Finance & Administration Committee

Information Item IV-A

November 5, 2015

Financial Management Oversight (FMO) Progress Report

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

○ Action ◉ Information	MEAD Number: 201671	Resolution: ○ Yes ◉ No

TITLE:

FMO Progress Report

PRESENTATION SUMMARY:

An update on WMATA's financial status and progress toward completion of the Corrective Action Plans (CAPs) addressing the findings in the Federal Transit Administration's (FTA) Financial Management Oversight (FMO) Report dated June 10, 2014.

PURPOSE:

Provide an update to the Board's Finance & Administration Committee on WMATA's financial status as it relates to WMATA's Corrective Action Plans (CAPs) pertaining to the Federal Transit Administration's (FTA) Financial Management Oversight (FMO) report.

DESCRIPTION:

Key Highlights:

Since October's report, notable updates regarding WMATA's financial condition include:

- Total FTA grant reimbursements since ECHO restriction imposed in March, 2014 have totaled $473 million with $270 million having been received in the five month period of May through September
- Through October 30, year-to-date FY2016 grants reimbursements totaled $97.5 million although there were no grant draws in October due to FTA's grants processing system (ECHO) being unavailable for the federal year-end close.
- Total outstanding short-term debt has been reduced by 56 percent since May 1 (repaid $284 million of total $503 million)
- Final 2014 Grant Anticipation Notes (GANs) payment made on October 22; $200 million note is now fully repaid
- Short-term debt balances: $218.75 million drawn on WMATA's four Lines of Credit (LOCs) that provide a total capacity of $302.5 million
- One of the two Wells Fargo Bank's LOCs ($63.75 million) was renewed for six months, to April 2016
- FTA's FMO Testing and Validation Plan is comprised of three groups of actions
  A. Ten action items required for removal of ECHO restriction for all grants awarded *after* July 1, 2015
  B. Three action items required for removal of ECHO restriction for all grants awarded *prior to* July 1, 2015
  C. Seven additional action items required to address for FMO closeout but not conditional for ECHO restriction removal
- Four deliverables due on October 30 were submitted on time
  - Group A: 2 items - Labor cost mapping validation process; procedures for fringe benefits

cost allocation
- Group B: 1 items - Pre-ECHO restriction labor costs validation process
- Group C: 1 item - Ensure Monthly Progress Reports (MPRs) are correct and complete

Background and History:

Financial Management Oversight
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 FMO report. WMATA submitted a total of 65 Corrective Action Plans (CAPs) in response to the 45 Recommendations. The WMATA Office of Internal Compliance 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.

Discussion:

Financial Update
Total federal grant draws since the March, 2014 imposition of the ECHO draw restriction is $473 million, of which $270 million in reimbursements were received in the five month period of May through September 2015. FY2016 year-to-date reimbursements stand at $97 million, although WMATA received no federal grant reimbursements during the month October because of the unavailability of FTA's grants processing system (ECHO) due to activites associated with the federal government's year-end close.

WMATA has reduced its outstanding short-term debt by 56 percent since May 1, from $503 million to $219 million. All $200 million of the Series 2014 Grant Anticipation Notes have been repaid; the final payoff payment was made on October 22. Of the total $302.5 million in the four Lines of Credit (LOCs) with three banks, $219 million remains drawn ($84 million had been repaid in June 2015).

WMATA's $63.75 million LOC with Wells Fargo Bank (one of two LOCs with Wells Fargo) has been renewed for six-months, to April 2016.

FUNDING IMPACT:

Information item only. No requests herein with impacts on funding.	
Project Manager:	Blair Fishburn
Project Department/Office:	OCFO

TIMELINE:

Previous Actions	- Monthly presentations to the F&A Committee on execution of all corrective action plans committed to FTA. - FTA's assessment of WMATA's progress in adequately fulfilling the 38 recommendations across the nine control findings described in the June 2014 FMO Report (FTA does not respond to CAPs submitted for Advisory Comments). - All WMATA CAP deadlines (including FTA-approved extended

	deadlines) were met on-time, in accordance with FTA requested due dates - FTA issued its FMO Testing and Validation Plan outlining deliverables necessary to lift ECHO-draw restrictions (grants awarded pre- & post-July 1, 2015) and complete closure of FMO findings and recommendations.
Anticipated actions after presentation	November 2015 and forward - Follow-ups with FTA on CAP submission adequacy, on-going internal compliance monitoring, and fulfillment of FTA FMO Testing and Validation Plan deliverables.

RECOMMENDATION:

No action recommended nor required; information item only.

Washington Metropolitan Area Transit Authority

Financial Management Oversight (FMO) Progress Report

Finance & Administration Committee
November 5, 2015

Purpose

- Provide update on WMATA financial status
- Provide monthly progress report on FMO Corrective Action Plans (CAPs), FTA feedback and follow-ups

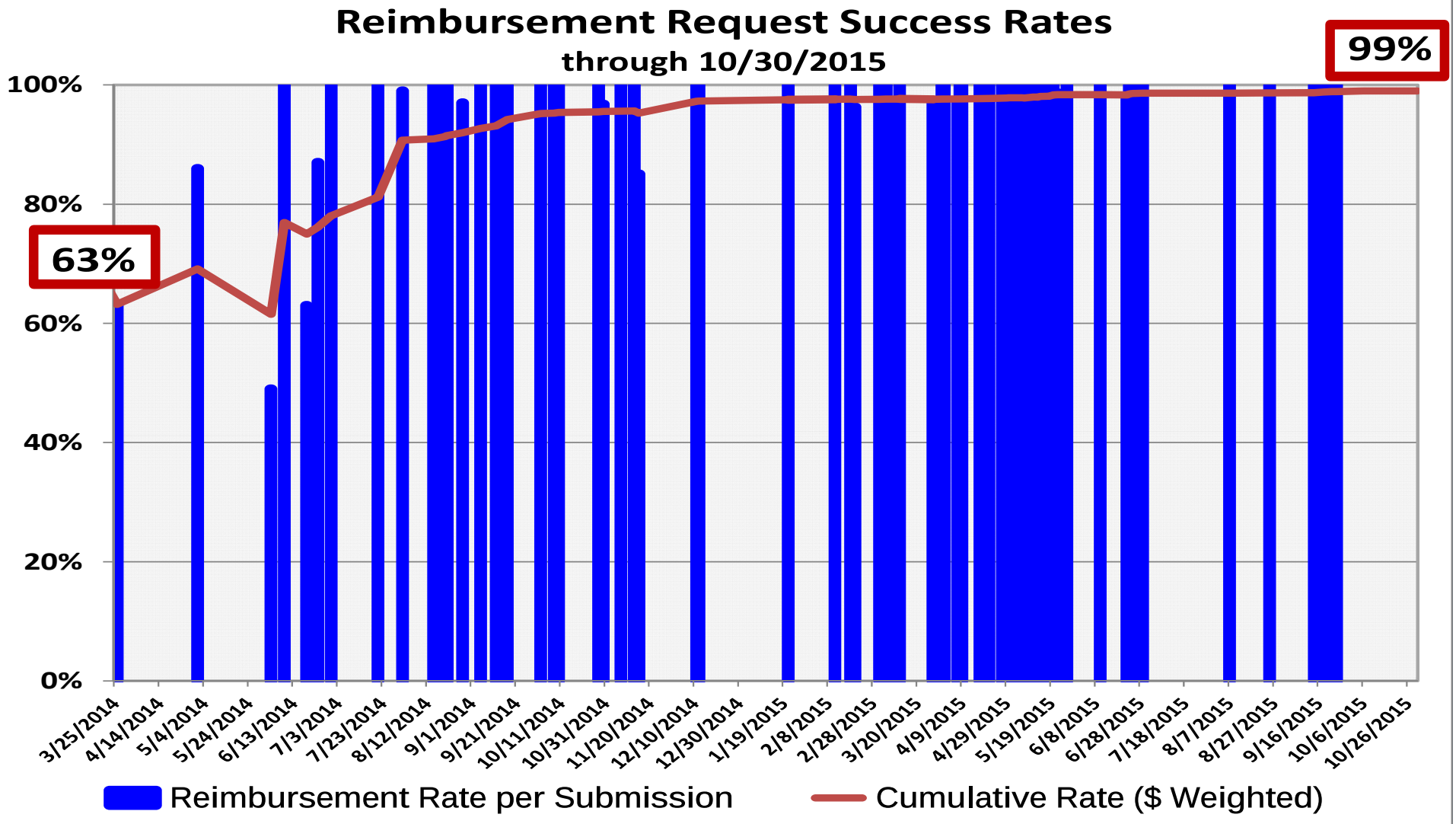
Financial Update

- Total FTA grant draws of $473 million under ECHO restriction
- Outstanding short-term debt reduced by 56% since May 1
- Final Grant Anticipation Note payment made on October 22
- Line of Credit (LOC) balances at $219m
- LOC Status: Wells Fargo 1 (of 2) $64 million line renewed for 6 months (exp. April 2016)
- Notified creditors on completion timing of FY2015 audited financial statements; updated ratings agencies

FTA FMO Testing & Validation Plan Status

- Testing plan comprised of three (3) groups of action items
  - A. Ten (10) action items required for removal of ECHO restriction for all grants awarded after July 1, 2015
  - B. Three (3) action items required for removal of ECHO restriction for all grants awarded prior to July 1, 2015
  - C. Seven (7) additional action items to address for FMO closeout but not conditional for ECHO restriction removal
- Four (4) October deliverables submitted on time
  - Category A: 2 – Labor cost validation; fringe benefits cost allocation
  - Category B: 1 – Pre-restriction labor cost validation
  - Category C: 1 – Ensure MPRs are correct & complete

FMO Dashboard – Reimbursement Request Success Rates



Next Steps

- Six deliverables due in November to FTA for FMO CAP Testing & Validation Plan reviews
- Continue work on proving eligibility of unreimbursed costs for drawdown
- WMATA's Office of Internal Compliance continues reviews of FMO CAPs compliance monitoring and Labor Drawdown Reviews