



**Finance & Administration Committee**

**Action Item IV-A**

**February 11, 2016**

**FMO Progress Report**

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201706

Resolution:  
 Yes  No

**TITLE:**

FMO Progress Report

**PRESENTATION SUMMARY:**

Staff will provide a Financial Management Oversight (FMO) update through December 2015.

**PURPOSE:**

To update the Board's Finance & Administration Committee on WMATA's progress addressing deliverable expectations of Federal Transit Administration's (FTA) Financial Management Oversight (FMO) Testing and Validation Plan dated September 30, 2015.

**DESCRIPTION:**

**Key Highlights:**

As of December 2015, Metro staff continues to work towards meeting the deliverable expectations of FTA's FMO Testing and Validation Plan. FTA's FMO Testing and Validation Plan is comprised of 20 action items divided into 3 categories.

As of December 31, 2015, 14 of the 20 action item deliverables have been submitted on time to FTA. The next set of items due to the FTA includes one (1) in January 2016 related to FTA funded Assets, and another item due in March 2016 related to Job Order Contracts (JOC). The last four (4) items are due to FTA at a future date.

WMATA has met all deliverable deadlines with no exceptions.

**Background and History:**

The FTA's June 10, 2014 FMO report identified a total of nine findings, of which three were material weaknesses and six were significant deficiencies. An additional five advisory comments were also identified. A total of 45 recommendations from FTA for addressing the findings and comments were included in the final FMO report. WMATA submitted a total of 65 Corrective Action Plans (CAPs) in response to the 45 recommendations. As of June 30, 2015, WMATA has submitted on time documentation for **all 65** FMO CAP items. However, FTA has explicitly stated that FMO recommendations will remain open until FTA performs follow-up reviews to formally close the items.

The WMATA Office of Internal Control and Compliance (OICC) was established to conduct objective reviews to monitor WMATA's progress toward implementing all FMO CAPs as well as adherence to financial management controls and related policies and procedures.

On September 30, 2015, WMATA received FTA's (FMO) Testing and Validation Plan. The plan expressed FTA's objective of validating that WMATA has implemented corrective actions necessary to address the material weaknesses and significant deficiencies identified in FTA's FMO report published back in June 2014.

FTA's FMO Testing and Validation Plan is comprised of 20 action items divided into 3 categories:

**Category A** includes ten (10) action items required for removal of ECHO restriction for all grants awarded after July 1, 2015

**Category B** includes three (3) action items required for removal of ECHO restriction for all grants awarded prior to July 1, 2015

**Category C** includes seven (7) action items required to address for FMO closeout but not conditional for ECHO restriction removal

#### **Discussion:**

Beginning with FTA's "FMO Testing and Validation Plan" dated September 30, 2015, WMATA has transitioned into the validation and closeout stage of the findings noted in the June 10, 2014 FMO report. The plan includes 20 action items grouped into three categories with deliverables from October 2015 through December 2016.

As of December 31, 2015, 14 of the 20 action item deliverables have been submitted on time to FTA. FTA's validation process began shortly after the first set of deliverables were submitted.

On December 8, 2015, FTA formally responded to WMATA's October 31, 2015 deliverables. The response includes requests for minor adjustments to WMATA's submissions. FTA's evaluation of WMATA's November 2015 submissions started in December, including the evaluation of controls over procurement and financial management system access.

As of December 31, 2015, WMATA continues to work with FTA and the Financial Management Oversight Contractor (FMOC) to timely meet all deliverable expectations of FTA's Testing and Validation Plan, and to provide the support and cooperation needed to accomplish onsite and offsite testing and validation objectives. The next set of deliverables will be due to FTA in March 2016.

WMATA's Office of Internal Control and Compliance (OICC) continues to conduct targeted review procedures based on the FTA action items to assess WMATA's readiness for testing and validation by FTA. In addition to reviews initiated through November 30, 2015 for disposal of FTA funded assets, procurement contract files, and

financial management system access controls, OICC also initiated reviews of FTA funded assets (Property Transactions and Biennial Inventory) and compliance with the Audit Close Out Policy.

**FUNDING IMPACT:**

No funding impact -- information item only.	
Project Manager:	Elizabeth Sullivan
Project Department/Office:	Office of Internal Control and Compliance (OICC)

**TIMELINE:**

<b>Previous Actions</b>	
<b>Anticipated actions after presentation</b>	May 2015 - FY2016-Q3 FMO Update

**RECOMMENDATION:**

No action required -- information item only.



Washington Metropolitan Area Transit Authority

# Financial Management Oversight (FMO) Progress Report

Finance & Administration Committee  
February 11, 2016



## Purpose

- Provide quarterly progress report on FTA FMO Testing and Validation Plan





# FTA FMO Testing & Validation Plan Overview

## Category A

Ten (10) action items required

Relate to 22 CAP Items

Removal of ECHO restriction for all grants awarded after July 1, 2015

## Category B

Three (3) action items required

Relate to 2 CAP Items

Removal of ECHO restriction for all grants awarded prior to July 1, 2015

## Category C

Seven (7) action items required

Relate to 10 CAP Items

Formally closeout FMO but not conditional for ECHO restriction removal

9 CAPs relate to Advisory Comments

Not all WMATA CAPs require FTA follow up – Approximately 22 CAPs

Some action items don't relate to a specific WMATA CAP



# FTA FMO Testing & Validation Plan Status

## Status of Deliverables

Action Due	Action Item Category	Status
<b>October 2015 – December 2015</b> Fourteen (14) Items	A: 7 B: 2 C: 5	Submitted on time
<b>January 2016</b> One (1) Item	A: 0 B: 0 C: 1	Submitted on time
<b>March 2016</b> One (1) Item	A: 1 B: 0 C: 0	Scheduled
<b>December 2016</b> Two (2) Items	A: 0 B: 1 C: 1	Scheduled
<b>To be determined by FTA</b> Two (2) Items	A: 2	TBD





# FTA FMO Testing & Validation Plan Status (cont.)

## FTA Review In Progress:

- Evaluation of Documentation – November 2015
- Procurement Contract Files – December 2015
- Financial Management System – December 2015

## FTA Review Planned:

- FTA Funded Assets – February 2016
- Job Order Contract (JOC) – April 2016



# Internal Control and Compliance (OICC) Reviews

OICC is conducting Audit Readiness Reviews ahead of FTA's Testing & Validation Plan

Reviews initiated through December 2015:

- FTA Funded Assets
- Audit Close-out Policy Compliance

Other Notable OICC Reviews:

- FMO CAP Follow up - HR and Payroll
- Labor Reviews
- Unauthorized Commitments



## Next Steps

- One (1) deliverable due in March to FTA for FMO Testing & Validation
- Ongoing compliance monitoring and reviews by WMATA's Office of Internal Control and Compliance