, performance, and other issues. FTA retains engineering firms to review and recommend approval of the plans, monitor the progress of each project against its plan, and issue monthly monitoring reports. The purpose of the monthly PMO monitoring reports is to determine whether the projects are proceeding in accordance with the terms of the federal grant agreements, including whether they are meeting standard project management requirements, such as having a project management plan and a quality assurance plan, meeting schedule milestones, and being on budget.

WMATA's major capital projects that are subject to PMO review collectively represent a substantial portion of WMATA's capital budget. We reviewed PMO reports that were issued from January 2003 through May 2005. During that time, WMATA had seven capital infrastructure projects that were subject to the requirements of the PMO program, including IRP, which, as discussed earlier, provides ongoing maintenance and renewal of the Metrorail and Metrobus systems; the rail car procurement program; and the construction of the New York Avenue Metrorail station.[34] The total

[33]See 49 C.F.R. 18.32(d)1.

[34]The other projects that were under review were Metro Matters, Dulles Corridor rapid transit (which has received funding only for the preliminary engineering phase and is being done in cooperation with the Virginia Department of Rail and Public Transportation), the Addison Road to Largo Town Center Metrorail extension, and the Branch Avenue storage and maintenance yard.

cost of the projects under review was about $5 billion, according to data provided by WMATA.

The monthly PMO monitoring reports that we reviewed identified concerns and recommended corrective actions for each of WMATA's major projects under review. The concerns most commonly cited in the reports were related to schedules, project management plans, and quality assurance activities. Details on these concerns—which WMATA has taken steps to address—follow:

- *Schedules*. The reports cited concerns pertaining to schedules for some of the contracts within three of WMATA's projects. For the New York Avenue Metrorail station and the Largo Metrorail extension, the reports stated that individual components of the projects were behind schedule; however, the two projects—as a whole—were both completed ahead of schedule. The PMO reports also found that components of the rail car procurement program, including the rehabilitation of the 2000/3000 Series rail cars and the delivery of new 5000 Series rail cars, were behind schedule.

- *Project management plans*. The reports stated that WMATA needed to submit or update project management plans for three of its projects—the rail car procurement program, Metro Matters, and the Infrastructure Renewal Program.

- *Quality assurance activities*. The reports stated that procedures related to quality assurance required updating for three projects: Dulles Corridor rapid transit, the Largo Metrorail extension, and the Branch Avenue storage and maintenance yard. Some examples of quality assurance activities include having (1) written procedures that describe how to conduct reviews of contractor's quality programs and (2) quality control coordination meetings with contractors.

FTA's Triennial Review

At least every 3 years, FTA is required to review and evaluate transit agencies receiving funds under its Urbanized Area Formula Grant program. The reviews focus on compliance with statutory and administrative requirements in 23 areas, and if grantees are found not to be in compliance, their funding can be reduced or eliminated.[35] In 2002, FTA found that WMATA was deficient in the following three areas:

[35]The 23 areas include legal, financial, technical, equal employment opportunity, safety, security, and others.

- *Technical*. Grantees must implement the Urbanized Area Formula Grant Program of Projects[36] in accordance with the grant application master agreement. WMATA had not been updating the milestones in its Milestone Progress Reports, nor had WMATA been reporting all required information for its Job Access and Reverse Commute grants.

- *Buy America*. Certain products used in FTA-funded projects must be produced in the United States. WMATA's procurement files for buses and rail cars did not include required certifications indicating that these procurements complied with Buy America requirements.

- *Half-fare*. Grantees must offer reduced fares to elderly or disabled riders or to those who present a Medicare card. WMATA's system maps specified the base fare but did not indicate that a half-fare was available.

FTA made recommendations for addressing the specific areas of noncompliance; WMATA implemented the recommendations, and the findings were closed in 2004.

Transit Industry Association Peer Reviews

The American Public Transportation Association (APTA) offers peer reviews as a service to transit agencies to help enhance the efficiency and effectiveness of their operations. At the request of transit agencies, the association convenes panels of experts from within the transit industry, who travel to the transit agency under review to physically tour the operations, meet with staff and senior management, and review documentation in order to develop findings and recommendations on the transit agency's operations. Following the site visit, the peer review panel issues a written report to the transit agency under review.

At WMATA's own request, APTA conducted peer reviews on WMATA's bus and rail operations earlier this year, and WMATA is currently considering its response to the recommendations made in the peer review reports.[37] The peer review panels developed recommendations to improve the

[36]The Urbanized Area Formula Grants Program provides transit capital and operating assistance to urbanized areas with populations over 50,000. A "program of projects" is a set of related projects with a common strategic goal or aim.

[37]See American Public Transportation Association, *Rail Operations Review for the Washington Metropolitan Area Transit Authority* (Washington, D.C.: March 2005) and *Bus Operations Review for the Washington Metropolitan Area Transit Authority* (Washington, D.C.: June 2005).

effectiveness and efficiency of bus and rail operations in multiple areas, including staffing, organization, maintenance and technology. For example:

- Findings and recommendations in the rail peer review report focused on
  - the selection, training, and certification of employees, with recommendations on improving training for track and train employees and implementing a new reporting structure for the training department;
  - operations, with recommendations on increasing reliance on line supervisors in dealing with in-service problems and restructuring the current organization to create distinct line ownership functions and responsibilities; and
  - track maintenance, with recommendations on recertifying track walkers annually and increasing the number of track walkers to reduce the daily inspection distance to industry standards.
- Findings and recommendations of the bus peer review report focused on
  - operations and service, with recommendations for increased street supervision and re-evaluation of bus route service;
  - facility maintenance, with recommendations on consolidating bus shop maintenance and improving follow-up procedures for bus defects;
  - staffing and training, with recommendations on eliminating high vacancy rates and improving training; and
  - safety, with recommendations on adhering to basic safety programs and enforcing personal protective equipment policies.

Additional GAO Work Remaining on WMATA's Oversight

As part of our ongoing work, we plan to analyze these reviews in greater detail to determine whether, taken as a whole, they point to any systemic problems and are sufficiently comprehensive to identify and address overall management and operational challenges. We will also broaden the scope of our analysis to include additional oversight reviews; specifically, we plan to analyze FTA's in-depth reviews of program or system compliance. These include, for example, financial management oversight reviews, which assess grantees' financial management systems and internal controls; procurement system reviews, which evaluate grantees'

compliance with federal procurement requirements; and drug and alcohol oversight reviews, which assess grantees' compliance with FTA's regulations on substance abuse management programs and drug and alcohol testing for transit employees. We also plan to review safety audits of WMATA that were conducted by internal and external entities, including the following:

- *WMATA's Office of System Safety and Risk Protection*. This office, which reports to the Department of Audit and Safety Oversight, performs internal safety reviews of WMATA's operations.

- *Tri-State Oversight Committee*. This committee, which is the designated state safety oversight agency for WMATA, requires WMATA to develop and implement system safety and security program plans, report accidents and unacceptable hazard conditions, and conduct safety reviews. The committee meets with WMATA quarterly to discuss safety issues and has the authority to mandate corrective action.

- *APTA*. APTA's bus and rail safety audits review the adequacy of transit agencies' system safety program plans and the extent to which the plans have been implemented.

- *FTA*. FTA performs audits of the Tri-State Oversight Committee to determine whether the state oversight agency is carrying out its safety oversight program and to examine ways in which the overall program can be improved.

- *National Transportation Safety Board (NTSB)*. NTSB has the authority to conduct investigations of accidents and make recommendations. The NTSB is currently investigating a November 2004 crash involving two Metrorail trains; it expects to issue a report on the results of this investigation in the fall of 2005.

In addition, we plan to review the role of WMATA's board of directors in providing oversight of WMATA's management and operations. As noted earlier in this statement, WMATA is governed by a board of directors—composed of individuals appointed by each of the local jurisdictions WMATA serves—which sets policies and oversees all of WMATA's activities, including budgeting, operations, development, expansion, safety, procurement, and other activities.

Spending Safeguards and Management Oversight Have Helped Recipients of Federal Transportation Assistance Control Costs and Ensure Results

To control costs and ensure results—especially for high-cost transportation infrastructure projects—Congress, the administration, and GAO have long recognized the importance of instituting spending safeguards and management oversight for the state and local governments and transportation agencies that receive federal funding. For example, certain federal policies have historically controlled the uses of federal transportation funds, prohibiting the use of these funds for operating expenses and requiring that the federal funds be matched to ensure the use of some local funds for capital infrastructure projects. In addition, a number of past, ongoing, and planned federal and local efforts provide insight into the benefits of management oversight and how it can be carried out. For example, in the 1980s, state legislation enhanced opportunities for New York City's ailing Metropolitan Transit Authority to generate additional revenue while providing increased oversight to ensure accountability. Furthermore, FTA's PMO program is designed to help ensure that grantees building major capital projects have the qualified staff and procedures needed to successfully plan and carry out those projects. We have also reported that safeguards should accompany any increased federal funds provided to the District of Columbia to address the structural imbalance between its costs and revenue-raising capacity. Finally, the surface transportation reauthorization bills currently before Congress include provisions to enhance management oversight controls for projects receiving federal funds, including establishing a new program to monitor the use of federal highway funds. Although we have not evaluated the application of these oversight mechanisms to WMATA, we believe they provide a number of options for Congress to consider as it weighs the question of providing additional federal funding to WMATA.

Federal Programs Restrict Use of Funds for Operations and Encourage State and Local Spending through Matching Requirements

The federal government has generally discouraged federal transit grants from being used to fund transit operating expenses, although policy in this area has shifted over time.[38] Landmark legislation in 1964 established a program of federal capital expenditure grants to state and local governments. [39] At that time, no grant money could be used for operating expenses because of concerns that such grants would discourage efficient operations of transit agencies and might even have the perverse effect of rewarding inefficient operations with funding assistance. However, that act was amended in 1974 to authorize federal subsidies to pay transit

[38]For transit agencies that serve urbanized areas with populations of 200,000 or more.

[39]Urban Mass Transportation Act of 1964, Public Law No. 88-365, 78 Stat. 302.

operating expenses, reflecting the alternative concern that limiting federal assistance to capital grants created incentives for local governments to inefficiently waste capital, such as by prematurely replacing buses. [40]

During the 1990s, views on how federal transit grants could be used shifted again, and limits were placed on the total amount of transit formula grants that could be used for operating expenses. In 1998, with the passage of the Transportation Equity Act for the 21st Century (TEA-21), transit agencies serving urban populations of 200,000 or more could no longer use funding from FTA's Urbanized Area Formula Grants for operating expenses. According to FTA officials, this prohibition was instituted in part because federal policymakers believed that the federal government should pay only for the construction and maintenance of mass transit systems, not for their operation. However, TEA-21 did allow capital funds to be used for preventive maintenance, which included routine maintenance on rail cars and buses—activities that were previously classified as operations activities. After the events of September 11, 2001, we recommended a legislative exception to the prohibition on operations funding that would allow transit agencies to use Urbanized Area Formula Grants for security-related operating expenses.[41] Transit agencies can spend 1 percent of formula funds on security-related operating expenses.

The federal government has also historically used matching requirements in its transit and other transportation programs to stimulate local investment in transportation infrastructure and equipment. Currently, major capital transit investment programs—including the New Starts and Rail and Fixed Guideway Modernization programs—provide grants that fund up to 80 percent of a project's total costs while requiring a local match of at least 20 percent.[42]

[40]The National Mass Transportation Assistance Act of 1974, Public Law No. 95-503, 88 Stat. 1565.

[41]GAO, *Mass Transit: Federal Action Could Help Transit Agencies Address Security Challenges*, GAO-03-263 (Washington, D.C.: Dec., 2002).

[42]However, FTA continues to encourage project sponsors to request a federal New Starts funding share that is as low as possible.

Assistance to the New York City Transit Agency in the 1980s Was Tied to Oversight Requirements

During the late 1970s and early 1980s, the New York State Metropolitan Transit Authority (MTA), which includes New York City Transit's subway and bus systems and the Long Island Rail Road, was in a state of fiscal crisis and operational decay. To help salvage the system, the state legislature passed legislation[43] that provided MTA with the flexibility to generate additional revenue—through issuing bonds and notes and through the creation of a special tax district—needed to rebuild its aging infrastructure. The legislation also established several oversight bodies—which are still in place at MTA today—to help ensure that MTA's funds would be well spent. They are as follows:

- *The Metropolitan Transportation Capital Review Board.* Appointed by the governor and composed of two members recommended by the New York State legislature and one each recommended by the governor and the mayor of New York City, this board reviews and approves, once every 5 years, MTA's capital program plans for transit and railroad facilities. The plans include goals and objectives for capital spending, establish standards for service and operations, and include estimated costs and expected sources of revenue.

- *The MTA Committee on Capital Program Oversight.* This standing committee of MTA's board of directors has various oversight responsibilities, including monitoring the (1) current and future availability of funds to be used in the capital program plans and (2) contract awards made by MTA. The committee issues quarterly reports on its activities and findings.

- *The MTA Office of the Inspector General.* This office was created as an independent oversight agency to investigate allegations of abuse, fraud, and deficiencies in the maintenance and operation of facilities. The Inspector General may also initiate other reviews of MTA's operations and can recommend remedial actions to be taken by MTA and monitor their implementation. The Inspector General is appointed by the governor and submits annual reports of findings and recommendations to the governor. MTA is required to report quarterly to the Inspector General on the implementation status of all recommendations made in final reports.

[43]Metropolitan Transportation Authority and New York City Transit Authority—Highways—Appropriations, ch. 314 (1981); N.Y.S. Public Authorities Law, § 1279 (1983); Metropolitan Transportation Authority and N.Y.C. Transit Authority—Operating and Capital Needs, ch. 929 (1986); Mass Transportation and Highways—Financing—Credit Against Mortgage Recording Tax, ch. 13 (1987).

Since these oversight bodies were established, and with increased funding, MTA has improved its on-time performance and reliability. For example, the mean distance between failures has increased from less than 7,000 miles in 1981 to nearly 140,000 miles in 2003, according to MTA.

FTA's PMO Program Helps Protect Federal Funds Spent on Major Capital Projects, Including WMATA's Projects

FTA's PMO program was established in the 1980s to safeguard the federal investment in major capital transit projects, which require large commitments of public resources, can be technically challenging, and often take years to construct. This program provides a continuous review and evaluation of the management of all major transit projects funded by FTA. Through provisions such as the following, the PMO program is designed to help ensure that grantees building major capital projects have the qualified staff and procedures needed to successfully build the projects:

- To receive federal financial assistance, grantees must develop and implement project management plans that address quality, scheduling, the budget, and other issues.
- Contractors monitor grantees' projects to determine whether grantees are progressing on time, within budget, and according to approved plans and specifications.
- The contractors periodically report their findings and recommendations for any corrective actions that may be needed.

In 2000, we reported and testified[44] that FTA had improved the quality of the PMO program since the early 1990s, when we designated it as high risk because it was vulnerable to fraud, waste, abuse, and mismanagement.[45] We concluded that the program had resulted in benefits for both grantees and FTA. Grantees have improved their controls over the cost, schedule, quality, and safety of their projects. FTA has gained a better understanding of the issues surrounding complex construction projects and an increased awareness of potential problems that could lead to schedule delays or cost increases. As contractors have brought cost and schedule issues to FTA's

[44]See GAO, *Mass Transit: Challenges in Evaluating, Overseeing, and Funding Major Transit Projects*, GAO/T-RCED-00-104 (Washington, D.C.: Mar. 8, 2000) and *Mass Transit: Project Management Oversight Benefits and Future Funding Requirements*, GAO/RCED-00-221 (Washington, D.C.: Sept. 15, 2000).

[45]The PMO program is no longer designated by GAO as high risk.

attention, FTA has taken actions to help protect the federal investment and control projects' costs and schedules.

FTA officials told us that any additional federal funding provided to WMATA would be subject to the PMO program's requirements only if those funds were distributed to WMATA through the U.S. Department of Transportation and FTA. Otherwise, WMATA's spending from the additional funding would not likely be subject to any federal program oversight.

We Have Suggested Spending Safeguards for Any Increase in Federal Funds Provided to Address the District of Columbia's Structural Imbalance

In June 2004, we testified on the structural imbalance between the District of Columbia's costs and revenue-raising capability, stating that if the federal government chooses to provide additional funding to the District to compensate for this imbalance, the government should implement safeguards to ensure that the funds are spent efficiently and effectively. [46] In that testimony, we stated that such safeguards should be written into any legislation providing additional federal assistance to the District and could include the following:

- District officials should be required to report to Congress on how they plan to spend the federal assistance and regularly report on how it is being spent.
- Congress may consider further specifying the types of projects for which federal funds could be used or including a matching requirement to ensure that some local funds continue to be used for infrastructure and capital requirements.

Surface Transportation Reauthorization Bill Would Enhance Management Oversight Controls for Projects Receiving Federal Funds

The House and Senate versions of the surface transportation reauthorization bill that are currently in conference committee contain provisions aimed at improving the financial integrity and project delivery times for surface transportation projects that receive federal financial assistance. For example:

- On the transit side, both the House and Senate versions of the bill would increase the amount of funds available to the Secretary of Transportation for management oversight of mass transportation construction projects

[46] GAO, *District of Columbia: Structural Imbalance and Management Issues*, GAO-04-908T (Washington, D.C.: June 22, 2004).

receiving federal funds.[47] The funds would be used to review and ensure compliance with federal requirements for project management. To support the need for such enhanced oversight, the committee report accompanying the House bill notes that comprehensive agency oversight, compliance review, and technical assistance are necessary for all major grant programs.[48]

- On the highway side, both versions of the bill[49] would require the Secretary of Transportation to establish an oversight program for the Federal-Aid Highway Program to promote the effective and efficient use of federal highway funds. As part of this new oversight program, the Federal Highway Administration (FHWA) would (1) review states' financial management systems, (2) develop minimum standards for estimating project costs, and (3) evaluate state practices for awarding contracts and reducing project costs. In addition, highway projects receiving a certain amount of federal assistance—$500 million or more in the House bill and $1 billion or more in the Senate bill—would be subject to an increased level of FHWA oversight, including submitting a project management plan and an annual financial plan to FHWA documenting the project's procedures for managing costs and schedules.

Concluding Observations

WMATA's service to the nation's capital and its associated additional responsibilities need to be considered when determining whether a greater federal role in providing financial assistance to, and oversight of, WMATA is warranted. In the end, it is up to Congress to decide whether or in what form to provide WMATA with additional federal funding in recognition of its support of the federal government. In addition, if Congress decides to provide WMATA with the additional funding, it is important for there to be reasonable assurances that the funds will be spent efficiently and effectively. WMATA is already subject to oversight from multiple entities, but it is unclear whether this oversight is sufficient to provide such assurances. WMATA's existing oversight could be supplemented by including safeguards in any legislation that provides additional federal funding. Our research has shown that a number of options are available

[47]H.R. 3 109th Cong., Engrossed House, § 3026 (2005); H.R. 3, 109th Cong., Engrossed Senate Amendment, § 6025 (2005).

[48]House Report No. 109-12, at 421 and 422 (2005).

[49]H.R. 3, 109th Cong., Engrossed House, § 1105 (2005); H.R. 3, 109th Cong., Engrossed Amendment Senate, § 1802 (2005).

for such safeguards, although we have not fully analyzed their applicability to WMATA or their relative merits. The options include the following:

- Require WMATA officials to report to Congress on how they plan to spend the federal assistance and regularly report on how it is being spent. For example, Congress could require officials to submit a plan to Congress on how they intend to spend the federal assistance—before any funds are obligated—and update this plan as circumstances or priorities change.
- Further specify the types of projects for which federal funds could be used or include a matching requirement to ensure that some local funds continue to be used for infrastructure and capital requirements.
- Require that any additional funding provided to WMATA be administered through DOT and FTA and therefore be subject to the PMO program.
- Institute additional oversight bodies for WMATA, either through or independent of its board of directors.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or the other Members of the Committee may have.

GAO Contacts and Staff Acknowledgments

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Appendix I: Objectives, Scope, and Methodology

To determine the Washington Metropolitan Area Transit Authority's (WMATA) responsibilities for supporting the federal government, we interviewed a wide array of federal and local officials including those from WMATA, the Federal Transit Administration (FTA), the Office of Personnel Management, the General Services Administration, the National Capital Planning Commission, the Metropolitan Washington Council of Governments, the U.S. Secret Service, the U.S. Capitol Police, and the District of Columbia Department of Transportation. We reviewed federal guidance on employees' use of, and the placement of federal buildings near, mass transit and local and federal emergency planning guidance. We also used WMATA's estimates of federal Metrorail ridership based on its 2002 passenger survey. Through our review of the survey methodology, and use of other corroborating evidence, we determined that the ridership estimates were sufficiently reliable for our purposes.

To determine the current funding challenges facing WMATA and the options proposed to address these challenges, we reviewed and analyzed the budgetary shortfall estimate prepared by the Metro Funding Panel, budget documents from WMATA, and prior GAO reports. We interviewed officials from WMATA and local transportation experts who served on the funding panel.

To determine the entities that currently provide oversight of WMATA and the focus of their recent reviews, we interviewed WMATA officials and reviewed selected reports and audits that have been issued by WMATA's oversight bodies since the beginning of calendar year 2003. Our review included the following:

- WMATA Auditor General reports
- FTA's Project Management Oversight (PMO) program contractor reports
- FTA's most recent Triennial Review[1]
- The independent external auditor's review of WMATA's financial statements and internal controls as required under the Single Audit Act
- The American Public Transportation Association's peer review reports

[1]The most recent Triennial Review of WMATA was in September 2002.

Although FTA carries out a number of reviews of transit agencies in addition to the Triennial Review and the PMO reports, we selected the Triennial Review because it covers grantees' compliance with a wide range of statutory and administrative requirements, and we selected the PMO reports because this program provides oversight of WMATA's major capital projects, which represent a significant part of WMATA's budget. For this statement, we did not analyze any oversight entities or reports related to safety, such as those of the Tri-State Oversight Committee, the National Transportation Safety Board, or the American Public Transportation Association. We plan to address these, as well as FTA's additional compliance reviews, as part of our ongoing work.

To identify applicable examples of spending safeguards and management oversight of any additional federal assistance provided to WMATA, should Congress decide to provide such assistance, we reviewed prior GAO work on surface transportation funding and management oversight, as well as other documents on transportation planning and finance, and interviewed officials with expertise in the transit industry, transportation finance, and transportation planning.

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