

**WASHINGTON SUBURBAN TRANSIT COMMISSION**

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

**For the Year Ended June 30, 2022**



# Key & Associates, P.C.

**JUNE 30, 2022**

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Key & Associates, P.C.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Commissioners of Washington  
Suburban Transit Commission

### *Opinion*

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, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Suburban Transit Commission as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of Washington Suburban Transit Commission as of June 30, 2021 were audited by other auditors whose report dated October 28, 2021 expressed an unmodified opinion on those statements.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Washington Suburban Transit Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Suburban Transit Commission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Washington Suburban Transit Commission 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Suburban Transit Commission 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***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.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2023 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.

*Key & Associates, PC*

Silver Spring, Maryland  
January 19, 2023

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Management's Discussion and Analysis June 30, 2022

### 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, 2022, with fiscal year 2021 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.

### Overview of the Financial Statements and Financial Analysis

A review of the statements of net position reveals that the net position of the Commission decreased by \$(2,752) for the year ended June 30, 2022. This is primarily a result of expenses exceeding revenues by \$2,752 for the fiscal year 2022.

	As of June 30,	
	2022	2021
<b>ASSETS</b>		
Cash	\$ 543,104	\$ 543,666
Accounts receivable	-	10,770
<b>Total Assests</b>	<b>\$ 543,104</b>	<b>\$ 554,436</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 8,567	\$ 17,147
<b>Total Liabilities</b>	<b>8,567</b>	<b>17,147</b>
<b>Unrestricted Net Position</b>	<b>\$ 534,537</b>	<b>\$ 537,289</b>

## WASHINGTON SUBURBAN TRANSIT COMMISSION

### Management's Discussion and Analysis June 30, 2022

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

For the years ended June 30, 2022 and June 30, 2021, total operating grants and contributions increased by \$10,154 related to an increase in the budget. Total administrative expenses increased by \$35,232, primarily related to personnel salaries, benefits and commissioner's compensation.

	<b>For the Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating Revenue</b>		
Operating grants and contributions	\$ 347,525	\$ 337,371
In-kind revenue	28,855	28,436
<b>Total Operating Revenue</b>	<b>376,380</b>	<b>365,807</b>
<b>Operating Expenses</b>		
Administrative Expenses	350,277	315,045
In-kind expenses	28,855	28,436
<b>Total Operating Expenses</b>	<b>379,132</b>	<b>343,481</b>
<b>Operating Income</b>	<b>(2,752)</b>	<b>22,326</b>
<b>Non-Operating Revenue, (Expense)</b>		
Property taxes	30,072,647	29,078,056
Grants	710,155,744	721,358,413
Grants Other governments	(740,228,391)	(750,436,469)
<b>Non-Operating Revenue, net</b>	<b>-</b>	<b>-</b>
Change in net Position	<b>(2,752)</b>	<b>22,326</b>
Net Position, beginning of year	537,289	514,963
<b>Net Position, End of Year</b>	<b>\$ 534,537</b>	<b>\$ 537,289</b>

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Management's Discussion and Analysis June 30, 2022

### 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.

	<b>For the Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash Flows From:</b>		
Operating activities	\$ (562)	\$ (26,222)
Change in cash	(562)	(26,222)
Change, beginning of year	543,666	569,888
<b>Cash, End of Year</b>	<b>\$ 543,104</b>	<b>\$ 543,666</b>

The change in cash flows from operating activities was primarily due to the Commission paying off the accounts payable 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 June 2021, the unemployment rate decreased to 6% and continued to decrease reaching 4% as of June 2022.

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 65.4% as of June 2021. Since then, the rate has increased to 65.9% as of June 2022.

# **WASHINGTON SUBURBAN TRANSIT COMMISSION**

## **Management's Discussion and Analysis June 30, 2022**

### **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, 2022

<b>ASSETS</b>	
Cash	\$ 543,104
<b>Total Assests</b>	<b>\$ 543,104</b>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 8,567
<b>Total Liabilities</b>	<b>8,567</b>
<b>Net Position</b>	<b>\$ 534,537</b>

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, 2022

### Operating Revenue

Operating grants and contributions	\$ 347,525
In-kind revenue	28,855
<b>Total Operating Revenue</b>	<b>376,380</b>

### Operating Expenses

Administrative Expenses	350,277
In-kind expenses	28,855
<b>Total Operating Expenses</b>	<b>379,132</b>

**Operating Income (Loss)** (2,752)

### Non-Operating Revenue, (Expense)

Property taxes	30,072,647
Grants	710,155,744
Grants Other governments	(740,228,391)
<b>Non-Operating Revenue, net</b>	<b>-</b>

Change in net Position	(2,752)
Net Position, beginning of year	537,289
<b>Net Position, End of Year</b>	<b>\$ 534,537</b>

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, 2022

### Cash Flows From Operating Activities

Receipts for grants and contributions	\$	347,525
Payments to employees and vendors		(350,277)
Change in Accounts Receivable		10,770
Change in Accounts Payable		(8,580)
<b>Net Cash Flows From Operating Activities</b>		<u>(562)</u>

### Cash Flows From Non-Capital Financing Activities

Receipts for grants and property taxes		740,228,391
Payments of grants to other governments		(740,228,391)
<b>Net Cash Flows From Non-Capital Financing Activities</b>		<u>-</u>

Change in in cash		(562)
Cash, beginning of year		<u>543,666</u>
<b>Cash, end of the year</b>		<u>543,104</u>

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

Operating income (loss)	\$	(2,752)
Net changes in non-cash operating assets and liabilities		
accounts receivable		10,770
accounts payable and accrued expenses		(8,580)
<b>Net Cash from Operating Activities</b>	\$	<u>(562)</u>

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

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Notes to the Financial Statements

June 30, 2022

### 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, 2022

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

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

As of June 30, 2022, the Commission had cash deposits of \$543,104 of which \$293,104 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, 2022, to be worth approximately \$28,855. 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, 2022, the property taxes under this agreement were \$30,072,647, 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, 2022

### 4. LEASE COMMITMENTS

The Commission leases office space under a lease agreement that expires in the fiscal year 2024. Rent expense for the year ended June 30, 2022, was \$59,328. Future minimum rental payments required under the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 59,328
2024	29,664
<b>Total</b>	<u>\$ 88,992</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. There was a \$105,000 operating subsidy reduction during the year ended June 30, 2022 due to a reduction in salaries. 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, 2022. 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, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget Variance</u>
<b>Revenue</b>			
Maryland Department of Transportation	\$ 128,990	\$ 128,990	\$ -
Montgomery County, Maryland	101,541	101,541	-
Prince George's County, Maryland	84,041	84,041	-
Maryland Transit Administration	32,953	32,953	-
<b>Total Revenue</b>	<u>347,525</u>	<u>347,525</u>	<u>-</u>
<b>Expenses</b>			
Salaries and related benefits	211,684	219,874	8,190
Commissioner's compensation	57,750	53,553	(4,197)
Accounting and audit	7,952	7,952	-
Bank/payroll fess	2,000	2,266	266
Insurance	750	1,724	974
Internet connection	2,400	2,400	-
Local Travel	100	62	(38)
Miscellaneous	1,001	(647)	(1,648)
Office supplies	160	460	300
Rent	59,328	59,328	-
Telephone	2,400	1,889	(511)
Public forums	800	1,225	425
Software maintenance	1,200	192	(1,008)
<b>Total Expenses</b>	<u>347,525</u>	<u>350,277</u>	<u>2,752</u>
<b>Operating Income (Loss)</b>	<u>\$ -</u>	<u>\$ (2,752)</u>	<u>\$ 2,752</u>

## **OTHER INFORMATION**

## WASHINGTON SUBURBAN TRANSIT COMMISSION

### Schedule of Grants Provided to Other Governments For the Year Ended June 30, 2022

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

	Year Ended June 30, 2022		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Washington Metropolitan Area Transit Authority	\$ 367,837,013	\$ 342,318,731	\$ 710,155,744
Prince George's County property tax	<u>30,072,647</u>	<u>-</u>	<u>30,072,647</u>
<b>Total</b>	<u>\$ 397,909,660</u>	<u>\$ 342,318,731</u>	<u>\$ 740,228,391</u>



Key & Associates, P.C.

**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, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 19, 2023.

***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.

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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 2022-001, that we consider to be a significant deficiency.

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

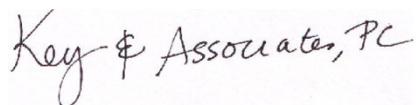
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2022-001.

### **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.



Silver Spring, Maryland  
January 19, 2023

# WASHINGTON SUBURBAN TRANSIT COMMISSION

## Schedule of Current Year Findings For the Year Ended June 30, 2022

Reference Number: 2022-001

### 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, 2022 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 an account receivable balance that was collected during July 2021 was still on the books as of June 30, 2022. In addition, a journal entry was made to deferred revenue for the same amount as the receivable. 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 an 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, 2022**

The misstatements resulted in material audit adjustments in the financial statements for the year ended June 30, 2022. 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, 2022

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 in the United States of America.

#### *Condition*

Management has made improvements as it relates to finding 2021-001. However, the beginning net asset balances did not agree to the audited June 30, 2021, financial statements as the balances for the year ended June 30, 2021, 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 2022-001



**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.