



Executive Committee

Information Item III-A

October 24, 2019

**FY2019 Financial Statement Audit
and Single Audit**

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
202106

Resolution:
☐ Yes ☒ No

TITLE:

FY2019 Financial Statements Audit & Single Audit

PRESENTATION SUMMARY:

OIG's submittal of the FY2019 Financial Statements Audit and Single Audit Reports.

PURPOSE:

To respond to subsection 70(a) of the WMATA Compact that requires "The report of [the annual independent] audit shall be prepared in accordance with generally accepted auditing principles and shall be filed with the Chairman and other officers as the Board shall direct."

DESCRIPTION:

OIG retained RSM US LLP (RSM) to conduct the annual audit of the Authority's Financial Statements and Single Audit.

Key Highlights:

- RSM issued an unmodified opinion on the Authority's Financial Statements as of and for the years ended June 30, 2019 and 2018.
- RSM issued an unmodified opinion on the Authority's Single Audit for the period July 1, 2018, through June 30, 2019; however, there were two significant deficiencies.

Background and History:

Not applicable for this financial statement

Discussion:

Not applicable for this financial statement

FUNDING IMPACT:

Project Manager: Joseph Wilson III
Department/Office: Board/OIG

TIMELINE:

N/A

RECOMMENDATION:

N/A

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Report to the Board of Directors regarding the Results
of the 2019 Audit



October 24, 2019



Introduction

We are pleased to present this report related to our audit of the financial statements of the Washington Metropolitan Area Transit Authority (WMATA) as of and for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for WMATA's financial reporting process, as well as other matters that we believe may be of interest to you. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

This report is intended solely for the information and use of the Board of Directors and Management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to WMATA.



Contents

	<u>Page</u>
Status of audit	1
Scope of audit	2
Significant accounting practices, including policies, estimates and disclosures	3-4
Audit adjustments	5
Summary of uncorrected misstatements	6
Other required communications	7-8
Summary of findings	9-11
Other reporting matters	12
How to reach us	13

Status of the audit

- We have completed our audit of the financial statements of WMATA as of and for the year ended June 30, 2019 in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and *Government Auditing Standards* (“Yellow Book”) issued by the Comptroller General of the United States.
- Our opinion on those financial statements is unmodified.
- We have also completed the testing necessary to satisfy the requirements of the Yellow Book and the Office of Management and Budget (OMB) Uniform Guidance.
 - Our report in accordance with OMB Uniform Guidance is also unmodified.
 - Major programs tested:
 - Federal Transit Cluster, and
 - Passenger Rail Investment and Improvement Act

Scope of the audit

The Respective Responsibilities of the Auditor and Management

- Our responsibilities under generally accepted auditing standards and Yellow Book, have been described to you in our engagement letter dated March 29, 2019. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

- We previously issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
- There have been no significant scope changes in the execution of this audit plan.

Significant accounting practices, including policies, estimates and disclosures

In our meeting with you today, we will discuss our views about the qualitative aspects of the Authority's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures. The following is a list of the matters which include the significant estimates which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Significant accounting practices, including policies, estimates and disclosures (continued)

- The preparation of the financial statements requires certain estimates and judgments be made by management. These judgments and estimates include:
 - Unearned fare revenues
 - Pension benefit assumptions
 - Post-employment benefits other than pensions assumptions
 - Liability for injury and damage claims
- Management estimates considered to have been developed based on a reasonable and consistently applied approach.
- Management has the ultimate responsibility for the appropriateness of the accounting policies used by WMATA. The following is a summary of new accounting pronouncements adopted during the year:
 - GASB 83, *Certain Asset Retirement Obligations*
 - GASB 88, *Certain Disclosures Related to Debt*
- The implementation of these new standards had no significant impact.

Audit adjustments

Recorded Audit Adjustments

Washington Metropolitan Area Transit Authority
Summary of Audit Adjustments
Year Ended June 30, 2019

Description	Audit Adjustments - Debits (Credits)				
	Statement of Net Position Effect			Statement of Revenues, Expenses, and Changes in Net Position Effect	
	Assets	Liabilities	Net Position	Revenue	Expense
Understatement of Revenues due to inaccurate recording of amounts owed back to the FTA for the disposal of federally funded assets	\$ -	\$ -	\$ -	\$ (86,019,728)	\$ 86,019,728
Understatement of Compensated Absences in the preliminary Trial Balance		(36,967,268)			36,967,268
Statement of Revenues, Expenses, and Changes in Net Position Effect				\$ (86,019,728)	\$ 122,986,996
Statement of Net Position Effect	\$ -	\$ (36,967,268)	\$ 36,967,268		

Summary of uncorrected misstatements

Uncorrected Misstatements

Washington Metropolitan Area Transit Authority
Summary of Unrecorded Audit Adjustments
Year Ended June 30, 2019

Attachment A

Description	Passed Correcting Entries - Debits (Credits)				
	Statement of Net Position Effect			Statement of Revenues, Expenses, and Changes in Net Position Effect	
	Assets	Liabilities	Net Position	Revenue	Expense
Non-Reversed opening equity misstatement; Lease revenue misstatement due to omission of deferred revenue and overstatement of prior year revenue	\$ -	\$ (6,022,349)	\$ 5,911,508	\$ 110,841	\$ -
Reversed opening equity misstatements; Overstatement of current year expenses related to job code omission directly correlated to Kronos implementation	-	-	4,900,000	-	(4,900,000)
Statement of Revenues, Expenses, and Changes in Net Position Effect				\$ 110,841	\$ (4,900,000)
Opening Net Position Effect			\$ 10,811,508		
Statement of Net Position Effect	\$ -	\$ (6,022,349)			

Other communications required by generally accepted auditing standards

Area	Comments
Alternative Treatments Discussed With Management	We noted no alternative treatments within GAAP for accounting policies and practices related to material items that were discussed with management during the current period.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Difficulties Encountered in Performing the Audit	We encountered no difficulties in dealing with management when performing the audit.
Significant Items Discussed with Management	We discussed the cumulative effect of change in accounting principle adjustments and the presentation of that matter in the financial statements.

Other communications required by generally accepted auditing standards (continued)

Letters Communicating Internal Control Deficiencies

- In addition to the matters identified in this presentation which represent required communications under professional standards, we will provide separate summary of observations to management which summarizes other observations from the audit process. This summary will communicate recommendations for improvements and best practices.

Written Communication between Management and Our Firm

- Management will provided to us written representations that the Authority is required to provide to its independent auditors under generally accepted auditing standards at the end of the audit.

Summary of findings

- Our report in accordance with the Yellow Book, reports 2 findings (matters not related to Federally funded programs).
- There are no compliance findings related to OMB Uniform Guidance (Federally funded programs) for FY 2019.
- These findings are comprised of:
 - 2 significant deficiencies (SD) related to internal controls over financial reporting
 - There were no material weaknesses (MW) and no reportable instances of non-compliance (NC)

Summary of findings (continued)

- Areas of findings are summarized below:
 - Schedule of Expenditures of Federal Awards – 1 (SD)
 - Reporting Errors – 1 (SD)

Summary of findings (continued)

- In our prior year audit of the June 30, 2018 financial statements, we identified 2 findings (2 SD).
 - Of the 2 control findings, 1 has been repeated and 1 has not repeated as an audit finding. The finding not repeated relates to the failed Kronos implementation. In our status of prior year findings, we have included a recommendation to aggressively manage the future planned implementation.

Other reporting matters

- **Agreed-Upon Procedures Results**
 - The National Transit Database report - the report filing deadline is October 31. Work on this engagement is ongoing.
- **Reconciliation of Expenses of RCSC and RSMA for years 2019**
 - Work scheduled to be performed subsequent to completion of the audit.

How to reach us

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THANK YOU FOR
YOUR TIME AND
ATTENTION





RSM US LLP

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