

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION  
FINANCIAL STATEMENT AUDIT**

**For the Fiscal Year Ended  
June 30, 2006**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



May 13, 2008

William S. Morrow  
Executive Director  
Washington Metropolitan Area Transit Commission  
1828 L Street, N. W., Suite 703  
Washington, D.C. 200364

Dear Mr. Morrow:

The Office of the Inspector General has completed an audit (OIG No. 07-1-04KC) of the combined balance sheet of the Washington Metropolitan Area Transit Commission (Commission) as of June 30, 2006, and the related comparative statements of allotments, revenues, expenditures, and changes in fund balance for the year then ended.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.

### **Unqualified Opinion on Financial Statements**

In our opinion, the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Commission's assets and liabilities as of June 30, 2006, and its revenues, expenditures, and changes in fund balance for the year then ended.

William Morrow, Executive Director  
Washington Metropolitan Area Transit Commission  
May 13, 2008  
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By individual separate letters, this report has been sent to the Mayor of the District of Columbia; the Governor and the Auditor of Public Accounts of the Commonwealth of Virginia; the Governor and the Public Service Commission of the State of Maryland; and the Commissioners of the Washington Metropolitan Area Transit Commission.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions please call William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,



Charles J. Willoughby  
Inspector General

CJW/js

Enclosure

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William Morrow, Executive Director  
Washington Metropolitan Area Transit Commission  
May 13, 2008  
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**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Introduction 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 (Compact), approved by Congress on September 15, 1960, (amended on March 29, 1963, and February 1, 1991) and executed by the District of Columbia, the State of Maryland, and the Commonwealth of Virginia on December 22, 1960.

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 (Metropolitan 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 Commonwealth of Virginia, and the portion of Loudoun County, Virginia, occupied by the Dulles International Airport; the counties of Montgomery and Prince Georges in the State of Maryland and the political subdivisions located within these counties; and Maryland or Virginia cities within the geographic area bounded by the outer boundaries of the continued area of these counties, cities, and airport.

The terms of the 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.

The Commission is composed of three members, one from each participating government. The State of Maryland has been without an appointed commissioner for the past two years. At the end of fiscal year 2006, the office staff consisted of five salaried employees, including the Executive Director. The Executive Director reports directly to the Commission and is responsible for managing the technical and administrative duties of the Commission.

Annual audits of the Commission’s books and records are conducted 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 State of Maryland conducted the examinations for fiscal years 2004 and 2005, respectively.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



**Independent Auditor's Report**

To 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 (Commission) as of June 30, 2006, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained 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 Commission as of June 30, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report  
Washington Metropolitan Area Transit Commission

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2008, on our consideration of the Commission's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,



Charles J. Willoughby  
Inspector General

May 13, 2008

**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**COMBINED BALANCE SHEET  
GENERAL FUND AND ACCOUNT GROUP  
AS OF JUNE 30, 2006**

	<b>General Fund</b>	<b>General Fixed Assets Account Group</b>	<b>Total (Memorandum Only)</b>
<b>Assets</b>			
Current Assets:			
Cash & cash equivalents	\$ 407,500	-	\$ 407,500
Accounts Receivable	250	-	250
<b>Total Current Assets</b>	<u>407,750</u>	<u>-</u>	<u>407,750</u>
Long-term Assets			
Furniture, equipment and leasehold			
Improvements	-	124,654	124,654
<b>Total Long-term Assets</b>	<u>-</u>	<u>124,654</u>	<u>124,654</u>
<b>Total Assets</b>	<u>407,750</u>	<u>124,654</u>	<u>532,404</u>
<b>Liabilities and Fund Balance</b>			
Current Liabilities:			
Accounts Payable	26,308	-	26,308
Accrued Salaries & Benefits	8,067	-	8,067
Accrued leave	20,653	-	20,653
Deferred Appropriations	74,377	-	74,377
Expired Allotments Payable	263,864	-	263,864
<b>Total Current Liabilities</b>	<u>393,269</u>	<u>-</u>	<u>393,269</u>
<b>Fund Balance:</b>			
Reserve for encumbrances – 2006	14,481	-	14,481
Investment in general fixed assets	-	124,654	124,654
<b>Total Fund Balance</b>	<u>14,481</u>	<u>124,654</u>	<u>139,135</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$ 407,750</u>	<u>\$ 124,654</u>	<u>\$ 532,404</u>

The accompanying notes are an integral part of these financial statements

**WASHINGTON METROPOLITAN AREA  
 TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**STATEMENT OF ALLOTMENTS, REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 GENERAL FUND**

**ALLOTMENTS AND REVENUES FROM OPERATIONS**

**Allotments from signatories**

District of Columbia	\$ 108,678
State of Maryland	338,990
Commonwealth of Virginia	260,332
Total Allotments	\$ 708,000

**Operating Revenues**

Fee Income	118,430
Civil Forfeitures	5,475
Interest Income	6,792
Miscellaneous Income	331
Total Operating Revenue	131,028
<b>Total Allotments and Operating Revenues</b>	<b>839,028</b>

**EXPENDITURES:**

Total Expenditures (see page 6)	656,505
Excess allotments and revenues over expenditures before deducting amount due to signatories	\$ 182,523
Less amount due to signatories	168,042
<b>CHANGE IN FUND BALANCE</b>	<b>14,481</b>
July 1, 2005 Balance – Prior Year Reserve for encumbrance	15,148
Less: Reserve for encumbrance used	(15,148)
Fund Balance June 30, 2006 - Reserve for Encumbrance	<b>\$ 14,481</b>

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

**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**STATEMENT OF ALLOTMENTS, REVENUES, AND EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>ALLOTMENTS AND REVENUES:</b>			
Allotments from signatories	\$ 708,000	\$ 708,000	\$ -
Revenues not available for operations	-	131,028	131,028
Total Allotments and Revenues	<u>\$ 708,000</u>	<u>\$ 839,028</u>	<u>\$ 131,028</u>
<b>EXPENDITURES:</b>			
Salaries	415,000	384,786	30,214
Employee Benefits	95,000	61,581	33,419
Communications	6,000	3,495	2,505
Courier	250	38	212
Electronic Subscriptions	3,000	126	2,874
Insurance	4,000	5,216	(1,216)
Miscellaneous Expense	-	4,634	(4,634)
Office Equipment	15,000	24,538	(9,538)
Office Equipment-Maintenance	3,000	1,050	1,950
Office Rent	115,000	113,699	1,301
Office Supplies	10,000	11,697	(1,697)
Postage	12,000	6,545	5,455
Printing and Reproduction	3,000	6,923	(3,923)
Professional Services	500	-	500
Publications	1,000	1,454	(454)
Training and Education	1,000	7,917	(6,917)
Transportation and Travel	250	178	72
Other	1,000	-	1,000
Management Study	23,000	22,628	372
<b>Total Expenditures</b>	<u>\$ 708,000</u>	<u>\$ 656,505</u>	<u>\$ 51,495</u>
<b>Excess of allotments and revenues over expenditures</b>	<u>\$ -</u>	<u>\$ 182,523</u>	<u>\$ 182,523</u>

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

**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Allotments**

The terms of the 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 the Metropolitan District. In this regard, the Commission returns any unused allotments from signatories in accordance to their allotment ratio. Additionally, the terms of the Compact require that, with certain exceptions, any fees collected by the Commission shall be paid to the signatories in the same allotment ratios.

Unexpended fiscal year 2006 allotments and revenues due to signatories as of June 30, 2006, amounted to \$168,042.43. The allotment ratios for the year ended June 30, 2006, and the amounts due to each signatory are as follows:

Signatory	Allotment Ratio	Amount Due To Signatories
District of Columbia	15.35%	\$ 25,794.51
Commonwealth of Virginia	36.77%	61,789.20
State of Maryland	47.88%	80,458.72
Total	100%	\$ 168,042.43

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**WASHINGTON METROPOLITAN AREA  
 TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Accrued Annual Leave**

Employees earn annual leave based on the number of years employed and 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. As of June 30, 2006, the value of the accumulated earned but unused annual leave for Commission employees was \$20,653.

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.

**Total (Memorandum Only) Column**

The “Total (Memorandum Only)” column on the combined balance sheet is presented to facilitate financial analysis. Data in this column do not present financial position in conformity with generally accepted accounting principles and is not comparable to a consolidation.

**Cash and Cash Equivalents**

As of June 30, 2006, the Commission’s cash on deposit totaled \$407,400. The Commission also maintained a petty cash fund of \$100. During fiscal year 2006, bank deposits were fully insured and/or collateralized. Bank deposits were covered by federal depository insurance up to \$100,000, 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.

**Changes in General Fixed Assets**

For the fiscal year ended June 30, 2006, the activity in the General Fixed Assets Account Group (furniture, equipment, and leasehold improvements) was as follows:

Investment in General Fixed Assets (Furniture, Fixtures and Equipment) July 1, 2005	\$ 110,801.99
Additions to General Fixed Assets	37,831.57
Deletions of General Fixed Assets	<u>(23,979.90)</u>
Investment in General Fixed Assets - June 30, 2006	<u><u>\$ 124,653.66</u></u>

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**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Retirement Costs**

An employee of the Commission who was appointed before October 1, 1987, is a member of the United States Civil Service Retirement System (CSRS) and is considered an employee of the District of Columbia for retirement plan purposes. The CSRS, whose members include appointed and elected officers and employees in 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. The CSRS is a single-employer public employee retirement system, which obtains annual actuarial valuations. The Commission's covered payroll costs for the employee under the CSRS for the year ended June 30, 2006, totaled \$80,649. Commission employees who are not members of the CSRS contribute to social security for retirement purposes.

The Commission's employee participating in the CSRS was required to contribute 7 percent of their salary during the calendar year, with the Commission also contributing 7 percent in accordance with Title 5, Chapter 83 of the United States Code. The employee contributed \$5,645 and the Commission contributed \$5,645 for a total of \$11,290 for the fiscal year ended June 30, 2006. 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.

**Lease**

On December 11, 2003, the Commission extended the term of its lease for office space for an additional 5 years commencing on February 1, 2004, and expiring January 31, 2009. 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 lessor's operating expenses and real estate taxes.

As of June 30, 2006, the Commission's non-cancelable lease extension, that expires on January 31, 2009, provides for the following minimum lease payments:

Fiscal Year	Amount
2007	109,873.78
2008	112,619.21
2009	66,642.73
Total Minimum Payments Required	\$ 289,135.72

**WASHINGTON METROPOLITAN AREA  
TRANSIT COMMISSION FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Expired Allotments – Due to Signatories**

The total amount due to signatories as of June 30, 2006 was \$263,864 which includes \$95,822 owed for FY 2005 and unused allotments of \$168,042 for FY 2006.

**Fund Balance**

**Reserve for Encumbrance** - As of June 30, 2006, the Commission reserved \$14,480.91 of unused allotments for office equipment that was not received or invoiced prior to fiscal year end.

**Prior Period Adjustment** – There were no prior period adjustments that were reflected in the fiscal year 2006 financial statements.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



**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**

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, 2006, and the related statements of allotments, revenues, expenditures, and changes in fund balance for the year then ended and have issued our report thereon dated May 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

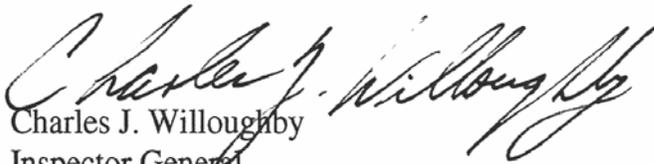
Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

## **Compliance**

As part of obtaining reasonable assurance whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, the noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Charles J. Willoughby  
Inspector General

May 13, 2008