

EXECUTIVE DIGEST

**SUBURBAN MOBILITY AUTHORITY FOR REGIONAL TRANSPORTATION**

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**INTRODUCTION**

This special report contains the results of our performance audit of the Suburban Mobility Authority for Regional Transportation (SMART) for the period July 1, 1992 through March 31, 1995.

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**AUDIT PURPOSE**

This performance audit was requested by Senator Douglas Carl in response to SMART's financial problems. Performance audits are conducted as part of the constitutional responsibility of the Office of the Auditor General.

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**BACKGROUND**

SMART provides bus services in Oakland, Macomb, and Wayne Counties, including service to and from downtown Detroit. SMART operates curb-to-curb bus service in the three counties and passes through money to selected communities in its service area and to Monroe County to provide additional bus service.

SMART is governed by a seven-member Board of Directors.

SMART derives its funding from State, federal, and local sources as well as generating operating revenues from fares, advertising, interest, and other miscellaneous revenue sources.

SMART has experienced financial problems for the last several years. SMART incurred a loss of approximately \$7.6 million for the fiscal year July 1, 1993 through June 30, 1994. SMART had a retained earnings deficiency of approximately \$16.4 million on June 30, 1994.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To determine if SMART has developed plans to address its financial problems and assess the effectiveness of those plans.

**Conclusion:** We concluded that SMART has developed plans to address its financial problems. Our review did not disclose any material weaknesses; however, we noted a reportable condition that relates to developing more effective financial correction plans and budgets (Finding 1).

**Audit Objective:** To determine if SMART exercised sufficient management oversight to ensure proper procurement, expenditure, and personnel practices.

**Conclusion:** We concluded that SMART exercised reasonable management oversight. Our review did not disclose any material weaknesses; however, we noted a reportable condition that relates to complying with control procedures for hiring new employees (Finding 2).

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**AUDIT      SCOPE**  
**AND**  
**METHODOLOGY**

Our audit scope was to examine the program and other records of the Suburban Mobility Authority for Regional Transportation for the period July 1, 1992 through March 31, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included reviewing SMART's plans to address its financial problems and discussing those plans with management. We also reviewed SMART's procurement, expenditure, and personnel practices and conducted tests to determine their effectiveness.