



July 16, 2015

The Honorable Thomas Davis Rust
Virginia House of Delegates
House Transportation Committee
730 Elden Street
Herndon, VA 20170

The Honorable S. Chris Jones
Virginia House of Delegates
House Appropriations Committee
P.O. Box 5059
Suffolk, VA 23435-0059

The Honorable Walter Stosch
Virginia Senate
Senate Finance Committee
4551 Cox Road, Suite 110
Glen Allen, VA 23060-6740

The Honorable Charles J. Colgan
Virginia Senate
Senate Finance Committee
10677 Aviation Lane
Manassas, VA 20110-2701

The Honorable Stephen Newman
Virginia Senate
Senate Transportation Committee
P.O. Box 480
Forest, VA 24551

Ms. Jennifer Mitchell
Director, Virginia DRPT
600 East Main Street, Suite 2102
Richmond, VA 23219

Dear Chairman Rust, Chairman Jones, Co-Chair Stosch, Co-Chair Colgan, Chairman Newman and Director Mitchell:

During the 2015 legislative session, the Virginia General Assembly passed an amendment to the 2014-2016 biennium budget (item 439 #1c) requiring the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors to provide quarterly reports on the actions taken to address recommendations cited in the Federal Transit Administration's (FTA) Full Scope of Systems Review of WMATA dated June 10, 2014.

The quarterly reports are required to be submitted no more than 30 days after the close of each quarter of the fiscal year to the Director of the Virginia Department of Rail and Public Transportation and the Chairmen of the Virginia House and Senate Transportation Committees and the Virginia House Appropriations and Senate Finance Committees. Please find the enclosed report that represents WMATA's latest progress in addressing findings from the FTA Full Scope of Systems Review.

We are pleased to report that as of June 30, 2015, WMATA has submitted documentation to the FTA for all 65 Corrective Action Plan items, reconciled all 35 open grants, and submitted all required grant budget revisions. Additionally, WMATA received a total of \$224 million in FTA grant reimbursements in the fourth

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Metropolitan Area
Transit Authority**

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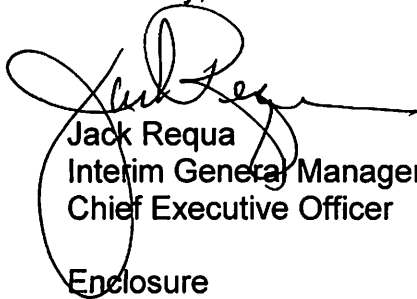
*A District of Columbia,
Maryland and Virginia
Transit Partnership*

Chairman Rust, Chairman Jones, Co-Chair Stosch, Co-Chair Colgan,
Chairman Newman and Director Mitchell
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quarter of FY 2015 (\$52 million in April, \$84 million in May and \$88 million in June). This brings the total amount received since March 2014, when the FTA imposed the grant drawdown restrictions, to \$375 million.

If you have any further questions, please contact Gregory Potts, Virginia Government Relations Officer, at 202-962-2756 or gpotts@wmata.com.

Sincerely,



Jack Requa
Interim General Manager and
Chief Executive Officer

Enclosure



Washington Metropolitan Area Transit Authority

Overview and Status of the Financial Management Oversight (FMO) Report

Update for the Virginia General Assembly and the
Virginia Department of Rail and Public Transportation

July 2015



Purpose

- Provide overview of the FMO Review, Corrective Action Plans (CAPs), FTA feedback and follow-ups





Background

- Financial Management Oversight (FMO) Review examined the effectiveness of WMATA's internal control over compliance with FTA financial management system requirements for the period of April 1, 2012 – March 31, 2013
- FMO Draft Report received on March 13, 2014 contained 45 recommendations for 9 Findings (3 Material Weaknesses and 6 Significant Deficiencies) and 5 Advisory Comments



Background, cont'd

– 3 Material Weaknesses

1. Budget Controls
2. Controls over Reporting of Federal Expenditures
3. Procurement Controls

– 6 Significant Deficiencies

1. Audit Committee Oversight
2. Cash & Grant Management Controls
3. Controls over FTA Funded Assets
4. Access Controls over Financial Management System
5. Controls over Job Order Contracts
6. Improve Federal Financial Reporting Process & Procedures



Background, cont'd

– 5 Advisory Comments

1. Improve Payroll and HR Documented Procedures
2. Organizational Structure
3. Entity-wide Risk Assessment
4. Risk Assessment of Financial Management System (FMS)
5. FMS Contingency Planning Controls

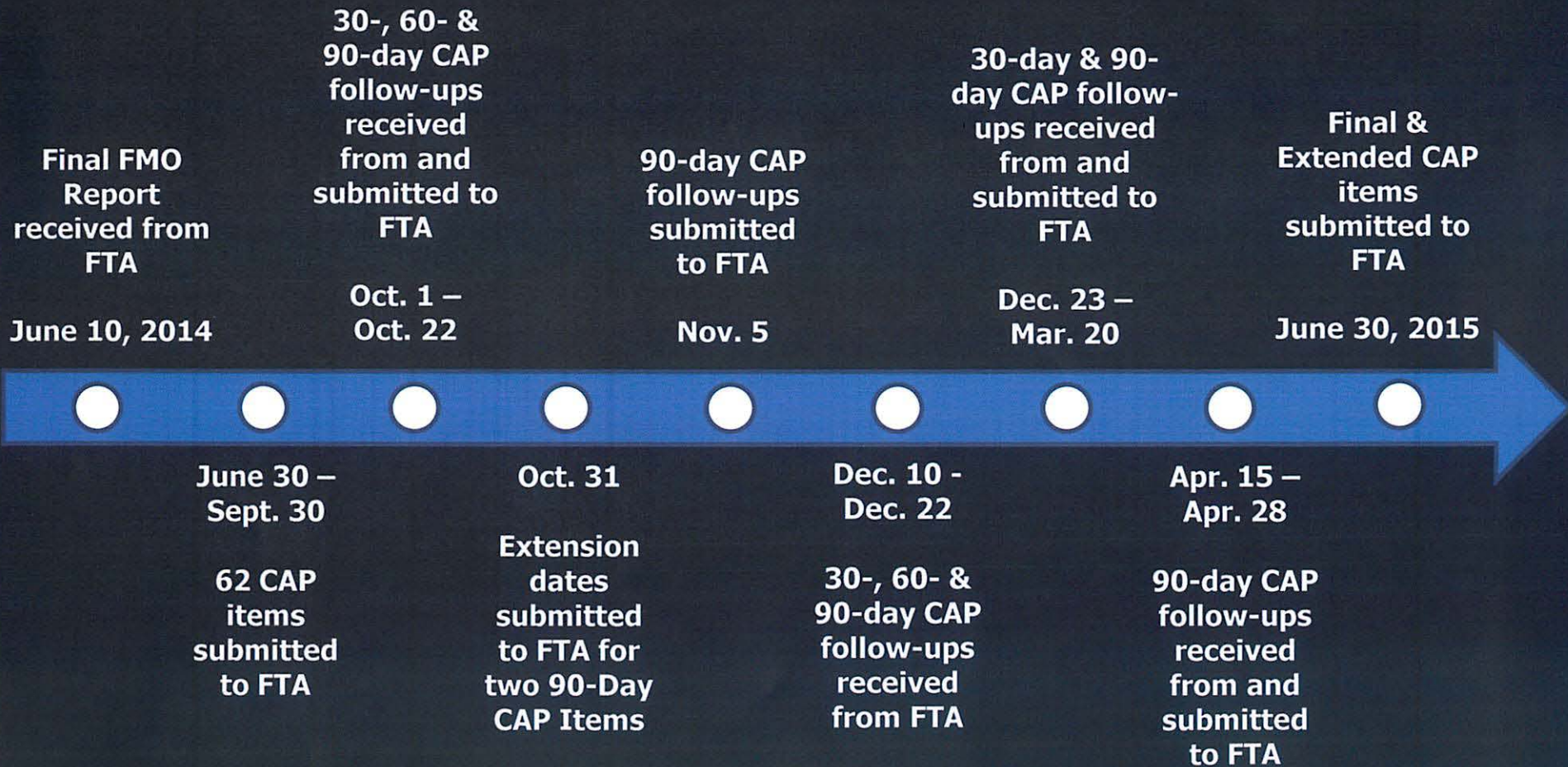


Background, cont'd

- Grantee's Management Responses submitted to FTA on April 10, 2014 included 65 Corrective Action Plan (CAP) items to address the 45 recommendations
- Final FMO Report received June 10, 2014
 - All CAP items for Material Weaknesses and Significant Deficiencies due within 30, 60 and 90 days of Final FMO Report date
- As of June 30, 2015, WMATA has submitted on time documentation for all 65 FMO CAP items



FMO Summary Timeline





FMO CAPs Status

Completion Risk

Financial Controls Risk ↑

	Complete	Significantly Complete	In Progress	Extended	TOTAL
Material Weaknesses (MW)	25	0	0	0	25
Significant Deficiencies (SD)	31	0	0	0	31
<i>Total CAPs</i>	<i>56</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>56</i>
Advisory Comments (AC)	9	0	0	0	9



FMO-Related Improvements

- Board adopted updated Procurement Policy and new (first ever) Grants Management Policy
- Created WMATA Office of Internal Controls & Compliance
- New or Revised Manuals and Related Training in Grants Management, Procurement and Asset Management
- Implementation of Identity Management Program
- Updated Password Policy for PeopleSoft FMS
- Revised Job Descriptions and Performance Plans for Project Managers
- Development of Collaborative Risk Management (CRM) Framework and Development of CRM Governance Committee



FMO CAPs Status and Compliance Reviews

- FMO CAPs Status
 - WMATA submitted evidential documentation to FTA for all 65 CAP items as of June 30, 2015
 - All 35 aged grants were reconciled and all required grant budget revisions were submitted as of June 30, 2015
- Compliance Reviews
 - WMATA's Office of Internal Controls & Compliance initiated or completed FMO CAP Self-Certification Reviews for Budget Controls, Cash & Grants Management Controls, Federal Financial Reporting, and Procurement & Job Order Contracts as of June 30, 2015
 - Additional FMO CAP follow-up reviews scheduled