

REBUILDING AMERICA'S TRANSIT

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Single Audit Report issued in
accordance with Title 2 U.S. Code of
Federal Regulations Part 200,
*Uniform Administrative Requirements,
Cost Principles, and Audit
Requirements for Federal Awards*

WASHINGTON METROPOLITAN
AREA TRANSIT AUTHORITY
Washington, DC



REBUILDING AMERICA'S TRANSIT

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



Dennis Anosike, Executive Vice President and Chief Financial Officer
La Toya Thomas, Vice President and Comptroller
Prepared by the Office of Accounting

WASHINGTON METROPOLITAN
AREA TRANSIT AUTHORITY
Washington, DC



This Single Audit Report was prepared by:

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Special thanks to all Office of Accounting and support personnel whose inputs contributed to the preparation of this document.

**Washington Metropolitan Area Transit Authority
Single Audit Report
For the Fiscal Year Ended June 30, 2020**

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RSM US LLP

**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***

Independent Auditor's Report

Board of Directors
Washington Metropolitan Area Transit Authority

We have audited, in accordance with the 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 business-type activities of the Washington Metropolitan Area Transit Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 assigned 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 control, 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 control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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*.

Purpose of this Report

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

RSM US LLP

Washington, District of Columbia
October 21, 2020



RSM US LLP

**Report On Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; And Report on Schedule Of Expenditures
of Federal Awards Required By The Uniform Guidance**

Independent Auditor's Report

Board of Directors
Washington Metropolitan Area Transit Authority

Report on Compliance for Each Major Federal Program

We have audited the Washington Metropolitan Area Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 21, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Washington, District of Columbia

January 29, 2021 except for our report on the schedule of expenditures of federal awards, for which the date is October 21, 2020

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Grantor/ Program or Cluster Title	CFDA Number	Grant Contract Number	Federal Expenditures
U.S. Department of Transportation - Federal Transit Administration:			
Direct Awards			
Passenger, Rail, Investment and Improvement (PRIIA) Projects for Washington Metropolitan Area Transit Authority (WMATA):	20.524		
FFY2018 PRIIA Appropriation		DC-2018-007	\$ 25,221,255
FFY2019 PRIIA Appropriation		DC-2019-006	119,939,161
Total PRIIA			<u>145,160,416</u>
Federal Transit Cluster:			
Federal Transit Formula Grants:	20.507		
FFY2018 5307/5340 Formula Funding		DC-2018-011	23,077,283
FFY2019 5307/5340 Formula Funding		DC-2019-010	146,346,047
FFY2019 VA CMAQ Replacement Buses		DC-2020-001	3,406,419
WMATA Section 5307 CARES Act Operational Response to COVID-19		DC-2020-005	227,865,921
Total Federal Transit Formula Grants			<u>400,695,670</u>
State of Good Repair Grants Program:	20.525		
FFY2018 5337 State of Good Repair		DC-2018-006	48,979
FFY2019 5337 State of Good Repair		DC-2019-009	141,754,569
Total State of Good Repair Grants Program			<u>141,803,548</u>
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs:	20.526		
FFY18 5339b Bus and Bus Facilities Infrastructure		DC-2019-005	<u>4,250,000</u>
Total Federal Transit Cluster			<u>546,749,218</u>
Public Transportation Emergency Relief Program:	20.527		
FFY2013 Hurricane Sandy Resilience		DC-44-0001	<u>4,778,397</u>
Transit Services Programs Cluster:			
New Freedom Program:	20.521		
New Freedom - Bus Stop Improvements		DC-57-X007	<u>303,378</u>
Total Transit Services Programs Cluster			<u>\$ 303,378</u>

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

(concluded)

Federal Grantor/ Program or Cluster Title	CFDA Number	Grant Contract Number	Federal Expenditures
U.S. Department of Transportation - Federal Transit Administration (continued):			
Direct Awards (continued)			
National Infrastructure Investments:	20.933		
FFY18 BUILD - Metrorail Station Platform Reconstruction - Phase 1		DC-2020-006	\$ 20,000,000
Total U.S. Department of Transportation - Federal Transit Administration			<u>716,991,409</u>
U.S. Department of Homeland Security:			
Direct Awards			
Rail and Transit Security Grant Program:	97.075		
FY2016 Transit Security Grant Program		EMW-2016-RA-00034	1,543,196
FY2017 Transit Security Grant Program		EMW-2017-RA-00025	1,150,929
FY2018 Transit Security Grant Program		EMW-2018-RA-00028	<u>2,183,760</u>
Total Rail and Transit Security Grant Program			<u>4,877,885</u>
Total U.S. Department of Homeland Security			<u>4,877,885</u>
Total Expenditures of Federal Awards			<u>\$ 721,869,294</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

a) Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant award activity of the Washington Metropolitan Area Transit Authority (Authority) under programs of the federal government for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

b) Basis of Accounting

The SEFA is reported using the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when the liability is incurred, regardless of the timing of the related cash flows. Such expenditures are recorded following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for Local, and Indian Tribal Governments*, for grant awards prior to December 26, 2014 or cost principles contained in the Uniform Guidance for grant awards after December 26, 2014, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The categorization of expenditures by program included in the SEFA is based on the Catalog of Federal Domestic Assistance (CFDA) number.

Federal expenditures are reported in the Authority's basic financial statements as follows:

- a) Grant expenditures that meet capitalization criteria are recorded as capital assets on the Statements of Net Position.
- b) All other grant expenditures are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

Costs are included in the reported federal expenditures in the SEFA to the extent they are aligned to a federal grant in the current period and included in the federal financial reports, which is the source for the data presented in the SEFA.

c) Indirect Costs

The Authority has elected not to use the 10% de minimus indirect cost rate discussed in Section 200.414 of the Uniform Guidance.

1. Summary of Significant Accounting Policies (continued)

d) Pre-award Authority

The majority of the Federal Transit Administration (FTA) grants awarded to the Authority contain pre-award authority. FTA's policy on pre-award authority states that costs may remain eligible for reimbursement or count towards the local match, regardless of the date incurred, provided that the funds were expended in accordance with all federal requirements and would have been allowable if incurred after the date of award, and the grantee is otherwise eligible to receive the funding.

Pre-award authority allows the Authority to incur project costs prior to grant approval and retain the eligibility of those costs for subsequent periods. As such, the Authority may align expenditures that were originally incurred in prior fiscal years and included in prior year financial statements.

2. Reconciliation of Federal Expenditures Reported in the SEFA to the Authority's Basic Financial Statements

The following is a reconciliation of the federal expenditures reported in the SEFA to the amounts reported in the basic financial statements for the fiscal year ended June 30, 2020:

	<u>Total</u>
Total federal expenditures reported in the current fiscal year SEFA	\$ 721,869,294
Adjustments reported in current fiscal year SEFA:	
Prior year expenditures, which were aligned to new federal grants awarded during the current fiscal year, using pre-award authority	(45,551,651)
Prior year expenditures, which were never aligned to a federal grant or reported in the prior year SEFA, but were aligned to an eligible grant during the current fiscal year using pre-award authority	(29,780,643)
Prior year expenditures, which were previously aligned to a federal grant and reported in the prior year SEFA, but were removed from the grant during the current fiscal year	<u>1,678,896</u>
Net adjustments reported in the current fiscal year SEFA	<u>(73,653,398)</u>
Total federal expenditures reported in the current fiscal year basic financial statements	<u>\$ 648,215,896</u>

The differences between the federal expenditures reported in the current year SEFA and basic financial statements primarily represent costs incurred in prior fiscal years and aligned to federal grants with pre-award authority in the current year. Additional adjustments represent nominal costs that were removed from federal grants in the current year due to disallowances by the federal granting agency or for other management reasons.

2. Reconciliation of Federal Expenditures Reported in the SEFA to the Authority's Basic Financial Statements (continued)

Below is a summary of the net expenditure adjustments by the fiscal year that the costs were originally incurred and reported in the basic financial statements and by the federal grant program or cluster impacted in the current year's SEFA:

Program/ Cluster Title	Fiscal Year			Total
	2017 and Prior	2018	2019	
Passenger, Rail, Investment and Improvement Projects	\$ 9,977	\$ 483,871	\$ 21,785,461	\$ 22,279,309
Federal Transit Cluster	374,818	8,584,075	26,284,851	35,243,744
Public Transportation				
Emergency Relief Program	-	910	(155,823)	(154,913)
New Freedom Program	-	(3,788)	162,560	158,772
National Infrastructure Investments	-	-	16,126,486	16,126,486
Total net adjustments	<u>\$ 384,795</u>	<u>\$ 9,065,068</u>	<u>\$ 64,203,535</u>	<u>\$ 73,653,398</u>

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified? _____ Yes ___X___ None Reported
- Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified? _____ Yes ___X___ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes ___X___ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program and Clusters</u>
	Federal Transit Cluster:
20.507	Federal Transit Formula Grants
20.525	State of Good Repair Grants Program
20.526	Bus and Bus Facilities Formula Program
20.524	Passenger, Rail, Investment and Improvement Projects
20.527	Public Transportation Emergency Relief Program
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between Type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

II. Financial Statement Findings

A. Internal Control over Financial Reporting

No matters to report.

B. Compliance Findings

No matters to report.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control over Compliance

No matters to report.

B. Compliance and Other Matters

No matters to report.

IV. Summary of Prior Year Audit Findings

A. Financial Statement Findings

1. Internal Control over Financial Reporting

2019-001: Federal Financial Reporting – Significant Deficiency

Audit finding: The SEFA included a significant amount of expenditures and funding adjustments for unbilled and billed expenditures which were incurred in prior fiscal years. The funding source applied to project expenditures may be adjusted throughout the life of a project, which can cross more than one of the Authority's fiscal years. As funding sources are adjusted to project expenditures, the Authority's funds management module automatically adjusts other project expenditures to accommodate the funding source change, i.e. the "waterfall" effect.

Status of finding: Corrective actions have been taken.

2019-002: Reporting Errors – Significant Deficiency

Audit finding: Incorrect balances for compensated absences, net loss on disposal of assets, and capital contributions were reflected in the general ledger balances as of June 30, 2019.

Status of finding: Corrective actions have been taken.

2. Compliance Findings

No open matters to address.

B. Findings and Questioned Costs for Federal Awards

1. Internal Control over Compliance

No open matters to address.

2. Compliance and Other Matters

No open matters to address.

M System Map

wmata.com
 Customer Information Service: 202-637-7000
 TTY Phone: 202-962-2033
 Metro Transit Police: 202-962-2121

- ### Legend
- **RD** Red Line • Glenmont / Shady Grove
 - **OR** Orange Line • New Carrollton / Vienna
 - **BL** Blue Line • Franconia-Springfield / Largo Town Center
 - **GR** Green Line • Branch Ave / Greenbelt
 - **YL** Yellow Line • Huntington / Mt Vernon Sq / Fort Totten
 - **SV** Silver Line • Wiehle-Reston East / Largo Town Center

- ### Station Features
- Bus to Airport
 - Parking
 - Hospital
 - Airport

- ### Connecting Rail Systems
- AMTRAK
 - VRE
 - MARC

Transfer Station

Station in Service

Under Construction

Full-Time Service

Service operates Monday-Friday 10:00am - 3:00pm 7:30pm - Close

All day Saturday & Sunday



Metro is accessible.

N
 Map is not to scale





Washington Metropolitan Area Transit Authority
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