

**METROPOLITAN WASHINGTON COUNCIL
OF GOVERNMENTS, INC.**

**Single Audit Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2012



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

June 30, 2012

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the Metropolitan Washington Council
of Governments, Inc.

We have audited the accompanying statement of net assets of the Metropolitan Washington Council of Governments, Inc. (COG), as of June 30, 2012, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of COG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COG as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 17, 2012 on our consideration of COG's internal control 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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 evidence sufficient to express an opinion or provide any assurance.

SB & Company, LLC

Washington, DC
October 17, 2012



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
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**

Board of Directors of the Metropolitan Washington Council
of Governments, Inc.

We have audited the financial statements of Metropolitan Washington Council of Governments, Inc. (COG), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered COG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of COG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of COG's internal control over financial reporting.

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 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.

Our consideration of internal control 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 control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether COG's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of COG's management, the Board of Directors, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SB & Company, LLC

Washington, DC
October 17, 2012



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors and Officers of the
Metropolitan Washington Council of Governments, Inc.

Compliance

We have audited the compliance of Metropolitan Washington Council of Governments, Inc. (COG) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. COG's major Federal programs are identified in the Summary of Independent Public Accountants' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of COG's management. Our responsibility is to express an opinion on COG's compliance based on our audit.

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 of America; and OMB Circular A-133. Those standards and OMB Circular A-133 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 COG'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. Our audit does not provide a legal determination of COG's compliance with those requirements.

In our opinion, COG complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.



Internal Control over Compliance

Management of COG is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered COG's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 COG'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-01. 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.

COG's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the IDEA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of COG's management, the Board of Directors, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC
November 12, 2012

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

| Federal Agency/Program Name | Pass-Through Identifying Number | CFDA # | Expenditures |
|---|------------------------------------|--------|-------------------|
| US Department of Agriculture | | | |
| Community Woodlands-FED | N.A. | 10.675 | \$ 25,828 |
| MWUrban TreeCanopyAnalys | N.A. | 10.675 | 100,144 |
| Total US Department of Agriculture/ | | | 125,972 |
| U.S. Department of Transportation | | | |
| CASPXXV | N.A. | 20.106 | 79,751 |
| FY12CASP PROG XXVI-FedRev | N.A. | 20.106 | 157,176 |
| | | | 236,927 |
| FY11 TPB Work Program | N.A. | 20.505 | 2,625 |
| Regional Transportation Coordination Program | N.A. | 20.505 | 9,250,019 |
| Travel Demand Development | N.A. | 20.505 | 18,060 |
| MATOC FY 12 Work Program | N.A. | 20.505 | 171,115 |
| MATOC FY 11 Work Program | N.A. | 20.505 | 149,776 |
| Commuter Connections | N.A. | 20.505 | 1,578,768 |
| | | | 11,170,363 |
| Job Access_Reverse Commute (JARC) Program | N.A. | 20.516 | 751,978 |
| FY12 Job Access Reverse | N.A. | 20.516 | 100,164 |
| | | | 852,142 |
| New Freedom Program | N.A. | 20.521 | 433,975 |
| FY11 New Freedom | N.A. | 20.521 | 91,753 |
| FY12 New Freedom | N.A. | 20.521 | 133,487 |
| | | | 659,215 |
| StreetSmart | N.A. | 20.614 | 400,533 |
| Priority Bus Transit - ARRA | N.A. | 20.932 | 1,297,010 |
| Total U.S. Department of Transportation | | | 14,616,190 |
| U.S. Environmental Protection Agency | | | |
| Reducing Emission - Non RD | N.A. | 66.039 | 10 |
| Reducing Emissions | N.A. | 66.039 | 124,991 |
| Reducing Emissions UnionStn | N.A. | 66.039 | 17,836 |
| | | | 142,837 |
| DDOE Foundary Branch TMDL | N.A. | 66.454 | 31,162 |
| Total U.S. Environmental Protection Agency | | | 173,999 |

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

| <u>Federal Agency/Program Name</u> | <u>Pass-Through Identifying Number</u> | <u>CFDA #</u> | <u>Expenditures</u> |
|---|--|---------------|----------------------|
| U.S. Department of Homeland Security | | | |
| <i>Passed through D.C. Office of Deputy Mayor for Public Safety & Justice</i> | | | |
| Automated Critical Asset Management System (ACAMS) | 10UASII17-02 | 97.067 | \$ 359,503 |
| Bridge-Tunnel | 9UASII17-12 | 97.067 | 166,115 |
| Business Integration Implementation Plan (BIIP) | 10SHSP117-03 | 97.067 | 5,747 |
| Community Emergency Plan | 8UASII17-19 | 97.067 | 47,905 |
| Community Organizing & Outreach for Natl Preparedness | 10SHSP117-01 | 97.067 | 236,388 |
| Community Organizing and Outreach | 10UASII17-09 | 97.067 | 27,805 |
| Contractual Support for NCR Police Chiefs Committee | 9UASII17-11 | 97.067 | 14,250 |
| DC Disaster Response Plan | 8SHSP117-05 | 97.067 | 66,698 |
| ETOP RPWG Logistics | 9UASII17-09 | 97.067 | 1,261 |
| ETOP RPWG Logistics and Support | 10UASII17-11 | 97.067 | 3,843 |
| FY12 2U90TP316831-11 PHEP | FY12 2U90TP316831-11 PHEP | 97.067 | 73,355 |
| Hazard Vulnerability Assessment | 10UASII17-13 | 97.067 | 142,977 |
| Health and Medical Plan | 10UASII17-01 | 97.067 | 1,273,535 |
| Health Planners (Continuation) | 10SHSP117-02 | 97.067 | 931,936 |
| Hospital Wtr & Power Res | 9UASII17-01 | 97.067 | 1,230,891 |
| Incident Command System Practicum Phase II | 10UASII17-15 | 97.067 | 9,694 |
| LINX Rapid Maintenance | 10UASII17-13 | 97.067 | 15,272 |
| NIMS Compliance Officer - DC Continuation | 8UASII17-05 | 97.067 | 7,198 |
| NRC Water/Wastewater Agency Response (NCR Warn) | 10UASII17-07 | 97.067 | 4,896 |
| Regional Incident Coordination Program Manager | 10UASII17-14 | 97.067 | 24,999 |
| Reservoir Security Upgrades | 9UASII17-10 | 97.067 | 254,713 |
| Secretariat Support for NCR | 10UASII17-05 | 97.067 | 831,502 |
| Secretariat Support FY2011 | 11UASII17-01 | 97.067 | 5,091 |
| Situational Awareness Visualization Tool Design | 8SHSP117-04 | 97.067 | 70,998 |
| Transit Seminars | 9UASII17-13 | 97.067 | 84,578 |
| Transition Plan for Emergency Operations | 8SHSP117-03 | 97.067 | 83,063 |
| Water Monitoring Network Maintenance | 9UASII17-02 | 97.067 | 19,396 |
| Water Monitoring Network Maintenance | 10UASII17-06 | 97.067 | 117,928 |
| Water Security Enhancement | N.A. | 97.067 | 263,795 |
| Water Security Monitoring Network Maintenance | 11UASII17-03 | 97.067 | 200,304 |
| Total U.S. Department of Homeland Security | | | 6,575,636 |
| Total Expenditures of Federal Awards | | | \$ 21,491,797 |

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Metropolitan Washington Council of Governments (COG) are included in the scope of the *Office of Management and Budget (OMB) Circular A-133* audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the Schedule of Expenditures of Federal Awards represent all Federal award programs and other grants with fiscal year 2012 cash or non-cash expenditures activities. For our single audit testing, all Federal award programs with 2012 cash and non-cash expenditures in excess of \$644,754 were considered a major program to evaluate for testing. We tested those major programs listed below which covered at least 25% of Federally granted funds. Our actual coverage is 58%.

| <u>Major Programs</u> | <u>CFDA Numbers</u> | <u>Federal Expenditures</u> |
|--|---------------------|-----------------------------|
| Priority Bus Transit (ARRA) | 20.932 | \$ 1,297,010 |
| Commuter Connections | 20.505 | 1,578,768 |
| FY11 TPB Work Program | 20.505 | 2,625 |
| MATOC FY11 Work Program | 20.505 | 149,776 |
| MATOC FY12 Work Program | 20.505 | 171,115 |
| Regional Transportation Coordination Program | 20.505 | 9,250,019 |
| Travel Demand Development | 20.505 | 18,060 |
| Total | | \$ 12,467,373 |

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards has been accounted for on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I - Summary of Independent Public Accountants' Results

Financial Statements:

Type of report of independent public accountants report: Unqualified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None Noted

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies(s) identified that are not considered to be material weaknesses? None Noted

Type of report of independent public accountants issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I - Summary of Independent Public Accountants' Results (continued)

Financial Statements: (continued)

| Major Programs | CFDA Numbers | Federal Expenditures |
|--|---------------------|---------------------------------|
| Priority Bus Transit (ARRA) | 20.932 | \$ 1,297,010 |
| Commuter Connections | 20.505 | 1,578,768 |
| FY11 TPB Work Program | 20.505 | 2,625 |
| MATOC FY11 Work Program | 20.505 | 149,776 |
| MATOC FY12 Work Program | 20.505 | 171,115 |
| Regional Transportation Coordination Program | 20.505 | 9,250,019 |
| Travel Demand Development | 20.505 | 18,060 |
| Total | | \$ 12,467,373 |
| Threshold for distinguishing between Type | | |
| A and B programs | | \$ 644,754 |
| Did COG qualify as low risk auditee? | | Yes |

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II – Financial Statement Findings

None noted.

Section III - Federal Award Findings

See finding 2012-01.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Finding 2012-01

Metropolitan Washington Council of Government, Inc.

**CFDA No. 20.505-Metropolitan Transportation Planning
CFDA No. 20.932-Surface Transportation Discretionary Grants for Capital Investment**

U.S. Department of Transportation

Compliance Deficiency on Subrecipient Monitoring

Criteria:

Per 31 USC 7502(f)(2)(B) states each pass-through entity shall monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means.

Per 31 USC 7502(f)(2)(C) states each pass-through entity shall review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by pass-through entity.

Condition:

We conducted interviews with the COG program managers as well as the Finance department, which are responsible for subrecipient monitoring. We noted that there are written procedures associated with the monitoring of subrecipients. During the testing of the above grants, we noted that copies of the A-133 reports of the subrecipients were not obtained.

Cause:

COG is aware of these requirements but did not obtain the A-133 reports for these particular grants. However, we did obtain evidence that A-133 reports were obtained for other subrecipients of Federal grants.

Effect:

The subrecipients may not be in compliance with OMB A-133 Single Audit requirements. Additionally, if there are findings noted, COG is not ensuring that corrective action plans are being obtained and followed.

Questioned Costs:

Questioned costs are undeterminable.

Recommendation:

We recommend that COG implement a program to monitor subrecipients and determine if they are in compliance with OMB A-133 Single Audit requirements. Further, that if the subrecipient has an audit finding, COG should monitor whether the audit finding is corrected in a timely manner. If the finding is not adequately addressed, COG should consider discontinuing their Federal funding to the subrecipient.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Auditee Response and Corrective Action Plan:

CFDA No. 20.505-Metropolitan Transportation Planning (Metropolitan Area Transportation Operations Coordination-MATOC):

The finding noted that COG did not obtain the University of Maryland's A-133 audit report prior to audit field work. COG has since reviewed the most recent available State of Maryland A-133 audit report and found no audit findings which would materially impact the sub-award. However, COG will continue to ascertain it is timely with its review of the A-133 audit report for all of its sub-recipients. The Program Manager has provided a detailed memo of his site visits and monitoring of the University of Maryland, there were no deficiencies or improvements noted in this regard.

CFDA No. 20.932-Surface Transportation Discretionary Grants for Capital Investment (Priority Bus Transit):

The finding noted that COG did not obtain the District of Columbia's A-133 audit report prior to audit field work. COG has since reviewed the most recent available District of Columbia A-133 audit report and found no audit findings which would materially impact the sub-award. Further, it was a requirement of the Federal funding (FTA) to provide the sub-award to the District Department of Transportation (DDOT). However, COG will continue to ascertain it is timely in its review of the A-133 audit report for all of its sub-recipients. The Program Manager has provided a detailed memo of his site visits and monitoring of DDOT. There were no deficiencies or improvements noted in this regard.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012**

No findings noted in prior year.