

Washington Metropolitan Area Transit Authority

## Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:  
201824

Resolution:  
☐ Yes ☒ No

### TITLE:

Financial Management Oversight (FMO) Progress

### PRESENTATION SUMMARY:

Staff will inform the Board on progress to complete the Federal Transit Administration's Financial Management Oversight (FMO) Testing and Validation Plan through November 2016 and will also provide information on the scheduled FTA Triennial Review.

### PURPOSE:

Provide an update to the Audits and Investigations Committee on WMATA's progress addressing deliverable expectations of the FTA's Financial Management Oversight (FMO) Testing and Validation Plan dated September 30, 2015, and updated May 23, 2016.

Staff will also brief the Board on the scheduled FTA Triennial Review.

### DESCRIPTION:

#### Key Highlights:

As of November 2016, WMATA continues to work with FTA to complete its FMO testing and validation procedures. All action items have been completed by the FTA defined due dates, and FTA's validation will continue through December 2016.

It's anticipated that FTA will make a decision about the removal of the ECHO restriction for all grants awarded after July 1, 2015 by the end of calendar year 2016.

WMATA received notification on October 11, 2016 of the upcoming FTA Triennial Review scheduled for FY2017.

#### Background and History:

##### Financial Management Oversight (FMO)

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 FTA recommendations for addressing the findings and comments were included in the FMO Report. WMATA submitted 65 Corrective Action Plans (CAPs) in response to the 45 recommendations.

Starting with FTA's FMO Testing and Validation Plan dated September 30, 2015, WMATA transitioned into the validation and closeout stage of the findings noted in the June 10, 2014 FMO Report.

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

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

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

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

FTA updated the FMO Testing and Validation Plan on May 23, 2016, primarily to account for the implementation of WMATA's new Funds Management System which took place on July 1, 2016. The updated plan introduced the Snapshot Test, which was designed to assess three of the 20 action items from the original Testing and Validation Plan dated September 30, 2015.

#### **Discussion:**

As of November 2016, WMATA has submitted materials for 18 of the 20 Testing and Validation required action items, and two items are not yet due. Of the 18 items submitted, FTA has deemed eight closed and ten items are undergoing FTA review. Of the ten action items undergoing FTA review, six have an impact on FTA's pending decision regarding the removal of ECHO restriction for new grants by the end of this calendar year.

The table below provides a summary and status of the six items under FTA review with an impact on the calendar year end ECHO decision:

<b>Item</b>	<b>Required Action</b>	<b>Status</b>
<b>A3</b>	1) Ensure only allowable costs are reported in the FFRs	Validation scheduled to conclude on or before December 9 <sup>th</sup> .
	2) Train staff on reviewing invoices for allowable costs.	Closed
<b>A4</b>	Ensure the approval process for preparation of FFRs is documented, that FFRs are reviewed by someone other than the preparer, and indirect costs are properly reported on the FFRs for applicable grants.	Validation scheduled to conclude on or before December 9 <sup>th</sup> .
<b>A5</b>	Ensure full and open competition practices are followed in procuring products and services. Ensure procedures for determining whether procurements will be funded using Federal or local sources are properly utilized. Ensure all components of procurement files are assembled timely and procurement file checklists are used.	Validation scheduled to conclude on or before December 9 <sup>th</sup> .
<b>A8</b>	Ensure that only procurements properly suited for the Job Order Contracts (JOC) contracting mechanism are competed within the pool of JOC contractors.	Validation scheduled to conclude on or before December 9 <sup>th</sup> .
<b>A9</b>	Ensure expenditures are charged to Federal grants in accordance with approved budgets.	Validation scheduled to conclude on or

		before December 9 <sup>th</sup> .
<b>A10</b>	Ensure draw down of FTA funds is only made on the Federal share of expenditures incurred.	Validation scheduled to conclude on or before December 9 <sup>th</sup> .

#### **Scheduled FTA Triennial Review - FY2017**

WMATA received notification on October 11, 2016 of the upcoming FTA Triennial Review. The Triennial Review is one of the FTA's management tools for examining grantee performance and adherence to current FTA requirements and policies. Mandated by Congress in 1982, the Triennial Review occurs once every three years. It examines how recipients of Urbanized Area Formula Program funds meet statutory and administrative requirements.

In addition to the October 11, 2016 notification letter, FTA also provided WMATA with a Grantee Information Request (GIR) package due back to FTA on December 16, 2016. Based on ongoing discussions with the FTA, WMATA expects FTA's site visit on March 20, 2017.

The details of the 17 areas and basic requirements examined by FTA as part of the Triennial Review are included in Appendix A.

#### **Internal Compliance Activities - Audit Readiness Reviews**

In preparation for the upcoming FTA review, Internal Compliance will conduct audit readiness reviews within the areas of Financial Management and Capacity, Title VI, and Drug Free Workplace and Drug and Alcohol Program due to findings noted in the last Triennial Review conducted by FTA in 2014. Internal Compliance will also conduct audit readiness reviews within the Procurement and Disadvantaged Business Enterprise (DBE) areas due to the greater potential for Enhanced Review Modules (ERMs). Actual areas that will undergo ERMs are determined by risk factors identified and considered by FTA.

#### **FUNDING IMPACT:**

No funding impact -- information item only.	
Project Manager:	Elizabeth Sullivan
Project Department/Office:	Internal Compliance

#### **TIMELINE:**

<b>Previous Actions</b>	May 2016 – Q3 FY2016 FMO Update
<b>Anticipated actions after presentation</b>	February 2017 – Q2 FY2017 FMO Update



**Washington Metropolitan Area Transit Authority**

# Financial Management Oversight (FMO) Progress Report

Audits and Investigations Committee  
December 1, 2016

# Purpose

- Report on FTA FMO Testing and Validation Plan progress
- Provide an overview of the scheduled FTA Triennial Review and audit readiness plan



# FTA FMO Testing & Validation

Closed	FTA Testing In-Progress	Future Due Date
8	10	2

- Completed all action items by FTA defined due dates
- Six of 10 items now under FTA review; will decide ECHO restriction removal for new grants
- Submitted responses for the two items due in December



# FTA FMO Testing & Validation

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

- Ten (10) action items required
- Four (4) closed

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

- Three (3) action items required
- Two (2) closed

Category C - Formally closeout FMO but not conditional for ECHO restriction removal

- Seven (7) action items required
- Two (2) closed



# FTA Triennial Review Process

## 17 Review Areas

**Financial Management  
and Capacity**

**Disadvantaged  
Business Enterprise  
(DBE)**

**Charter Bus**

**Technical Capacity**

**Legal**

**School Bus**

**Maintenance**

**Satisfactory Continuing  
Control**

**Security**

**Americans with  
Disabilities ACT (ADA)**

**Planning/Program of  
Projects**

**Drug Free Workplace  
and Drug and Alcohol  
Program**

**Title VI**

**Public Comment on  
Fare Increases and  
Major Service  
Reductions**

**Equal Employment  
Opportunity**

**Procurement**

**Half Fare**





# FTA Triennial Review Timeline

**Pre-  
Review  
1**

**Scoping  
ERM  
3**

**Findings  
Summary  
5**

**Final  
Report  
7**

**Initiated,  
notification  
received  
10/11/2016**

**TBD  
by FTA**

**TBD  
by FTA**

**TBD  
by FTA**

**In progress by  
WMATA, due to  
FTA on  
12/16/2016**

**Tentatively  
scheduled for  
3/20/2017**

**TBD  
by FTA**

**TBD  
by FTA**

**GIR  
2**

**Site Visit  
4**

**Draft  
Report  
6**

**Corrective  
Actions  
8**



# FTA Triennial Review Plan

- Office of Accounting serves as lead
  - Conducted kick off meeting – October 26, 2016
  - Requested materials due December 16, 2016
- Internal Compliance
  - Conduct audit readiness reviews, primarily focused on prior Triennial Review deficiencies
  - Conduct quality reviews of FTA deliverables



# Audit Readiness Reviews

## Focus Areas

- Financial Management and Capacity
- Title VI
- Drug Free Workplace and Drug and Alcohol Program
- Procurement
- Disadvantaged Business Enterprise (DBE)

## **Appendix A**

### **Triennial Review - 17 Areas of Review and Basic Requirements**

#### **1. Financial Management and Capacity**

The grantee must demonstrate the ability to match and manage Federal Transit Administration (FTA) grant funds, cover cost increases and operating deficits, cover maintenance and operational costs for FTA-funded facilities and equipment, and conduct and respond to applicable audits.

#### **2. Technical Capacity**

The grantee must be able to implement Federal Transit Administration (FTA)-funded projects in accordance with the grant application, FTA Master Agreement, and all applicable laws and regulations, using sound management practices.

#### **3. Maintenance**

Grantees and subrecipients must keep federally funded vehicles, equipment, and facilities in good operating condition. Grantees and subrecipients must keep Americans with Disabilities Act (ADA) accessibility features on all vehicles, equipment, and facilities in good operating order.

#### **4. Americans with Disabilities ACT (ADA)**

Titles II and III of the Americans with Disabilities Act of 1990 (ADA) provide that no entity shall discriminate against an individual with a disability in connection with the provision of transportation service. The law sets forth specific requirements for vehicle and facility accessibility and the provision of service, including complementary paratransit service.

#### **5. Title VI**

The grantee must ensure that no person shall, on the grounds of race, color, or national origin, be excluded from participating in, or be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance without regard to whether specific projects or services are federally funded. The grantee must ensure that all transit services and related benefits are distributed in an equitable manner.

#### **6. Procurement**

Grantees use their own procurement procedures that reflect applicable state and local laws and regulations, provided that the process ensures competitive

procurement and the procedures conform to applicable Federal law, including 49 CFR Part 18, (repealed effective December 26, 2014), 2 CFR Part 1201, incorporating 2 CFR Part 200 (specifically Sections 200.317-200.326), and Federal Transit Administration (FTA) Circular 4220.1F, "Third Party Contracting Guidance."

## **7. Disadvantaged Business Enterprise (DBE)**

The grantee must comply with 49 CFR Part 26 to ensure nondiscrimination in the award and administration of US Department of Transportation (US DOT)-assisted contracts.

## **8. Legal**

The grantee must be eligible and authorized under state and local law to request, receive, and dispense Federal Transit Administration (FTA) funds and to execute and administer FTA-funded projects.

## **9. Satisfactory Continuing Control**

The grantee must ensure that Federal Transit Administration (FTA)-funded property will remain available to be used for its originally authorized purpose throughout its useful life until disposition.

## **10. Planning/Program of Projects**

The grantee must participate in the transportation planning process in accordance with Federal Transit Administration (FTA) requirements, Fixing America's Surface Transportation (FAST) Act, and the metropolitan and statewide planning regulations. Each recipient of a Section 5307 grant shall develop, publish, afford an opportunity for a public hearing on, and submit for approval, a program of projects (POP).

## **11. Public Comment on Fare Increases and Major Service Reductions**

Section 5307 grantees are expected to have a written, locally developed process for soliciting and considering public comment before raising a fare or carrying out a major transportation service reduction.

## **12. Half Fare**

For fixed-route service supported with Section 5307 assistance, fares charged seniors, persons with disabilities or an individual presenting a Medicare card during off peak hours will not be more than one half the peak hour fares.

### **13. Charter Bus**

Grantees are prohibited from using federally funded equipment and facilities to provide charter service if a registered private charter operator expresses interest in providing the service. Grantees are allowed to operate community based charter services excepted under the regulations.

### **14. School Bus**

Grantees are prohibited from providing exclusive school bus service unless the service qualifies and is approved by the Federal Transit Administration (FTA) Administrator under an allowable exemption. Federally funded equipment or facilities cannot be used to provide exclusive school bus service. School tripper service that operates and looks like all other regular service is allowed.

### **15. Security**

As recipients of Section 5307 funds, grantees must annually certify that they are spending at least one percent of such funds for transit security projects or that such expenditures for security systems are not necessary.

### **16. Drug Free Workplace and Drug and Alcohol Program**

Grantees are required to maintain a drug-free workplace for all grant-related employees and to have an ongoing drug-free awareness program. Grantees receiving Section 5307, 5309, 5311, or 5339 funds that have safety-sensitive employees must have a drug and alcohol testing program in place for such employees.

### **17. Equal Employment Opportunity**

The grantee must ensure that no person in the United States shall on the grounds of race, color, religion, national origin, sex, age, or disability be excluded from participating in, or denied the benefits of, or be subject to discrimination in employment under any project, program, or activity receiving Federal financial assistance under the Federal transit laws.