

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL

**AUDIT OF THE  
WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION**

**for the Fiscal Year Ended  
June 30, 2000**



Charles C. Maddox, Esq.  
Inspector General

GOVERNMENT OF THE DISTRICT OF COLUMBIA



OFFICE OF THE INSPECTOR GENERAL

717 14TH STREET, N.W., 5TH FL.  
WASHINGTON, D.C. 20005  
(202) 727-2540

June 29, 2001

William H. McGilvery, Executive Director  
Washington Metropolitan Area Transit Commission  
1828 L Street, N.W., Suite 703  
Washington, D.C. 20036

Dear Mr. McGilvery:

Enclosed are two copies of a report by the District of Columbia Office of the Inspector General entitled "Audit of the Washington Metropolitan Area Transit Commission for the Fiscal Year Ended June 30, 2000." Annual audits of the Commission's financial statements are performed on a rotating basis by audit organizations of the District of Columbia, the Commonwealth of Virginia, and the State of Maryland. A management letter will be issued under separate cover next month. The management letter does not modify the results presented in the auditor's report, but offers recommendations for improvements in accounting practices.

By individual separate letters, this report has been sent to the Mayor, District of Columbia; the Chairman, Financial Responsibility and Management Assistance Authority, District of Columbia; the Chief Financial Officer, District of Columbia; the City Administrator, District of Columbia; the Governor and the Auditor of Public Accounts of the Commonwealth of Virginia; the Governor and the Legislative Auditor of the State of Maryland; and the Commissioners of the Washington Metropolitan Area Transit Commission.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.  
Inspector General

Enclosures

## DISTRIBUTION:

The Honorable Anthony A. Williams, Mayor, District of Columbia (1 copy)  
Mr. John A. Koskinen, Deputy Mayor and City Administrator (1 copy)  
Ms. Peggy Armstrong, Mayor's Press Secretary (1 copy)  
Ms. Lydia Sermons, Director, Office of Communications (1 copy)  
The Honorable Alice M. Rivlin, Chairman, DCFRA (1 copy)  
Mr. Francis Smith, Executive Director, DCFRA (1 copy)  
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Ms. Phyllis Jones, Secretary to the Council (13 copies)  
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Council of the District of Columbia (1 copy)  
Dr. Natwar M. Gandhi, Chief Financial Officer (4 copies)  
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The Honorable Joe Knollenberg, Chairman, House Subcommittee on D.C. Appropriations  
(1 copy)  
Mr. Jeff Onizuk, Legislative Director, Office of the Honorable Joe Knollenberg (1 copy)  
Mr. Migo Miconi, Staff Assistant, House Subcommittee on D.C. Appropriations (1 copy)  
The Honorable James P. Moran, Jr., House Committee on Appropriations (1 copy)  
Mr. Tim Aiken, Legislative Assistant, Office of the Honorable James Moran (1 copy)  
The Honorable Connie Morella, Chairman, House Subcommittee on D.C. Government Reform,  
Subcommittee on D.C. (1 copy)  
Mr. Russell Smith, Staff Director, House Subcommittee on D.C. Government Reform, (1 copy)  
The Honorable George V. Voinovich, Chairman, Senate Subcommittee on D.C. Government  
Oversight (1 copy)  
Mr. Mason Alinger, Professional Staff Member, Senate Subcommittee on D.C. Government  
Oversight, (1 copy)  
The Honorable Mike DeWine, Chairman, Senate Subcommittee on D.C. Appropriations (1 copy)  
Mr. Stan Skocki, Legislative Assistant, Senate Subcommittee on D.C. Appropriations (1 copy)  
Ms. Mary Beth Nethercutt, Clerk, Senate Subcommittee on D.C. Appropriations (1 copy)

AUDIT OF THE  
WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION

for the Fiscal Year Ended June 30, 2000

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GOVERNMENT OF THE DISTRICT OF COLUMBIA



OFFICE OF THE INSPECTOR GENERAL

717 14TH STREET, N.W., 5TH FL.  
WASHINGTON, D.C. 20005  
(202) 727-2540

OIG No. 01-1-7KC

June 29, 2001

Auditor's Report on Financial Statements


The Commissioners of the Washington  
Metropolitan Area Transit Commission  
1828 L Street, N.W., Suite 703  
Washington, D.C. 20036

We have audited the accompanying combined balance sheet of the Washington Metropolitan Area Transit Commission (Commission) as of June 30, 2000, and the related statements of allotments, revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards promulgated in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Metropolitan Area Transit Commission as of June 30, 2000, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Sincerely yours,

  
Charles C. Maddox, Esq.  
Inspector General

## WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

COMBINED BALANCE SHEET  
GENERAL FUND AND ACCOUNT GROUP  
AS OF JUNE 30, 2000

| <b><u>ASSETS</u></b>   | <b><u>GENERAL<br/>FUND</u></b> | <b><u>GENERAL<br/>FIXED ASSETS<br/>ACCOUNT<br/>GROUP</u></b> | <b><u>TOTAL<br/>(Memo-<br/>randum<br/>Only)</u></b> |
|--|--------------------------------|--|---|
| Current Assets   |                                |  |   |
| Cash and cash equivalents (Note 3)                             | \$ 136,892                     | -  | \$ 136,892  |
| Prepaid expenses   |                                | -  |   |
| Total Current Assets   | <u>136,892</u>                 | <u></u>  | <u>136,892</u>                                      |
| Long-term Assets   |                                |  |   |
| Furniture, equipment & leasehold<br>improvements (Notes 2a, 4) | -                              | 161,716  | 161,716   |
| Total Assets   | <u>\$ 136,892</u>              | <u>\$ 161,716</u>  | <u>\$ 298,608</u>                                   |
| <b><u>LIABILITIES AND FUND BALANCE</u></b>                     |                                |  |   |
| Current Liabilities  |                                |  |   |
| Accounts payable   | \$ 5,938                       | -  | \$ 5,938  |
| Accrued salaries   | 5,551                          | -  | 5,551   |
| Accrued benefits   | 452                            | -  | 452   |
| Other Accrued Liabilities                                      | 2,250                          | -  | 2,250   |
| Accrued leave (Note 2c)  | 29,161                         |  | 29,161  |
| Due to signatories (Note 2b)                                   | 92,874                         | -  | 92,874  |
| Total Current Liabilities                                      | <u>136,226</u>                 | <u>-</u>   | <u>136,226</u>                                      |
| Fund Balance   |                                |  |   |
| Reserve for encumbrances (Note 2a)                             | 666                            | -  | 666   |
| Investment in general fixed assets                             | -                              | 161,716  | 161,716   |
| Total Fund Balance   | <u>666</u>                     | <u>161,716</u>   | <u>162,382</u>                                      |
| Total Liabilities and Fund Balance                             | <u>\$ 136,892</u>              | <u>\$ 161,716</u>  | <u>\$ 298,608</u>                                   |

The accompanying notes are an integral part of these financial statements.

## WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

STATEMENT OF ALLOTMENTS, REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**ALLOTMENTS AND OPERATING REVENUES**

Allotments from signatories (Note 2b)

|                          |                |
|--------------------------|----------------|
| District of Columbia     | \$ 78,750      |
| State of Maryland        | 237,700        |
| Commonwealth of Virginia | <u>183,550</u> |
| Total Allotments         | <u>500,000</u> |

Operating Revenues

|                   |               |
|-------------------|---------------|
| Application fees  | 11,150        |
| Tariff fees       | 1,913         |
| Annual fees       | 27,000        |
| Civil forfeitures | 17,200        |
| Miscellaneous     | 230           |
| Interest          | <u>13,631</u> |

|                          |               |
|--------------------------|---------------|
| Total Operating Revenues | <u>71,124</u> |
|--------------------------|---------------|

|   |                |
|---|----------------|
| Total Allotments and Operating Revenues | <u>571,124</u> |
|---|----------------|

**EXPENDITURES**

|                             |                |
|-----------------------------|----------------|
| Total Expenditures (page 4) | <u>518,983</u> |
|-----------------------------|----------------|

Excess of Allotments and Operating Revenues Over Expenditures

52,141

Less amounts due signatories (Note 2b)

(92,874)**CHANGE IN FUND BALANCE**

(40,733)

Fund Balance, July 1, 1999 (Note 7)

41,399

Fund Balance, June 30, 2000

\$ 666

The accompanying notes are an integral part of these financial statements.

## WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

STATEMENT OF ALLOTMENTS, REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS)

## GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2000

|  | Budget     | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|--|------------|------------|--|
| <b>ALLOTMENTS AND OPERATING REVENUES</b>                         |            |            |  |
| Allotments from signatories (Note 2b)                            | \$ 500,000 | \$ 500,000 | \$ -                                   |
| Operating Revenues   | -          | 71,124     | 71,124                                 |
| Total Allotments and Operating Revenues                          | 500,000    | 571,124    | 71,124                                 |
| <b>EXPENDITURES</b>  |            |            |  |
| Staff Salaries   | 298,000    | 282,793    | 15,207                                 |
| Benefits   | 45,000     | 42,521     | 2,479                                  |
| Communications   | 6,000      | 5,338      | 662                                    |
| Courier  | 500        | 139        | 361                                    |
| Insurance  | 3,000      | 3,710      | (710)                                  |
| Postage  | 8,000      | 7,015      | 985                                    |
| Printing and Reproduction  | 5,000      | 6,127      | (1,127)                                |
| Publications   | 6,000      | 2,741      | 3,259                                  |
| Subscriptions  | 10,500     | 5,809      | 4,691                                  |
| Rent (Note 6)  | 95,000     | 90,230     | 4,770                                  |
| Transportation and Travel  | 500        | 91         | 409                                    |
| Office Equipment – Cost  | 5,000      | 25,394     | (20,394)                               |
| Office Equipment – Maintenance                                   | 3,500      | 350        | 3,150                                  |
| Office Supplies  | 6,000      | 17,466     | (11,466)                               |
| Education and Training   | 2,000      | 574        | 1,426                                  |
| Other  | 2,000      | 504        | 1,496                                  |
| Professional Services  | 4,000      | 28,181     | (24,181)                               |
| Total Expenditures   | 500,000    | \$518,983  | (18,983)                               |
| Excess of Allotments And Operating Revenues<br>Over Expenditures | \$ -       | \$ 52,141  | \$ 52,141                              |

The accompanying notes are an integral part of these financial statements.



WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION  
NOTES TO FINANCIAL STATEMENTS

1. Organization and Purpose

The Washington Metropolitan Area Transit Commission (Commission), located at 1828 "L" Street, N.W., Washington, D.C., 20036, administers and carries out the delegated powers of the Washington Metropolitan Area Transit Regulation Compact, approved by Congress on September 15, 1960, approved by Resolution of the Board of Commissioners of the District of Columbia, Acts of the General Assembly of Maryland, and Acts of the Assembly of Virginia on December 22, 1960, and amended on March 29, 1963 and February 1, 1991.

Generally, the Compact confers upon the Commission jurisdiction over the regulation and improvement of specified passenger transportation for hire within the Washington Metropolitan Area Transit District. The Metropolitan District includes the District of Columbia; the cities of Alexandria and Falls Church, the counties of Arlington and Fairfax and political subdivisions located within those counties of the State of Virginia, and that portion of Loudoun County, Virginia, occupied by the Dulles International Airport; the counties of Montgomery and Prince George's in the State of Maryland and the political subdivisions located within said counties; and other cities now or hereafter within Maryland or Virginia within the geographic area bounded by the outer boundaries of the continued area of said counties, cities and airport.

The terms of the Washington Metropolitan Transit Regulation Compact provide that, with certain exceptions, the expenses of operating the Commission shall be provided by funds appropriated from the signatories in the proportion that the population of each signatory within the Metropolitan District bears to the total population of that area.

Annual audits of the Commission's books and records are made on a rotating basis by auditing organizations of the District of Columbia, the Commonwealth of Virginia and the State of Maryland. The Commonwealth of Virginia and the State of Maryland conducted the audits of fiscal years 1998 and 1999, respectively.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The General Fund accounts of the Commission are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, allotments, revenues and assets are recognized when measurable and available to finance operations during the year or liquidate liabilities at the end of the year, and expenditures and liabilities are recognized when obligations are incurred as a result of the receipt of goods and services.

The General Fixed Assets Account Group is used to establish accounting control and accountability for the Commission's general fixed assets. General fixed assets acquired by the Commission are recorded at cost and are not depreciated.

Encumbrances represent executed purchase orders for which goods or services have not been received as of the end of the fiscal year, and are reported as a reservation of fund balance.

b) Allotments

The terms of the Washington Metropolitan Area Transit Regulation Compact provide that, with certain exceptions, the expenses of operating the Commission shall be allotted among the participating governments (signatories) in the ratio that the population of each signatory within the Washington Metropolitan Area bears to the total population of that area. In this regard, in accordance with the Compact, amounts received that are not expended or encumbered at fiscal year end are due to the signatories. The terms of the Compact further require that, with certain exceptions, any other revenues collected by the Commission shall be paid to the signatories in the same allotment ratios.

Unexpended fiscal year 2000 revenues due to signatories as of June 30, 2000, amounted to \$92,874. The allotment ratios for the year ended June 30, 2000, and the amounts due to each signatory are as follows:

| <u>Signatory</u>         | <u>Allotment<br/>Ratio</u> | <u>Amounts Due To<br/>Signatories</u> |
|--------------------------|----------------------------|---------------------------------------|
| State of Maryland        | 47.54%                     | \$ 44,152                             |
| Commonwealth of Virginia | 36.71%                     | 34,094                                |
| District of Columbia     | <u>15.75%</u>              | <u>14,628</u>                         |
| Total                    | <u>100.00%</u>             | <u>\$ 92,874</u>                      |

c) Accrued Annual Leave

Employees earn annual leave based on the number of years employed up to a maximum of 26 days per year. Earned annual leave may be accumulated up to a maximum of 30 days as of the end of each calendar year, with one exception. The present Executive Director may accumulate up to 357 hours as of the end of each year. As of June 30, 2000, the value of the accumulated earned but unused annual leave for Commission employees was \$ 29,161 and has been fully funded by allotments received from the signatories and accounted for in the General Fund.

Employees earn sick leave at the rate of 13 days per year, with no limit to the number of sick days that can accumulate. Any outstanding sick leave is lost upon separation of employment; therefore, no liability is accrued for sick leave.

d) Total (Memorandum Only) Column

The “Total (Memorandum Only)” column on the combined balance sheet is presented to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is this data comparable to a consolidation.

3. Cash and cash equivalents

As of June 30, 2000, the Commission's cash on deposit totaled \$136,792.20. Of this amount, \$34,477.52 was in demand deposits and \$ 102,314.68 was in repurchase agreements. The Commission also maintained a petty cash fund of \$100. During fiscal year 2000, bank deposits were fully insured and/or collateralized. Bank deposits were covered by Federal depository insurance and cash invested in repurchase agreements was fully collateralized by U.S. Government securities, which were held in a custodial account for the counterparty financial institution in the Commission's name.

4. Changes in General Fixed Assets

For the fiscal year ended June 30, 2000, the activity in the General Fixed Assets Account Group was as follows:

|   |                   |
|---|-------------------|
| Investment in General Fixed Assets<br>(furniture, equipment and leasehold<br>improvements) July 1, 1999 | \$ 143,397        |
| Additions to General Fixed Assets   | 25,202            |
| Deletions of General Fixed Assets   | <u>(6,883)</u>    |
| Investment in General Fixed Assets – June 30, 2000  | <u>\$ 161,716</u> |

5. Retirement Costs

Employees of the Commission who were appointed before October 1, 1987, are members of the United States Civil Service Retirement System (CSRS) and are considered to be employees of the District of Columbia for retirement plan purposes. The CSRS, whose members include appointed and elected officers and employees in or under the executive, judicial and legislative branches of the United States Government and the District of Columbia government, is administered by the United States Office of Personnel Management and is a single-employer public employee retirement system, which obtains annual actuarial valuations. The Commission's covered payroll costs for employees under the CSRS for the year ended June 30, 2000 totaled \$164,579 and the Commission's total payroll costs for all employees for the year ended June 30, 2000 totaled \$ 282,793. Commission employees who are not members of the CSRS contribute to social security for retirement purposes.

The Commission's employees participating in the CSRS were required to contribute 7.25 percent of their salary through December 31, 1999 and 7.4 percent during calendar year 2000, with the Commission contributing 8.51 percent in accordance with Title 5, Chapter 83 of the United States Code. These employees contributed \$11,976 and the Commission contributed \$14,013 for a total of \$25,989 for the year ended June 30, 2000. Effective January 1, 2001, the employee contribution rate will increase to 7.5 percent. The required contribution rate is not actuarially determined. Furthermore, Title 5, Chapter 83 of the United States Code also requires the United States Treasury to contribute any remaining amounts necessary to fund the CSRS based on actuarial valuations.

## 6. Lease

On April 13, 1998, the Commission extended the term of its lease for office space for an additional five years commencing on February 1, 1999 and expiring January 31, 2004. The lease extension contains the same provisions as in the original term of the lease with scheduled increases and provisions for contingent rent related to increases in the lessor's operating expenses and property taxes.

As of June 30, 2000, the Commission's non-cancelable lease extension provides for the following minimum lease payments:

| <u>Fiscal Year</u>                  | <u>Amount</u>     |
|-------------------------------------|-------------------|
| 2001                                | \$ 88,708         |
| 2002                                | 90,482            |
| 2003                                | 92,290            |
| 2004                                | <u>54,458</u>     |
| Total minimum payment requirements: | <u>\$ 325,938</u> |

## 7. Fund Balance

The general ledger beginning fund balance of \$40,655 as of July 1, 1999, was increased to \$41,399 to reflect prior year audit adjusting entries and to reflect the reported fund balance in the fiscal year 1999 (FY 1999) financial statements. Prior year entries had been proposed by the FY 1999 auditor to adjust expense items recorded in FY 1999 that were applicable to FY 1999 or FY 2000. The net affect on FY 2000 expenditures was an increase of \$744.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**



OFFICE OF THE INSPECTOR GENERAL

717 14TH STREET, N.W., 5TH FL.  
WASHINGTON, D.C. 20005  
(202) 727-2540

June 29, 2001

Auditor's Report on Internal Accounting and Management Controls

The Commissioners of the Washington  
Metropolitan Area Transit Commission  
1828 L Street, N.W., Suite 703  
Washington, D.C. 20036

We have audited the combined balance sheet of the Washington Metropolitan Area Transit Commission as of June 30, 2000, and the related statements of allotments, revenues, expenditures and changes in fund balance, and changes in general fixed assets for the year then ended. A report thereon is included elsewhere herein.

We conducted our audit in accordance with generally accepted government auditing standards as promulgated in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the Washington Metropolitan Area Transit Commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

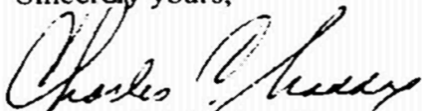
The management of the Washington Metropolitan Area Transit Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate due to change in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: Cash Receipts, Cash Disbursements, Receivables, Payables and Accrued Liabilities, Payroll, Property and Equipment, and General Ledger. For the internal control structure listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

Sincerely yours,



Charles C. Maddox, Esq.  
Inspector General

GOVERNMENT OF THE DISTRICT OF COLUMBIA



OFFICE OF THE INSPECTOR GENERAL

717 14TH STREET, N.W., 5TH FL.  
WASHINGTON, D.C. 20005  
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June 29, 2001

Auditor's Report on Compliance

The Commissioners of the Washington  
Metropolitan Area Transit Commission  
1828 L Street, N.W., Suite 703  
Washington, D.C. 20036

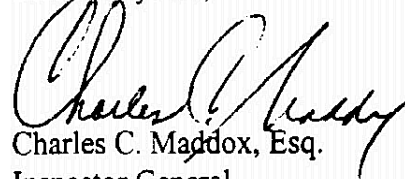
We have audited the combined balance sheet of the Washington Metropolitan Area Transit Commission as of June 30, 2000, and the related statements of allotments, revenues, expenditures and changes in fund balance, and changes in general fixed assets for the year then ended. A report thereon is included elsewhere herein.

We conducted our audit in accordance with generally accepted government auditing standards as promulgated in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Washington Metropolitan Area Transit Commission (Commission) is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, for the items tested, the Commission was substantially in compliance with applicable laws and regulations. With respect to the transactions not tested, nothing came to our attention that would indicate that the Commission was not in compliance with the aforementioned laws and regulations.

Sincerely yours,



Charles C. Maddox, Esq.  
Inspector General