

**WASHINGTON SUBURBAN TRANSIT COMMISSION**

**Financial Statements and Supplemental Schedules Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2021**

**JUNE 30, 2021**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Commissioners of  
Washington Suburban Transit Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Washington Suburban Transit Commission (the Commission), an enterprise fund, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2021, and the change in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenue and Expenses – Budget and Actual as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedules of Grants Provided to Other Governments is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Grants Provided to Other Governments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Grants Provided to Other Governments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2021 on our consideration of the Commission's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal controls over financial reporting and compliance.

Owings Mills, Maryland  
October 28, 2021

*SB & Company, LLC*

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Management's Discussion and Analysis June 30, 2021

### Overview of the Financial Statements and Financial Analysis

This discussion and analysis of the Washington Suburban Transit Commission's (the Commission) financial statements provides an overview of the Commission's financial activities for the year ended June 30, 2021, with fiscal year 2020 data presented for comparative purposes. The emphasis of discussion about these statements is on the current year activity. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. There are three financial statements presented: the statements of net position; the statements of revenue, expenses, and change in net position; and the statements of cash flows.

### Statements of Net Position

A review of the statements of net position reveals that the net position of the Commission increased by \$22,326 for the year ended June 30, 2021. This is primarily a result of revenue exceeding expenditures for fiscal year 2021.

	As of June 30,	
	2021	2020
<b>ASSETS</b>		
Cash	\$ 543,666	\$ 569,888
Accounts Receivable	10,770	136,340
Total Assets	<u>\$ 554,436</u>	<u>\$ 706,228</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 17,147	\$ 95,647
Operating subsidy	-	95,618
Total Liabilities	<u>17,147</u>	<u>191,265</u>
Unrestricted Net Position	<u>\$ 537,289</u>	<u>\$ 514,963</u>

## WASHINGTON SUBURBAN TRANSIT COMMISSION

### Management's Discussion and Analysis June 30, 2021

#### Statements of Revenue, Expenses, and Change in Net Position

For the years ended June 30, 2021 and June 30, 2020, total operating grants and contributions decreased by \$26,152, related to a decrease in the budget. Total administrative expenses decreased by \$29,303 primarily related to personnel vacancies.

	For the Years Ended	
	2021	2020
<b>Operating Revenue</b>		
Operating grants and contributions	\$ 337,371	\$ 363,523
In-kind revenue	28,436	27,802
<b>Total Operating Revenue</b>	<b>365,807</b>	<b>391,325</b>
<b>Operating Expenses</b>		
Administrative expenses	315,045	344,348
In-kind expenses	28,436	27,802
<b>Total Operating Expenses</b>	<b>343,481</b>	<b>372,150</b>
<b>Operating Income</b>	<b>22,326</b>	<b>19,175</b>
<b>Non-Operating Revenue (Expenses)</b>		
Property taxes	29,078,056	27,200,316
Grants	721,695,784	769,007,608
Grants to other governments	(750,773,840)	(796,207,924)
<b>Total Non-Operating Revenue, net</b>	<b>-</b>	<b>-</b>
Change in net position	22,326	19,175
Net position, beginning of year	514,963	495,788
<b>Net Position, End of Year</b>	<b>\$ 537,289</b>	<b>\$ 514,963</b>

## WASHINGTON SUBURBAN TRANSIT COMMISSION

### Management's Discussion and Analysis June 30, 2021

#### Statements of Cash Flows

An additional method to assess the financial health of the Commission is to look at the statements of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Commission during a defined period. The statements of cash flows also help users to assess the Commission's:

- Ability to generate future net cash flows;
- Ability to meet its obligations as they come due; and
- Need for external financing.

	For the Years Ended June 30,	
	2021	2020
<b>Cash Flows From:</b>		
Operating activities	\$ (26,222)	\$ (98,614)
Change in cash	(26,222)	(98,614)
Cash, beginning of year	569,888	668,502
<b>Cash, End of Year</b>	<b>\$ 543,666</b>	<b>\$ 569,888</b>

The change in cash flows from operating activities was primarily due the Commission paying off the pension liability in the current year.

#### Economic Outlook

Funded by the State of Maryland and Prince George's and Montgomery counties, the Commission's annual budget depends on the economic position of these state and local governments.

Due to the COVID-19 pandemic the unemployment rate increased from 3.5% in March 2020 to 9% in April 2020. As of January 2021, unemployment decreased to 6.4% and continues to decrease reaching 6% as of July 2021.

The workforce participation rate in the State – the percentage of the eligible population who are employed or looking for work – has decreased over the last couple of years. The workforce participation rate remained steady at 69% from August 2019 through March 2020. Since then, the rate has fallen to 65.7% as of July 2021.



# **WASHINGTON SUBURBAN TRANSIT COMMISSION**

## **Management's Discussion and Analysis June 30, 2021**

### **Request for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the entity's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sara LeBarron, Financial Analyst, or Pat Pscherer Jr., Director of MDOT's Office of Washington Area Transit Programs, 4351 Garden City Drive, Suite 305, Hyattsville, MD 20785.

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Statement of Net Position

As of June 30, 2021

### ASSETS

Cash	\$	543,666
Accounts Receivable		10,770
Total Assets	\$	<u>554,436</u>

### LIABILITIES

Accounts payable and accrued expenses	\$	<u>17,147</u>
Net Position	\$	<u>537,289</u>

The accompanying notes are an integral part of this financial statement.

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Statement of Revenue, Expenses and Change in Net Position For the Year Ended June 30, 2021

### Operating Revenue

Operating grants and contributions	\$ 337,371
In-kind revenue	<u>28,436</u>
<b>Total Operating Revenue</b>	<u><b>365,807</b></u>

### Operating Expenses

Administrative expenses	315,045
In-kind expenses	<u>28,436</u>
<b>Total Operating Expenses</b>	<u><b>343,481</b></u>

<b>Operating Income</b>	<u><b>22,326</b></u>
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### Non-Operating Revenue (Expenses)

Property taxes	29,078,056
Grants	721,695,784
Grants to other governments	<u>(750,773,840)</u>
<b>Total Non-Operating Revenue, net</b>	<u><b>-</b></u>

Change in net position	22,326
Net position, beginning of year	<u>514,963</u>
<b>Net Position, End of Year</b>	<u><b>\$ 537,289</b></u>

The accompanying notes are an integral part of this financial statement.

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Statement of Cash Flows

For the Year Ended June 30, 2021

### Cash Flows From Operating Activities

Receipts for grants and contributions	\$ 337,371
Payments to employees and vendors	(393,545)
Change in operating subsidy	(95,618)
Change in accounts receivable	125,570
<b>Net Cash Flows From Operating Activities</b>	<b>(26,222)</b>

### Cash Flows for Non-Capital Financing Activities

Receipts for grants and property taxes	750,773,840
Payments of grants to other governments	(750,773,840)
<b>Net Cash Flows for Non-Capital Financing Activities</b>	<b>-</b>

Change in cash	(26,222)
Cash, beginning of year	569,888
<b>Cash, End of Year</b>	<b>\$ 543,666</b>

### Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 22,326
Net changes in non-cash operating assets and liabilities:	
Accounts receivable	125,570
Accounts payable and accrued expenses	(78,500)
Operating subsidy, net	(95,618)
<b>Net Cash from Operating Activities</b>	<b>\$ (26,222)</b>

The accompanying notes are an integral part of this financial statement.

# **WASHINGTON SUBURBAN TRANSIT COMMISSION**

## **Notes to the Financial Statements**

**June 30, 2021**

### **1. BACKGROUND OF THE COMMISSION**

The Washington Suburban Transit District (the District), encompassing Prince George's County and Montgomery County, Maryland, was chartered by the State of Maryland in 1965 to, among other things, coordinate and participate in the formulation of the transit plan of the Washington Metropolitan Area Transit Authority (WMATA) for the District. The District is governed by the Washington Suburban Transit Commission (the Commission), which is composed of three representatives each from the Counties, and one representative from the Maryland Department of Transportation (MDOT).

The Commission's operations consist of grants from the Maryland Department of Transportation; Montgomery County, Maryland; Prince George's County, Maryland and the Maryland Transit Administration (MTA) to fund its operating cost and to make payments to transit systems in the Washington, D.C. metropolitan area. The Commission also assesses property taxes to the citizens of Prince George's County. The proceeds from the property taxes are given to Prince George's County to operate its transit system. The Commission is considered an enterprise fund.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Measurement Focus and Basis of Accounting**

The Commission is accounted for as a proprietary fund engaged in business-like activities. In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenue when earned and expenses when incurred.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commission's name.

# **WASHINGTON SUBURBAN TRANSIT COMMISSION**

## **Notes to the Financial Statements**

**June 30, 2021**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Custodial Credit Risk – Deposits (continued)**

As of June 30, 2021, the Commission had cash deposits of \$543,666 of which \$293,666 was required collateral.

#### **Revenue**

The Commission distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Commission's principal on-going operations. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. The principal operating revenue of the Commission is grants to fund employee and other administrative costs. The principal non-operating revenue and expenses are property taxes assessed and grants recognized to make contributions to other governments for transit operations on behalf of the Commission. Funds received for expenses not yet incurred are recorded as deferred revenue.

#### **In-Kind Contributions**

The MDOT provided administrative support in addition to paying the salary of the current director of the Commission. The value of these services are included in the financial statements because they met the criteria of in-kind contributions. Management estimated the fair value of in-kind services during the year ended June 30, 2021, to be worth approximately \$28,436. Management estimated the value of the in-kind services based on information provided by MDOT on the cost of these services.

### **3. MASS TRANSIT PLAN**

On June 28, 1991, an agreement was entered into between Prince George's County and the Commission. This agreement established a Mass Transit Tax on Prince George's County real property to provide additional financing for Prince George's County mass transit services. This tax is levied under the authority of the Commission, administered by Prince George's County, and restricted to expenditures of the Mass Transit Plan. During the year ended June 30, 2021, the property taxes under this agreement were \$29,078,056, which are included in non-operating revenue on the Statement of Revenues, Expenses and Change in Net Position. The amount collected was contributed to Prince George's County during the year.

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Notes to the Financial Statements

June 30, 2021

### 4. LEASE COMMITMENTS

The Commission leases office space under a lease agreement that expires in fiscal year 2024. Rent expense for the year ended June 30, 2021, was \$59,328. Future minimum rental payments required under the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 59,328
2023	59,328
2024	29,664
<b>Total</b>	<u><u>\$ 177,984</u></u>

### 5. NET POSITION

As part of the agreement between the Commission, Prince George's and Montgomery Counties, MTA and MDOT, the net position resulting from the excess of the actual results over the budgeted results are to be returned to the contributors. Excess funds typically result in budget reductions for future years. While the entire remaining balance from each year is required to be returned at some point, management did not return the excess from previous years as of the year ended June 30, 2020. As such, there was a \$95,618 operating subsidy reported in the Statement of Net Position as of the year ended June 30, 2020. As of June 30, 2021, the operating subsidy liability was settled. Management continues to evaluate the process to return excess funds.

### 6. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* to increase the usefulness of governments' financial statements. This statement requires the recognition of certain leases as assets and liabilities. Those leases were previously classified as operating leases and as inflows or outflows of resources based on the payment provisions of the contract. This standard is effective for fiscal years beginning after June 15, 2021. The Commission will be analyzing the effect of this pronouncement and plans to adopt this pronouncement, by the effective date.

## **REQUIRED SUPPLEMENTARY INFORMATION**



# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Schedule of Revenue and Expenses – Budget and Actual For the Year Ended June 30, 2021

	Original and Final Budget	Actual	Actual Over (Under) Budget Variance
<b>Revenue</b>			
Maryland Department of Transportation	\$ 119,496	\$ 119,477	\$ (19)
Montgomery County, Maryland	94,017	94,002	(15)
Prince George's County, Maryland	89,642	89,628	(14)
Maryland Transit Administration	34,220	34,215	(5)
<b>Total Revenue</b>	<u>337,375</u>	<u>337,322</u>	<u>(53)</u>
<b>Expenses</b>			
Salaries and related benefits	224,684	214,149	(10,535)
Commissioners' compensation	29,531	24,485	(5,046)
Accounting and audit	7,730	7,878	148
Bank/payroll fees	2,000	2,085	85
Insurance	1,500	872	(628)
Internet connection	2,700	2,403	(297)
Local travel	550	-	(550)
Miscellaneous	1,000	1,723	723
Office supplies	750	154	(596)
Rent	59,330	59,328	(2)
Telephone	1,840	1,919	79
Public forums	1,500	-	(1,500)
Software maintenance	4,260	-	(4,260)
<b>Total Expenses</b>	<u>337,375</u>	<u>314,996</u>	<u>(22,379)</u>
<b>Operating Income</b>	<u>\$ -</u>	<u>\$ 22,326</u>	<u>\$ 22,326</u>

## **OTHER INFORMATION**

## WASHINGTON SUBURBAN TRANSIT COMMISSION

### Schedule of Grants Provided to Other Governments For the Year Ended June 30, 2021

Grants provided to WMATA and Prince George's County for operating and capital expenses are as follows:

	Year Ended June 30, 2021		
	Operating	Capital	Total
Washington Metropolitan Area Transit Authority	\$ 496,021,518	\$ 225,674,266	\$ 721,695,784
Prince George's County property tax	29,078,056	-	29,078,056
<b>Total</b>	<b>\$ 525,099,574</b>	<b>\$ 225,674,266</b>	<b>\$ 750,773,840</b>



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL  
CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners of  
Washington Suburban Transit Commission

We have audited, 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, the financial statements of the Washington Suburban Transit Commission (the Commission) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 28, 2021.

***Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Commission's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal controls.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigning functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in the accompanying Schedule of Current Year Findings as item 2021-001, that we consider to be a significant deficiency.



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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Year Findings as item 2021-001.

### **The Commission's Response to Findings**

The Commission's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal controls or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland  
October 28, 2021

*SB & Company, LLC*

# **WASHINGTON SUBURBAN TRANSIT COMMISSION**

## **Schedule of Current Year Findings For the Year Ended June 30, 2021**

**Reference Number: 2021-001**

### **Type of Finding - Significant Deficiency over Financial Reporting**

**Repeat Finding - Yes**

#### ***Criteria***

The Commission must maintain an adequate system of internal controls over financial reporting in order to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

#### ***Condition***

The financial information for the year ended June 30, 2021 included errors in certain statement of net position accounts that were the results of inaccurate accounting and ineffective monitoring and closing procedures throughout the year. Specific issues were related to the beginning net asset balance that did not agree to the audited financial statements as of June 30, 2020, as journal entries were recorded directly to the net asset account, to account for fiscal year 2021 transactions. In addition, certain material adjustments were needed to the statement of net position for accounts receivable, accrued salaries and related benefits, including the pension and rent, and the operating subsidy owed accounts, to properly account for assets and liabilities relating to the fiscal year. Adjustments were also needed to account for the grants received, and an adjustment was needed for the true-up of the operating subsidy satisfied during the fiscal year. These errors caused material misstatements on both the statement of net position, and statement of revenue, expense, and change in net position.

#### ***Cause***

The Commission does not have effective closing process by which the accounts are reviewed to ensure that all transactions are accurately captured, and there is a general lack of accounting knowledge and application within the organization.

#### ***Effect***

Because these errors were not detected prior to the information being provided for audit and because the same type of errors were noted during the previous year's audit, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed. It is our understanding that these errors were present in the financials for several months during the year and were not corrected through several monthly and ultimately the year-end closing procedures.

## **WASHINGTON SUBURBAN TRANSIT COMMISSION**

### **Schedule of Current Year Findings For the Year Ended June 30, 2021**

The misstatements resulted in material audit adjustments in the financial statements for the year ended June 30, 2021. The audit adjustments made were necessary for the financial statements to be in accordance with generally accepted accounting principles in the United States of America.

#### ***Recommendation***

Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim and final reporting. Therefore, in order to provide more accurate accounting information, we strongly recommend that the Commission establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. We strongly recommend that a closing process be implemented that requires all of the net position accounts to be reconciled to supporting statements and the general ledger. This will prevent incorrect balances or entries from being recorded. In addition, we strongly recommend that the Director perform a thorough and detailed review of the general ledger and related reports.

After discussing this issue with the accounting personnel, we feel that the root of this problem may be the lack of accounting education and training. We recommend that the accounting personnel improve and/or acquire different skills concerning daily accounting, and ongoing maintenance and reconciliation of the books and records. This training will lead to accounting personnel who are more efficient, effective, and communicative with regard to accounting and financial matters.

#### ***Responsible Official's Response***

See Corrective Action Plan

# **WASHINGTON SUBURBAN TRANSIT COMMISSION**

## **Schedule of Prior Year Findings For the Year Ended June 30, 2021**

**Reference Number: 2020-001**

**Type of Finding - Significant Deficiency over Financial Reporting**

**Repeat Finding - No**

### ***Criteria***

The Commission must maintain an adequate system of internal controls over financial reporting in order to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles in the United States of America.

### ***Condition***

Management has made improvements as it relates to finding 2019-001. However, the beginning net asset balances did not agree to the audited June 30, 2019, financial statements as the balances for the year ended June 30, 2019, did not contain prior year audit adjustments. In addition, certain adjustments were needed to the statement of net position for accrued salaries, related benefits, rent, and the operating subsidy owed accounts to properly account for liabilities relating to the fiscal year. Adjustments were also needed to account for the grants received and the true-up of the operating subsidy. These adjustments should be made by management prior to the commencement of the audit.

### ***Cause***

The Commission does not have effective closing process by which the accounts are reviewed to ensure that all transactions are captured in the correct fiscal year and that the operating subsidies are properly captured for the current fiscal year and liabilities relating to future fiscal years.

### ***Effect***

The misstatements, in certain circumstances, resulted in audit adjustments in the financial statements for the year ended June 30, 2020. The audit adjustments made were necessary for the financial statements to be in accordance with generally accepted accounting principles in the United States of America.

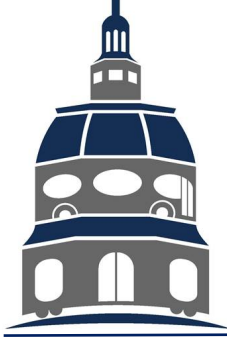
### ***Recommendation***

In order to provide accurate accounting information, we strongly recommend that the Commission incorporate timely reviews of certain net position and activity accounts as a customary part of the accounting close process.

### ***Status***

See 2021-001





**WSTC**  
WASHINGTON SUBURBAN  
TRANSIT COMMISSION

**MICHAEL GOLDMAN**  
CHAIR

**TODD TURNER**  
VICE CHAIR

**DONALD G. DRUMMER**  
SECRETARY-TREASURER

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### **Responsible Official's Response**

Management agrees with the course of action recommended by the auditors.

In accordance with the auditor's recommendation, the Washington Area Transit Office's staff, including the Financial Analyst and the Office Manager, will successfully complete QuickBooks training courses. Education and training will improve the staff's knowledge of generally accepted accounting principles in the United States of America, and ongoing maintenance and reconciliation of the accounts and records. Upon completion of the recommended training, staff will be more efficient, effective, and better able to communicate regarding generally accepted accounting principles in the United States of America. Staff will work together with the Director to implement specific review processes of the general ledger and related reports.