

DOCUMENT RESUME

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[WMATA Process for Developing the Estimated Cost of METRO Can Be Improved]. B-141529. December 8, 1978. 2 pp.

Report to Theodore C. Lutz, General Manager, Washington Metropolitan Area Transit Authority; by Jerome H. Stclarow, Director, Procurement and Systems Acquisition Div.

Issue Area: Transportation Systems and Policies (2400); Provide Congress with Accurate and Objective Information on Individual Major Systems for Which Funds Are Being Requested. (1907).

Contact: Procurement and Systems Acquisition Div.

Budget Function: Commerce and Transportation: Ground Transportation (404).

Organization Concerned: Department of Transportation.

Congressional Relevance: House Committee on District of Columbia.

The process used by the Washington Metropolitan Area Transit Authority (WMATA) to estimate the cost of the Washington Metropolitan Rapid Rail Transit System (METRO) at December 31, 1977, was reviewed. Although WMATA has improved its estimating capability, it misclassified and excluded costs from the estimate, inadequately recognized program changes, insufficiently used and analyzed available data, and lacked an independent review. Most of the problems stem from the absence of written direction and guidance. Consistent and effective cost estimating procedures and guidelines should be developed and implemented with provision for: defining contingencies and analyzing uncertainties in the METRO system; including all costs associated with the design, construction, and acquisition of equipment regardless of the funding source; estimating the total impact of program changes through program completion; and providing an effective independent review of the estimate. (Author/HTW)



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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PROCUREMENT AND SYSTEMS  
ACQUISITION DIVISION

B-141529

December 8, 1978

Mr. Theodore C. Lutz  
General Manager  
Washington Metropolitan  
Area Transit Authority  
600 Fifth Street, NW.  
Washington, D.C. 20001

Dear Mr. Lutz:

We reviewed the cost estimating process used by the Washington Metropolitan Area Transit Authority (WMATA) to estimate the cost of the Washington Metropolitan Rapid Rail Transit System (METRO) at December 31, 1977.

Although WMATA has improved its estimating capability over the years, it misclassified and excluded costs from the estimate, inadequately recognized program changes, insufficiently used and analyzed available data in developing the estimate, and lacked an independent review which could help assure the completeness, consistency, and reliability of the estimate.

Most of the problems, we believe, stem from the absence of written direction and guidance, both general and specific, which would insure a common understanding of the criteria and responsibilities for developing, documenting, and updating the estimates throughout WMATA.

Thus, we recommend that you develop and implement consistent and effective cost estimating procedures and guidelines. Special provision should be made for

- defining contingencies properly and analyzing uncertainties in METRO system rather than relying on UMTA requirements;
- including all costs associated with the design, construction, and acquisition of equipment regardless of the funding source;

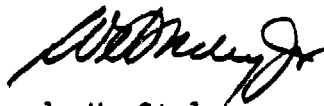
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- estimating the total impact of program changes through program completion; and
- providing an effective independent review of the estimate.

Although WMATA officials generally agreed with our findings, they felt that the independent review function is adequately performed by the extensive management and jurisdictional reviews prior to the public release of the cost estimate. Although this top management review is necessary, in our opinion an independent review by someone who is not affiliated with the estimating office, who can cross division boundaries, and who can obtain high level resolution of differences would have corrected and brought to management's attention many of the errors and shortcomings in the estimate.

Copies of this report are being sent to the Chairman, Board of Directors, Washington Metropolitan Area Transit Authority; the Administrator, Urban Mass Transit Administration, Department of Transportation; the Chairman, House Committee on the District of Columbia; and the Chairman, Senate Subcommittee on Governmental Efficiency and the District of Columbia, Committee on Governmental Affairs.

Sincerely yours,



J. H. Stolarow  
FOE Director