

# Annual Audit and Evaluation Plan Fiscal Year 2024

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### Inspector General's Message to the Board of Directors

I am pleased to present the Washington Metropolitan Area Transit Authority (WMATA) Office of Inspector General's (OIG) FY 2024 Annual Audit and Evaluation Plan. The Plan is part of OIG's mission to combat fraud, waste, and abuse, safeguard WMATA assets, and promote economy and efficiency.

The Office of Audits comprises three divisions: financial and contract audits, performance audits (performing information technology and administrative audits), and evaluations.

OIG has a talented group of Auditors, Special Agents, Analysts, and administrative staff dedicated to OIG's mission. Through our Audits, Investigations, and Evaluations, OIG is positioned to provide fair, balanced, and independent views and make recommendations that affect change within WMATA.

This Plan sets forth OIG's strategy for identifying priority issues and managing its workload and resources. Our plan generally aligns with WMATA's Strategic Transformation Plan entitled "Your Metro, The Way Forward." Although the Plan is a projection of what OIG would like to accomplish in FY 2024, other issues may rise in importance and require our resources. This plan does not cover OIG's Office of Investigations. Our planned work is organized around several focus areas:

- Safety, Reliability, and Convenience
- Financial and Environment Sustainability
- Information Technology and Procurement
- Talented Teams and Asset Management

On November 5, 2021, Congress passed the Infrastructure Investment and Jobs Act<sup>1</sup> (IIJA) that strengthened OIG's independence by requiring that we obtain legal advice from a counsel reporting directly to the Inspector General, have our own contracting authority, and have the authority to select and appoint officers and employees. While those authorities have been granted to the Inspector General, WMATA has made limited strides to finalize the process for OIG's procurement and

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<sup>1</sup> Pub. L. No. 117-58, 135 Stat. 429 (2021).

Human Resource independence. We are still working with WMATA management to implement those requirements. Regarding OIG's Counsel and funding, the Board of Directors granted those changes well before the passing of the Infrastructure Law.

We are in unprecedented times as WMATA continues recovering its ridership and revenue from the COVID-19 pandemic. We will continue to focus on high-risk and high-impact areas, including safety, financial sustainability, procurement, information technology, and workforce issues. In addition, we will focus on the recently passed IIJA, which includes \$150 million of direct funding for WMATA for each fiscal year from 2022 to 2030. We plan to cover capital funding, asset management, procurement issues, and other topics outlined specifically in the IIJA. In addition, we will look for ways to affect WMATA's operations in a positive way.

OIG sought input in developing the Plan from the General Manager and Chief Executive Officer, the Board of Directors, and the Senior Executive Team. Our Plan also incorporates prior OIG ongoing work. We considered many suggestions; however, due to limitations in staff, we focused on high-impact areas.

This year, OIG was awarded the prestigious Association of Local Government Auditors Knighton Award, a national accolade that recognizes the best performance audits of the year. Audit organizations compete against peer organizations for this award. This recognition is a testament to our staff's hard work and dedication.

I look forward to continuing to work with the Board, WMATA management, and other stakeholders in meeting our goals, fulfilling our mission, and helping riders, employees, and contractors travel safely through our system.

I would like to thank the Board and WMATA management for their efforts in suggesting areas of concern in WMATA operations and for working collaboratively with OIG.

A black rectangular redaction box covering the signature of Rene Febles.

Rene Febles, Inspector General



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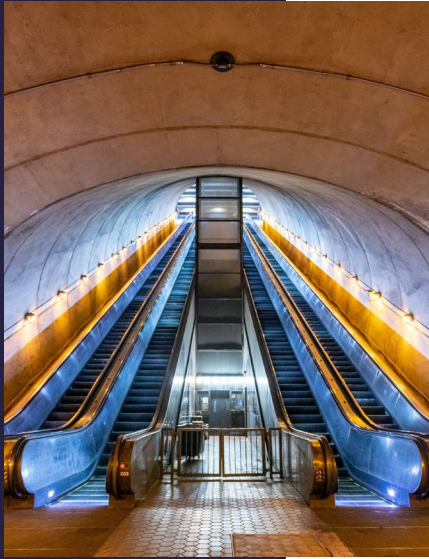
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# Summary of Audits and Evaluations for Fiscal Year 2024

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This Audit and Evaluation Plan is generally linked with WMATA’s Strategic Transformation Plan entitled “Your Metro, The Way Forward.” The strategic plan identifies the major challenges and critical risk areas facing WMATA and identifies opportunities for the region to work collaboratively to meet these challenges. OIG audit resources will be directed in these areas in an optimum fashion as well as to determine cost savings opportunities and efficiencies.

We used disciplined and risk-based processes to select and prioritize proposed audits and evaluations. Factors OIG considered include the following:

1. Mandatory requirements;
2. Critical agency risk areas;
3. Emphasis by the Board, the GM/CEO, or other senior WMATA officials;
4. A program’s susceptibility to fraud, manipulation, or other irregularities;
5. Dollar magnitude or resources involved in the proposed review area;
6. Newness, changed conditions, or sensitivity of an organization, program, function, or activities;
7. Prior audit experience, including the adequacy of internal controls; and
8. Availability of resources.

OIG also developed an audit planning assessment process that considers the nature, scope, trends, special problems, vulnerabilities, and inherent risks of WMATA’s programs and operations. We concentrated our assessment on the following strategic, operational, and financial criteria:

- |   |   |
|---|---|
|  <b>Safety, Regulatory, and Compliance</b> |  <b>Information Technology and Cybersecurity</b> |
|  <b>Financial Exposure</b>                 |  <b>Mission Critical Operations</b>              |
|  <b>Audit Experience</b>                   |  <b>Reliability and Customer Service</b>         |

Next, a score was assigned to each of the above on a scale from 1 (low risk) to 3 (moderate risk) to 5 (high risk). Subjective judgment is also part of the process. Our assessment also factored in discussions on review topics with the Board, the GM/CEO, senior WMATA officials, and internal compliance groups. Reviews that were proposed, prioritized, and ultimately selected were based on this assessment process.

Below is a summary of the audits/evaluations to be conducted in FY 2024 along with the associated risk level. A more detailed description follows.

<b>Audits and Evaluations</b>	<b>Organization</b>	<b>Overall Risk Rating</b>
1. Advanced Information Management System	Safety, Operations	5
2. Train Control Components	Safety, Operations	5
3. Drug and Alcohol Compliance (Evaluation)	Safety, Operations	5
4. Accounts Payable Review	Accounting	5
5. Cybersecurity Program	Information Technology	5
6. Cost Reduction Strategies of WMATA's Data Centers	Information Technology	5
7. IT Hardware Accountability Management and Security	Finance, Information Technology	5
8. Software License Management	Information Technology	5
9. Procurement Award Process	Procurement, Operations	5
10. Change Order Management Process	Procurement, Finance	5
11. Procurement Post-Award Contract Review	Procurement	5
12. Data Privacy Practices	Information Technology; People, Culture, & Inclusion	5
13. WMATA's Contractor Offboarding Program (Evaluation)	Procurement, Operations	5
14. WMATA's Contractor Background Screening Program (Evaluation)	Procurement	5
15. WMATA's 7000-Series Rail Car Cannibalization for Parts (Evaluation)	Safety, Operations	4
16. Controls Over Monitoring Employee Driver's Licenses (Evaluation)	Safety, Operations	4
17. Travel Expenses Audit	Finance	4
18. Underground Storage Tanks	Operations, Safety	4
19. Purchase Card Review	Procurement, Operations	4
20. Accountable Property Management	Operations	4
21. Inventory Practice Follow-Up (Evaluation)	Operations	4
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The Audit and Evaluation Plan also includes the cyclical audits that are mandated by federal statute. These reviews include Financial Statement Audits, a Single Audit, and reporting requirements under the IIJA. Because these are required, they were not risk rated.

# Safety, Reliability, & Convenience

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Safety takes priority at WMATA. Ensuring the safety of WMATA's passengers, employees, stakeholders, and infrastructure remains an ongoing challenge. WMATA's Strategic Transformation Plan strives to deliver safe, reliable, convenient, equitable, accessible, and enjoyable service for customers. OIG has two audits and three evaluations in this area.

## **1. Advanced Information Management System (In Process)**

The objective of this audit is to evaluate the sustainable operation of the legacy AIM system and determine whether the current AIM system can provide a safe, reliable, and scalable solution as WMATA continues to modernize its rail operations.

## **2. Train Control Components**

The audit objective is to determine the effectiveness of WMATA's capabilities to maintain a state-of-good-repair that provides a safe, cost-effective, and reliable means of public transportation.

## **3. Drug and Alcohol Compliance (Evaluation)**

WMATA's Drug and Alcohol Compliance (D&AC) program is integral to WMATA's employee health and safety structure. D&AC supports WMATA's commitment to maintaining an operation free of prohibited drugs and alcohol to protect the health and safety of employees, patrons, and the general public. OIG will assess the effectiveness of WMATA's drug and alcohol compliance program and its compliance with applicable laws and regulations.

## **4. WMATA's 7000-Series Rail Car Cannibalization for Parts (Evaluation in Process)**

Parts cannibalization, which involves the removal of parts from one rail car to install them on a second, is sometimes necessary as a last resort when spare rail car parts are not readily available and to maintain fleet readiness. Generally, cannibalization of rail cars should be minimized, short-term, and used as a last resort. As part of a maintenance strategy, starting in July 2019, WMATA cannibalized parts from two rail cars, 7038 and 7039, which were taken out of service for periodic maintenance. The objective of this review is to evaluate WMATA's process and procedures for parts cannibalization.

## **5. Controls Over Monitoring Employee Driver's Licenses (Evaluation)**

When operating WMATA vehicles, employees must comply with all jurisdictional motor vehicle laws, rules, and regulations. The safety of our customers and the public may be at risk when WMATA employees do not have valid driver's licenses while operating revenue and non-revenue vehicles. OIG will assess WMATA's process for ensuring WMATA personnel do not have any encumbrances that would prohibit them, by law or policy, from operating WMATA vehicles.



# Financial and Environmental Sustainability

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WMATA's FY 2024 operating and capital budget totals \$4.8 billion and remains grounded in Metro's commitment to enhancing system safety, reliability, and financial accountability. To improve controls and ensure that expense and capital dollars are spent efficiently and effectively, OIG will continue to conduct audits in fiscal areas. We have eight audits in this area.

## **1. Contract Audits (Continuous)**

OIG performs cost or pricing analyses at the request of contracting officers to assist the procurement department in contract negotiations. The objective of these audits is to determine whether the contractor's proposal is based upon current, accurate, and complete pricing data; whether the contractor complies with Buy America Act requirements; and whether prospective contractors on major contracts are in sound financial condition and have sufficient resources to perform the contract. In FY 2023, OIG completed 59 contract audits and currently has 25 others to complete, with a growing list in the new fiscal year.

## **2. Fiscal Year 2023 Financial Statements (In Process)**

The WMATA Compact, Section 70, states that an audit shall be made of the financial accounts of the Authority, shall be prepared in accordance with generally accepted accounting principles, and shall be filed with the Chairman and other officers as the Board shall direct. The Board, through the adoption of Board Resolution 2006-18, vested in OIG the responsibility for oversight of WMATA's annual independent audit of financial statements. The objectives of this audit are to:

- Express opinions on WMATA's financial statements;
- Review compliance with applicable laws and regulations;
- Review the controls in WMATA's computer systems that are significant to the financial statements; and
- Assess WMATA's compliance with the Office of Management and Budget's Uniform Guidance.

## **3. Fiscal Year 2024 Financial Statements**

See paragraph 2 above for the audit requirements and objectives.

## **4. WMATA's Fiscal Year 2023 Single Audit (In Process)**

The Single Audit Act, as amended, requires an independent external auditor to audit WMATA's federal awards annually in accordance with applicable standards. The objective of the audit is to ensure that a recipient of federal funds is following the federal program's requirements. OIG has the responsibility for oversight of WMATA's Single Audit.

## **5. WMATA's SmarTrip Regional Partner Comparative Billing Statements**

The Operations Funding Agreement among WMATA's participating jurisdictions requires an independent external auditor to conduct an audit annually. The objective of the audit is to determine whether the audited entity's billing statements are free of material misstatements. OIG has the responsibility for oversight of WMATA's SmarTrip Regional Partner Comparative Billing Statements Audit.

## **6. Travel Expenses Audit**

Travel expenses consist of reimbursable meals, lodging, mileage, transportation, parking, and miscellaneous expenses related to official WMATA business travel. The audit will evaluate if internal controls for WMATA's travel expense program are effective and efficient.

## **7. Accounts Payable Review**

WMATA's accounts payable team is responsible for ensuring payments to vendors, third parties, jurisdictions and reimbursements to employees are processed timely, accurately, efficiently, and in compliance with policies and regulations. The objective of this audit is to assess the adequacy of controls over payments.

## **8. Underground Storage Tanks**

The Office of Environmental Management oversees Metro's environmental management programs and compliance with applicable federal, state, and local environmental laws and regulations. WMATA currently has 20 facilities with underground storage tanks (USTs) that contain either diesel or unleaded gasoline. USTs are used to store hazardous substances or petroleum and are regulated by the U.S. Environmental Protection Agency. The average life expectancy of USTs is around 20 years. Aging USTs can become hazardous to the environment due to corrosion and possible leaks that could contaminate groundwater, which is the source of drinking water for many Americans. OIG will assess WMATA's Underground Storage Tanks replacement program.

# Information Technology and Procurement

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Information security concerns make it paramount that IT assets are effectively and efficiently managed across WMATA. Likewise, procurements are also critical to WMATA's programs and operations. We have eight audits and one evaluation in these areas.

## **1. Cybersecurity Program (In Process)**

The audit objective is to assess the adequacy of WMATA's cybersecurity program.

## **2. Cost Reduction Strategies for WMATA's Data Centers**

Data center cost optimization involves identifying and implementing strategies to reduce expenses while maintaining or improving the efficiency and performance of the data center. The Office of Infrastructure & Operations manages the Data Center Infrastructure, which is responsible for designing, building, maintaining, and monitoring a robust, state-of-the-art IT infrastructure, enabling Metro to deliver safe, reliable, and efficient transit services. With MetroMoves<sup>2</sup>, a new data center is being built at Mill Road to replace the JGB data center and CTF is being upgraded. Additionally, an Equinix data center is being leased temporarily to replace JGB. OIG will assess whether WMATA has implemented data center cost reduction initiatives or strategies.

## **3. IT Hardware Accountability Management and Security**

Accountability and tracking of hardware throughout its lifecycle are instrumental in managing IT hardware assets. Without proper accountability, the opportunity for theft, waste, and abuse is increased. Also, data breach exposure from improper disposal is increased. OIG will determine whether IT has established adequate controls to manage the IT hardware throughout its lifecycle, i.e., request, acquisition, deployment, service, monitoring/maintenance, and retirement.

## **4. Software License Management**

Software licenses come with specific terms and conditions that organizations must adhere to in order to maintain compliance. Non-compliance can result in legal and financial consequences. Effective software license management enables organizations to optimize their software spend. By tracking licenses accurately and efficiently, redundant or underutilized licenses can be identified and reallocated, potentially leading to cost savings. In addition, poor software license management can expose organizations to security risks and vulnerabilities. Unlicensed or outdated software may lack important security updates and patches, making systems more susceptible to cyber threats. The audit will assess whether WMATA has established standards to adequately manage WMATA's software licenses.

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<sup>2</sup> WMATA moved from its prior headquarters (Jackson Graham Building) to multiple offices across D.C., Maryland, and Virginia.

## **5. Procurement Award Process (In Process)**

Procurement fraud includes the unlawful manipulation of the procurement process to acquire contracts, goods, and services, or to obtain an unfair advantage during the bidding process. The audit objective is to determine whether the procurement process is efficient and effective. The audit will also assess whether WMATA complied with competitive bidding requirements and other applicable procurement guidelines. Lastly, OIG will assess barriers to the competitive procurement bidding process and identify best practices.

## **6. Change Order Management Process**

The audit objective is to determine the adequacy of controls over change orders. The audit will assess whether change orders were in accordance with contract terms and conditions. Audit objectives will also include verifying cumulative change order amounts as a percentage of original contract amounts and benchmarking to available industry standards.

## **7. Procurement Post-Award Contract Reviews**

These reviews will assess the integrity and compliance of procurement activities by conducting comprehensive reviews of post-award contracts. By reviewing contract administration, the audit aims to identify and address financial risks associated with contract non-compliance, improper payments, or unauthorized contract modifications.

## **8. Data Privacy Practices**

Data privacy and the use of personal information are issues of increasing concern for many organizations as a result of digital transformation and global regulations. Data privacy is a crucial aspect of business continuity. It is also an organization's greatest risk and potentially one of its biggest liabilities if mishandled. The audit will assess WMATA's compliance with applicable data protection laws, regulations, and privacy standards.

## **9. Purchase Card Review (Evaluation / Continuous)**

Purchase cards are becoming a more common method of simplifying the purchasing process. As a result of this growth, there is potential for more fraud and increased inappropriate use of these cards. Data mining is the process that discovers correlations, patterns, and trends by sifting through large repositories of data using pattern recognition technologies and statistical techniques. Data mining is useful for identifying transactions that have a higher risk of being inappropriate. The objective of this review is to assess the use of purchase cards against established compliance criteria and fraud indicators.

# Talented Teams and Asset Management

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The most significant operating cost drivers are personnel costs, primarily wages and benefits, which account for a significant percentage of WMATA expenditures. Controls over assets are also critical to WMATA's programs and activities. WMATA needs to ensure that human capital and assets are managed appropriately, and that programs run efficiently and effectively. We have two audits and three evaluations in this area.

## **1. Infrastructure Investment and Jobs Act (IIJA) (Continuous)**

On November 6, 2021, Congress passed the IIJA, a once-in-a-generation investment in our nation's infrastructure and competitiveness. The historic legislation, in part, aims to improve transportation options for millions of Americans and reduce greenhouse emissions; build a national network of electric chargers and upgrade the power infrastructure; and make our infrastructure resilient to cyber-attacks.

The funding provided by the Act will help address capital needs across WMATA to support a continued state of good repair of the system's priority assets and prevent a backlog of repairs from growing. The objective of the review is to assess WMATA's implementation of the Act. This would include whether (1) specific Act requirements have been met, including reforms and deadlines, (2) projects outlined in the Act were appropriately prioritized, and (3) funds were being applied and used in accordance with the Act.

## **2. Review of WMATA's Contractor Offboarding Program (Evaluation in Process)**

Contract employee access, both physical and logical, after separation from employment, puts WMATA at risk of loss of data and assets. The objective of this review is to assess the controls over the contractor offboarding program.

## **3. WMATA's Background Screening Program (Evaluation in Process)**

Background screening helps safeguard the integrity and trustworthiness of current and prospective employees of WMATA. The objective of this review is to evaluate the management and oversight of WMATA's Background Screening Program, including its compliance with applicable regulations, policies, and procedures.

## **4. Accountable Property Management**

WMATA's accountable property consists of capital assets that meet WMATA's current capitalization criteria; all furniture exceeding \$500; and sensitive items costing \$100 or more that are susceptible to theft or loss. WMATA performs a physical inventory of equipment every year. Without an accurate inventory, WMATA property is subject to losses from pilferage, waste, obsolescence, and damage. The audit objective will be to assess the effectiveness of controls over WMATA's accountable property.

## **5. Inventory Practices Follow-up (Evaluation)**

In January 2020, OIG performed a review of WMATA's Inventory Practices. At the time of the review, the inventory was valued at \$144 million. The report contained five recommendations, including strengthening access controls and surveillance capabilities, fully accounting for capital inventory, and establishing barcoding. WMATA implemented some recommendations, while others are still outstanding until January 2024. The objective is to follow up on the prior inventory review recommendations to determine the status of corrective actions and to identify any emergent risks that may impact project completion.

## Authority, Mission, and Contact Information

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WMATA OIG was created by Board of Directors Resolution 2006-18, approved April 20, 2006, and codified by the WMATA Compact, Section 9(d), in 2009. The Office of Inspector General, as an independent and objective unit of the Authority, conducts and supervises audits, program evaluations, and investigations relating to agency activities; promotes economy, efficiency, and effectiveness in agency activities; detects and prevents fraud and abuse in agency activities; and keeps the Board fully and currently informed about deficiencies in agency activities as well as the necessity for and progress of corrective action.

### Hotline

The OIG Hotline provides WMATA employees, contract employees, and the public with a confidential means of reporting to OIG instances of fraud, waste, and abuse relating to agency programs and operations.

E-mail: [hotline@wmataoig.gov](mailto:hotline@wmataoig.gov)  
Telephone: 1-888-234-2374  
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