



Finance, Administration and Oversight Committee

Action Item III-A

October 8, 2009

**Acceptance of the FY2009 Financial
Statement Audit**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100497	Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No
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TITLE:

FY09 External Audit Deliverables

PURPOSE:

To request acceptance of the Fiscal Year 2009 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, 2008 through June 30, 2009 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, 2009 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 2009 external audit and related materials for acceptance:

- Financial Statements
- Single Audit Reports
 - o 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
 - o 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 (CAFR)

FUNDING IMPACT:

No impact on funding

RECOMMENDATION:

Approval of the Fiscal Year 2009 External Audit Deliverables submitted by Clifton Gunderson, LLP.



Washington Metropolitan Area Transit Authority

Results of June 30, 2009 Financial Statement Audit
October 8, 2009

Audit Team

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

Agenda

- 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, Assessment of internal controls and substantive testing
- 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**
 - One Material Weakness and
 - Nine Significant Deficiencies including:

Audit Results (cont.)

- Capitalization of construction costs resulting in prior period adjustment
- Capital asset reporting
- Payroll documentation and changes
- Cash deposits from remote locations
- IT controls including:
 - Environmental controls
 - System passwords
 - New user access
 - Audit trail documentation
 - Terminated user access
 - User certification

Audit Results (cont.)

- **Audit Adjustments Consisted of:**
 - Prior period adjustment for Capital Assets included in construction-in-progress
 - Adjustment for depreciation as result of construction-in-progress
- **There was an unrecorded audit adjustment in FY 2009 related to:**
 - Accrual for Contingent Liability Variance from Actuary

Agreed Upon Procedure Results

- National Transit Database – In Progress
- Capital Program Funding Schedule – Not required in FY 2009
- District of Columbia Workers' Compensation Report – In Progress

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 and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 – unqualified
- **Major Program**
 - DOT Federal Transit Cluster

Single Audit (cont.)

- **Findings and Questioned Costs:**
 - One compliance finding related to lack of approval of indirect cost rate from FTA (This is a repeat comment from the FY 2008 audit).
- **Management concurs with this finding.**

Management Letter (Statement on Auditing Standard (SAS) 112)

- Inventory Value

Required Communications

- The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 114 requires 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, 2009 by addressing each of these required communications.

Required Communications

- **Auditors' Responsibility Under Generally Accepted Auditing Standards (GAAS):**
 - 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 Generally Accepted Accounting Principles (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 Governmental Accounting Standard (GASB) 49, Pollution Remediation.

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 tax lease disclosure, injury and damage claims, contingent liabilities, and the prior period adjustment.

Required Communications (cont.)

- **Difficulties Encountered in Performing the Audit:**
 - Difficulties encountered during the audit included issues related to construction-in-progress and contingent liabilities.
- **Corrected Misstatements:**
 - There were corrected misstatement related to construction-in-progress (discussed previously).
- **Representations from Management:**
 - The representation letter will be 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 FY2009 EXTERNAL AUDIT DELIVERABLES

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

WHEREAS, Clifton Gunderson, LLP has submitted the FY2009 external audit and related materials for acceptance and has presented them to the Board of Directors; now, therefore be it

RESOLVED, That the Board of Directors accepts the following:

- Audited 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
- Comprehensive Annual Financial Report; 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