



Finance, Administration and Oversight Committee

Information Item IV-A

January 8, 2009

Report by the External Auditors

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100207	Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No
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TITLE:

FY08 External Audit Deliverables

PURPOSE:

To request acceptance of the Fiscal Year 2008 External Audit Deliverables submitted by Clifton Gunderson, LLP.

DESCRIPTION:

Clifton Gunderson, LLP audited Metro`s financial statements in accordance with *Government Auditing Standards* for the period July 1, 2007 through June 30, 2008 resulting in an Unqualified Opinion. An unqualified opinion means the statements present fairly, in all material respects, the financial position of the Authority, as of June 30, 2008 and the changes in its financial position and cash flows for the year then ended are in conformity with United States generally accepted accounting principles.

Clifton Gunderson, LLP has submitted the following Fiscal Year 2008 external audit and related materials for acceptance:

- Financial Statements
- Single Audit Reports
 - Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards
 - Report on compliance with requirements

applicable to each major program and on
Internal Control over compliance in
accordance with OMB Circular A-133

- CAFR
- National Transit Database Agreed Upon Procedures

FUNDING IMPACT:

None

RECOMMENDATION:

Approval of the Fiscal Year 2008 External Audit Deliverables
submitted by Clifton Gunderson, LLP.



Washington Metropolitan Area Transit Authority

Results of June 30, 2008 Financial Statement Audit
January 8, 2009

Audit Team

- J. Michael Stephens Clifton Gunderson Partner
- Aires Coleman Clifton Gunderson Sr. Manager
- Chuck Kelly Clifton Gunderson Manager
- David Harris Clifton Gunderson IT Manager
- Staff Clifton Gunderson & Samson Afolabi & Associates

Agenda

- Our Audit Approach
- Audit Results
- Single Audit
- Required Communications

Our Audit Approach

- Integrated Clifton Gunderson and Samson Afolabi & Associates professionals
- Integrated Team
 - Auditors
 - IT Specialists
 - Pension Specialists
 - Compliance Specialist
- Approach – Risk Based, including implementation of new risk assessment standards
- Communication – Frequent, including regular formal status meetings, and informal communications

Audit Results

- **Auditors' Opinion on Financial Statements – Unqualified**
- **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**
 - Eleven Significant Deficiencies including:

Audit Results (cont.)

- Capitalization of construction costs
- Capital asset reporting
- Payroll change documentation
- Inventory documentation
- Accounts Receivable from Jurisdictions
- Financial statement preparation
- IT controls including:
 - User access controls
 - Termination and recertification
 - Security
 - Disaster recovery
 - Environmental controls

Audit Results (cont.)

- **Audit Adjustments Consisted of:**
 - Adjustment for Capital Assets included in construction-in-process
 - Financial Statement reclassification entries
- **There were no unrecorded audit adjustments in FY 2008.**

Agreed Upon Procedure Results

- National Transportation Database – No findings
- Capital Program Funding Schedule – Not required in FY 2008
- District of Columbia Workers' Compensation Report – No findings

Single Audit

- **Single Audit Reports Issued**
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Report on Compliance with Requirements Applicable to Each Major Program and on Internal control over Compliance in Accordance with OMB Circular A-133 – unqualified
- **Major Programs**
 - DOT Federal Transit Cluster
 - Rail and Transit Security Grant Program

Single Audit (cont.)

- **Findings and Questioned Costs**
 - One compliance finding related to adequacy of security controls over access to facilities (This is a repeat comment from the FY 2007 audit)
- **Management concurs with all findings.**

Required Communications

- The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 114, effective for the first time this year, modifies requirements for independent public accountants to communicate certain matters to those who have responsibility for oversight of the financial reporting process. We have summarized the results of our audit of WMATA for the year ended June 30, 2008 by addressing each of these required communications.

Required Communications

- **Auditors' Responsibility Under Generally Accepted Auditing Standards**
 - The financial statements are the responsibility of management. Our audit was performed for the purpose of forming an opinion as to whether the financial statements have been prepared in accordance with GAAP.
- **Significant Issues Discussed With Management Prior to Retention**
 - There were no significant issues discussed with management prior to retention as the auditors.

Required Communications (cont.)

- **Consultations With Other Accountants**
 - We were informed by management that they made no consultations on the application of GAAP and GAAS. There was communication with the prior auditor regarding pension presentation.
- **Qualitative Aspects of Accounting Practices**
 - Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies are disclosed in the Summary of Significant Accounting Policies in Note 1 of the financial statements. New accounting policies in the current year included GASB 45, OPEB Liabilities.

Required Communications (cont.)

- The preparation of the financial statements requires that certain estimates and judgments be made by management. These judgments and estimates include:
 - Deferred revenues
 - Pension benefit assumptions
 - Benefits other than pensions assumptions
 - Liability for injury and damage claims
- We concluded that management has a reasonable basis for significant judgments and estimates that impact the financial statements.
- Sensitive financial statement disclosures included the subsequent event tax lease disclosure.

Required Communications (cont.)

- **Difficulties Encountered in Performing the Audit**
 - Difficulties encountered during the audit included documentation issues.
- **Corrected Misstatements**
 - There was only one corrected misstatement (discussed previously).
- **Representations from Management**
 - The representation letter was signed by management.

Required Communications (cont.)

- **Disagreements with Management**
 - There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters.
- **Other Significant Findings or Issues**
 - There were no additional findings or issues not previously discussed

Open Discussions / Questions



SUBJECT: REVIEW AND ACCEPTANCE OF FY2008 EXTERNAL AUDIT DELIVERABLES

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, Clifton Gunderson, LLP has submitted the following FY2008 external audit and related materials for acceptance:

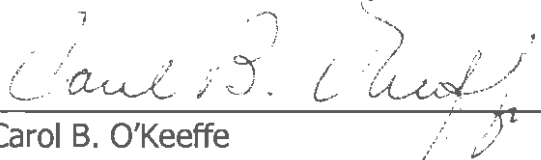
- Financial Statements
- Single Audit Report
 - Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards
 - Report on Compliance with requirements applicable to each major program and on Internal Control over compliance in accordance with OMB Circular A-133
- Comprehensive Annual Financial Report
- National Transit Database Agreed Upon Procedures; and

WHEREAS, The FY2008 External Audit and related materials, including the Staff Responses to the Report on Internal Controls, are being presented to the Board of Directors for acceptance; now, therefore be it

RESOLVED, That the Board of Directors accepts the FY2008 External Audit and related materials including the Staff Responses to the Report on Internal Controls and Single Audit; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel