



Finance Committee
Information Item IV-B
May 12, 2016

FMO Update

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
201743

Resolution:
☐ Yes ☒ No

TITLE:

FMO Update

PRESENTATION SUMMARY:

Staff will provide an update on the progress of FTA's Financial Management Oversight (FMO) Testing and Validation Plan as of March 31, 2016

PURPOSE:

To provide information on WMATA's progress in addressing deliverable expectations of FTA's Financial Management Oversight (or FMO) Testing and Validation Plan as of March 31, 2016.

DESCRIPTION:

Key Highlights:

As of March 31, 2016, 16 of the 20 action items and related deliverables have been submitted on time to FTA, leaving four open action items with a future deliverable date. Of the 16 action items submitted to FTA, five have been confirmed closed based of FTA's testing and validation results.

Staff continues to work towards meeting the deliverable expectations of FTA's FMO Testing and Validation Plan. WMATA has met all deliverable deadlines with no exceptions.

Background and History:

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 March, 2015, 16 of the 20 action item deliverables have been submitted on time to FTA. Of the four open action items, two are due in December 2016 and two have a due date yet to be determined by FTA as of March 2016.

As required by the Testing and Validation Plan, in January 2016 FTA conducted onsite reviews of WMATA's Procurement process with the objective of ensuring that full and open competition practices are followed in procuring products and services. FTA's review was also designed to ensure that procedures for determining whether procurements will be funded using Federal or local sources are properly utilized and to ensure that all components of procurement files are assembled timely and procurement file checklists are used.

FTA noted improvements since the FMO review; however, in its February 18, 2016 response letter, FTA identified some exceptions which required additional corrective actions from WMATA. Corrective actions were submitted as of March 19, 2016. FTA's February 18, 2016 letter also presented results of Testing and Validation Plan items reviewed in prior months within the Grants Management and the Financial Management Systems Controls areas. Financial Management System Controls issues were validated and confirmed closed by FTA.

On March 15, 2016, WMATA received FTA's response to Testing and Validation Plan deliverable submitted to FTA as of December 31, 2015. WMATA staff is in the process of responding to follow up items due to FTA on April 29, 2016. As of March 31, 2016, 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 December 2016.

Ongoing Internal Control and Compliance Reviews

WMATA's Office of Internal Control and Compliance (OICC) continues to conduct reviews to determine WMATA's adherence to corrective action plans developed in response to FTA's FMO review and financial management controls. During the period ended March 31, 2016, OICC completed five internal reviews. Details of the reviews completed, including review objectives, scope, and results were included in the Quarterly Financial Management Oversight Report sent to the board on a quarterly basis. The report also includes the status of other reviews in progress as of March 31, 2016.

FUNDING IMPACT:

Information item only - no funding impact.	
Project Manager:	Elizabeth Sullivan
Project Department/Office:	OICC

TIMELINE:

Previous Actions	Feb 2016 - Q2 FMO Update
Anticipated actions after presentation	Sep 2016 - Q4 FMO Update

RECOMMENDATION:

No action required - information item only.



Washington Metropolitan Area Transit Authority

Financial Management Oversight (FMO) Progress Report

Finance Committee
May 12, 2016



Purpose

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



FTA FMO Testing & Validation Plan Status

Closed	FTA Testing In-Progress	Not Due
5	11	4

- FTA's Testing and Validation Plan includes 20 action items
- Closed items have been tested and validated by FTA
- In Progress items are at various stages of FTA review



FTA FMO Testing & Validation Plan Overview

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

- Ten (10) action items required
- Eight (8) completed

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

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

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

- Seven (7) action items required
- Six (6) completed



FTA FMO Testing & Validation Plan Open Items

Open Items as of March 31, 2016

Testing and Validation Action Item	WMATA Deliverable Due Date	FTA Testing and Validation Plan Category
Ensure expenditures are charged to Federal grants in accordance with approved budgets.	TBD by FTA	A
Ensure draw down of FTA funds is only made on the Federal share of expenditures incurred.	TBD by FTA	A
Complete the reconciliation of all costs charged to all active grants to the allowable budget categories, or Activity Line Items (ALIs), specified in the Federal awards.	12/31/2016	B
Repay the FTA for overdrawn amounts after completion of reconciliation.	12/31/2016	C



Status of ECHO Restriction

- WMATA completed all 65 original Corrective Action Plans (CAPs)
- Meeting above 99% draw request accuracy
- FTA's Testing and Validation Plan: 16 of 20 action items completed (five closed, 11 under FTA review), two items awaiting FTA requirements and due date, two items with future due date
- Awaiting FTA's completion of testing and validation related activities



Next Steps

- Ongoing internal control and compliance monitoring and reviews
- GAO recommendations to improve financial management controls due to GAO by June 30, 2016
 - Comprehensive assessment of financial management related risks
 - Risk based review work plan for monitoring financial management controls