

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
201868

Resolution:
☐ Yes ☒ No

TITLE:

Department of Internal Compliance Overview

PRESENTATION SUMMARY:

Present to the Board's Audits and Investigations Committee an overview of Metro's Department of Internal Compliance (INCP).

PURPOSE:

To brief the Board's Audits and Investigations Committee regarding the establishment of Metro's Department of Internal Compliance (INCP) that will centralize the internal management and oversight of audit activities and Metro business functions, in coordination with the Office of Inspector General (OIG) and other external auditing agencies, to improve compliance with internal and external regulatory requirements.

DESCRIPTION:

Metro's Department of INCP reports to the General Manager, providing an independent examination of Metro's assets and processes to identify areas for improvement and provide evidence that execution of corrective action plans (CAPs) result in effective change. This presentation explains how INCP will establish internal controls to improve the safety, reliability and fiscal responsibility of Metro while partnering with the OIG and other external auditors to increase transparency and credibility to the riding public.

Key Highlights:

- Centralized management of response to recommended actions by OIG and other external agencies
- Overview of CAPs relating to safety, operations, engineering, maintenance and financial management
- 2017 INCP Internal Audits (29 in total) -Internal Evaluation Assessments of the effectiveness of internal controls and areas for improvement, independent of external parties (FTA, NTSB, OIG, etc.) tasked with other audit and examination activities

Background and History:

Oversight of Metro's internal business functions has historically been carried out by fragmented internal control groups, spread between operations, engineering and finance departments, often reporting to the same offices and departments they were tasked with assurance/auditing. This structure inhibited effective oversight through direct reporting relationships, reducing transparency and accountability. Establishing an independent department reporting directly to the General Manager provides an effective organizational structure moving forward.

Discussion:

In an organizational realignment directed by the General Manager on October 31, 2016, the Office of Internal Compliance (INCP) was established to centralize the agency internal controls and compliance functions. This centralized function, overall, is intended to promote compliance with internal policies and procedures, external laws, regulations and directives while adding greater credibility and transparency to WMATA's compliance and internal control activities.

Under INCP, the Offices of Management Audits, Risk and Compliance (MARC) and Quality Assurance, Internal Compliance & Oversight (QICO) are the liaison between external auditors and regulators, setting the standard process for audit notification, coordination of management responses, and the central management of all audit issues and corrective action plans (CAPs) across the organization.

Each INCP function is responsible for audit/assurance management and oversight according to defined auditable areas. MARC performs oversight of WMATA's internal business support services and financial management business functions. QICO performs oversight of WMATA's engineering, maintenance and operations, and safety and security business functions.

Centralized Audit Management and Oversight: Metro's new P/I 13.6 establishes INCP as the liaison between all internal and external auditors and regulators, including the OIG, and sets the standard internal process for audit notification, coordination of management responses, and the central management of all audit issues and corrective action plans across the organization. Serving as liaison, INCP works closely with external auditors and Metro's management to ensure timely response to audit findings and issues, monitoring the implementation of corrective actions and verifying evidence of change.

Overview of CAPs: Metro is in the process of addressing more than 500 CAPs resulting from audits and investigations conducted by external agencies and the OIG. INCP has taken the lead in promoting the implementation of these CAPs based on risk and organizational function, providing verification of work

completed. In addressing these CAPs, we are working to establish more robust internal controls that prevent recurrence of findings and issues noted by external agencies.

2017 Internal Audits: In calendar year 2017, INCP plans to conduct a total of 29 internal audits; comprised of 18 audits of operations, maintenance and engineering functions, and 11 audits of internal business functions and financial management. INCP will assess the effectiveness of internal controls and areas for improvement, independent of external parties (FTA, OIG, etc.) tasked with other audit and examination activities. The goal of the internal evaluation process is to identify and remedy findings prior to identification by external parties. This proactive approach provides a baseline view of current practices to identify opportunities for improvement and reduce the risks associated with noncompliance with standards.

Note: Internal reviews are preliminary in nature and may be reassessed during the year. Scheduled reviews may be impacted by resource limitations or other priorities as directed by the General Manager or the Chief, INCP.

FUNDING IMPACT:

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TIMELINE:

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RECOMMENDATION:

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Washington Metropolitan Area Transit Authority

Department of Internal Compliance (INCP) Overview

Audits and Investigation Committee - Executive Session

April 27, 2017

WHY INTERNAL COMPLIANCE (INCP)? WHY NOW?

- Independent report to General Manager (GM)
- Centralized Audit Management & Oversight to comply with all safety, operations, and financial CAPs (over 500)
- Coordination with WMATA's OIG on internal audit findings
- Liaison between all external auditors and regulators (e.g. FTA, NTSB, GAO)
- Prevention – Identify problems first
- Proof of Change
- Build credibility through transparency and accountability

Oversight of Metro Business Functions

Chief, Internal Compliance (INCP)

Quality Assurance, Internal Compliance & Oversight (QICO)

Areas of Focus:

- Engineering
- Maintenance and Operations
- Safety and Security



Management Audits, Risk and Compliance (MARC)

Areas of Focus:

- Financial Management
- Internal Business Support Services



ASSURANCE, COMPLIANCE & OVERSIGHT FRAMEWORK



Policy+ Strategy

- Lead Metro's Policy Instruction Management Process
- Establish and implement **Corporate Quality and Risk Management Systems**
- Provide Quality/Risk Mgmt., Internal Control and Compliance Training



Assurance

- Risk-based Auditing & Inspection – **29 Internal Review Assessments** planned
- Continuous Monitoring on Metro Mission Critical Programs - e.g. **SafeTrack, 7K Railcars, Reliability Improvement Campaigns, Employee Absenteeism**



Compliance

- Management Response to OIG findings
- Independent validation of CAPs – e.g. **Safety Mgmt. Inspection (SMI), Financial Mgmt. Oversight (FMO)**
- Coordination with oversight bodies (e.g. **FTA, NTSB, GAO**)



Oversight

- Verify effective execution of QA/QC activities for programs and projects
- Team with departments to develop corrective action plans

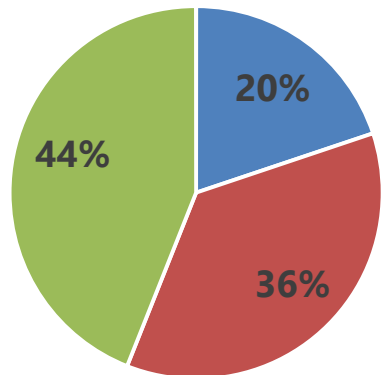
Corrective Action Plans - Overview

Metro Corrective Action Plan – Progress Status

As of March 24, 2017

FTA Safety Directives & NTSB Recommendations

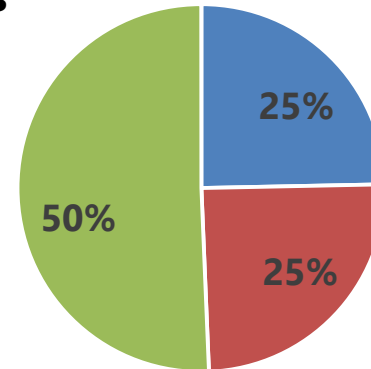
282 CAPs



■ Closed (56)
 ■ Under Review (102)
 ■ In-Development (124)

FTA and Other Financial Management Oversight

227 CAPs



■ Closed (56)
 ■ Under Review (56)
 ■ In-Development (115)



2017 Internal Review Assessments

Prioritization Risk Assessment, Metro Priorities, and Corrective Actions



1. Frontline Rail Supervisor Field Checks
2. Structural Inspection and Maintenance
3. Track Inspection
4. ATC & Traction Power Preventive Maintenance
5. SafeTrack Maintenance Program
6. Tunnel Ventilation Fan Maintenance
7. Railcar Major Repair & Overhaul Processes
8. ROCC – Rail Traffic Controller Responsibilities
9. Escalator Maintenance & Replacement Program
10. Radio Infrastructure Replacement Program
11. Station Operations – Station Mgr. Responsibilities
12. Railcar Rehab Program
13. Fire & Life Safety Systems Maintenance
14. 7000 series New Railcar Program
15. Rail-borne Equipment Operations
16. Train Operations – Operator Responsibilities
17. Rail Power System Upgrade Program
18. Parts/Materials Planning and Logistics



1. FTA Triennial Audit Readiness
2. DBE Program Compliance
3. Metro Access Third Party Service Provider
4. Direct Manual Labor Draw/Post ECH Restriction
5. MWAA Labor Review
6. Limited Scope Review of Prcmt. Contract Files
7. Cash Collection and Processing
8. General Audit Follow-up Review
9. FTA FMO Follow-up Reviews
10. Car Maint. Financial Mgmt. Control Follow-up
11. Annual Evaluation of Internal Controls - Financial Mgmt. Business Processes

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