

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY



May 7, 2012

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The Honorable Frank R. Wolf
United States House of Representatives
241 Cannon House Office Building
Washington, DC 20515-4610

RE: KPMG Performance Audit dated April 17, 2012
Dulles Corridor Metrorail Project, Phase 1

Dear Congressman Wolf:

The Metropolitan Washington Airports Authority commissioned KPMG, a nationally-recognized accounting firm that provides audit and advisory services and industry insight, to provide an independent audit of the Authority's administrative functions of Phase 1 of the Dulles Rail Project and recommend any opportunities for additional project administration enhancements. The Airports Authority asked KPMG to assess the accuracy and reliability of the project budget, schedule, cost and safety reports. The report is enclosed with this letter.

KPMG found that the "...Airports Authority's Project Rail Office's current processes and controls overall are working as intended to allow for effective management of the Project. The Project Office has developed a comprehensive set of policies and procedures, controls and tools for managing the Phase 1 Project that are considered appropriate for the size and complexity of the Project." The Audit also did identify several areas where oversight should be improved by more closely following the Authority's Contracting Manual and more carefully monitoring and adhering to administrative functions. KPMG noted instances of non-compliance with existing processes, opportunities to further develop or enhance controls, to strengthen contract terms, and to improve reporting processes. A matrix with KPMG recommendations and a notation denoting whether the recommendations have been implemented or are in the planning phase is included with the report.

The Airports Authority Board will obtain a plan with a time line from management for the implementation of all of the recommendations and will vigorously monitor management's action to ensure that the recommendations included in the report are fully addressed. Management has already taken additional steps to enhance invoice reviews; to ensure that procurement files are organized in a consistent manner; and to require the contractor to better

communicate and report its revisions or reclassifications of safety statistics; and ensure that the safety statistics reported to the Federal Transit Agency are accurate and consistent with the contractor's records. Other recommendations, such as executing an amendment to the contract to clearly define the fee portion for additive change orders, will require post audit negotiations with the contractor and the due dates for completing these negotiations will be included in the plan noted earlier in the paragraph. We also will ensure that these recommendations are fully incorporated into the Phase 2 project. We also will share the results of this audit with our project partners, the contractor and interested parties.

The KPMG audit identified significant accomplishments that increased efficiency, reduced costs and reduced risk exposure on the Project. The report states "The observations identified during the course of our audit do not represent a significant risk to delivering the Project or indicate a lack of adequate oversight and controls on the Project. The findings, observations, and related recommendations should be viewed as opportunities to further develop or strengthen existing project management processes and controls." Recommended areas of improvement include:

- Document filing management
- Contingency reporting
- Contract invoice document review
- Cost coding
- Contract amendments and schedule review
- Procurement manual adherence
- Adherence to FTA safety statistic reporting

The independent review of the Dulles Rail Project was done at the request of the Chairman of the Dulles Corridor Committee and was undertaken by the Airports Authority as part of its ongoing Rail Project management. In addition, multiple reviews and audits are in progress or have been conducted on the Project by federal entities as required by regulation and requested by Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael A. Curto". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael A. Curto
Chairman