



Office of Inspector General

Washington Metropolitan Area Transit Authority



Annual Audit Plan Fiscal Year 2021

Inspector General's Message to the Board of Directors

This Fiscal Year (FY) 2021 Annual Audit Plan sets forth the Office of Inspector General's (OIG) strategy for identifying priority audit issues and managing its workload and resources. As with last year, our planned audits are organized around four focus areas:

- Safety, Reliability and Customer Service
- Financial Management
- Information Technology
- Human Capital and Asset Management

We are currently in unprecedented times, and the Washington Metropolitan Area Transit Authority (WMATA) is facing tough decisions every day to manage through the COVID-19 pandemic. Within these focus areas, we have prioritized audits to address new risks identified as a result of the COVID-19 pandemic. These audits focus on employee and customer health and well-being, financial and procurement soundness, and information security supporting a remote workforce.

This audit plan aligns with WMATA's 2019-2028 strategic plan entitled "Keeping Metro Safe, Reliable & Affordable." OIG sought input in developing this annual plan from the General Manager/Chief Executive Officer (GM/CEO) and senior WMATA officials. Although the audit plan is a projection of what the Office of Audits would like to accomplish in FY2021, other issues may arise in importance and require our audit resources. Other OIG offices, such as the Office of Investigations, are more reactive components of OIG and are therefore not covered by this plan. I look forward to continuing to work with the Board of Directors (Board), WMATA, and other stakeholders in meeting our goals and fulfilling our mission.

I would like to thank the GM/CEO and WMATA management for their collaborative efforts in developing this annual audit plan.

Geoffrey A. Cherrington
Inspector General

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Summary of Planned Audits and Inspections for FY2021

This audit plan is linked with WMATA's 2019-2028 strategic plan entitled "Keeping Metro Safe, Reliable & Affordable." 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.

The process we used to select and prioritize proposed audits was disciplined and risk based. We considered:

1. mandatory requirements;
2. COVID-19 pandemic risks;
3. critical agency risk areas;
4. emphasis by the Board, the GM/CEO, or other senior WMATA officials;
5. a program's susceptibility to fraud, manipulation, or other irregularities;
6. dollar magnitude or resources involved in the proposed audit area;
7. newness, changed conditions, or sensitivity of an organization, program, function, or activities;
8. prior audit experience, including the adequacy of internal controls; and
9. availability of audit resources.

We 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. Audits that were proposed, prioritized, and ultimately selected were based on this assessment process.

After discussions within OIG, we used this proposed work to have informed discussions with the Board, GM/CEO, senior WMATA officials, and internal compliance groups.

Safety, Reliability and Customer Service

Safety takes priority at WMATA. Ensuring the safety of WMATA's passengers, employees, stakeholders and infrastructure remains an ongoing challenge. We plan to initiate four audits in this area.

1. Cybersecurity over Rail Industrial Control Systems (In process)

Metrorail uses many systems to ensure the safe and efficient operation of the rail transit system. Critical activities operated through the rail systems include control of trains, power, station ventilation, voice and data communications, and monitoring of gas and fire sensors. The audit objective is to determine the effectiveness of WMATA's cybersecurity measures designed to protect the rail industrial control systems used by Metrorail.

2. COVID-19 Metro Access Vehicle Cleaning

Metro commits to delivering safe, reliable, and high-quality service to every customer. Metro Access plays a key role in keeping that commitment by ensuring that all of Metro's services are continuously accessible to a diverse customer base that includes senior citizens and people with disabilities. This audit will evaluate disinfecting and cleaning processes for Metro Access vehicles to determine compliance with safety guidelines.

3. Fitness for Duty – Sleep Apnea

Rail transit system operating employees are responsible for the safe movement of trains. Employee fitness for duty is critical to the safe movement of the train and to working in the demanding conditions of operating a train. The fitness for duty program assures an operating employee is capable of completely and safely carrying out the duties of the job with no physical conditions that would affect his/her ability to do the work. The audit objective is to evaluate safety programs and protocols for sleep apnea.

4. Advanced Information Management (AIM) System

The AIM rail system allows the WMATA dispatchers and supervisors to manage all rail line traffic, power traction devices and station equipment by receiving information from the field, processing it, and displaying it on workstations and large projection screens. AIM is the nerve center of the rail train system and is used in the Rail Operations Control Center. The objective of the audit is to evaluate the safety and security controls over this critical train control system.

Financial Management

WMATA's FY2020 budget totals \$3.6 billion and remains grounded in Metro's commitment to enhancing system safety, reliability and financial accountability. In order to improve controls to ensure expense and capital dollars are efficiently and effectively spent, we will continue to conduct contract audits in support of WMATA's contracting officers. In addition, we will conduct six other audits in this area.

1. Contract Audits (Continuous)

OIG performs cost or pricing analysis 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; the contractor complies with Buy America Act requirements; and prospective contractors on major contracts are in sound financial condition and have sufficient resources to perform the contract.

2. Fiscal Year 2020 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 Office of Management and Budget's Uniform Guidance.

3. Fiscal Year 2021 Financial Statements

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4. COVID-19 Grant(s) Review

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a wide-ranging statute enacted on March 27, 2020, to address the health, economic, and societal impacts of the COVID-19 pandemic. WMATA received an \$876.8 million grant under the CARES Act. WMATA will use the funds for certain operating expenses to maintain critical transit services and to ensure the safety of its passengers and employees. This audit will determine whether grant funds were properly expended, accounted for, and administered in compliance with regulations.

5. COVID-19 Emergency Procurements

Health concerns, confinement measures and border closures adopted in the wake of the COVID-19 crisis have caused severe disruption in the supply and distribution chain of goods and services that the public sector needs. At the same time, public buyers around the world need some goods urgently and at dramatically increased volumes. In particular, the demand for employee and passenger safety materials (e.g., face masks, protective gloves, cleaning supplies) has massively surged. The audit objective is to determine if COVID-19 emergency procurements were justified and complied with regulations.

6. WMATA's Cooperative Purchasing Program

According to the National Institute for Public Procurement, a cooperative procurement is the combining of requirements of two or more public procurement entities to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices and the reduction of administrative time and expenses. WMATA identified the implementation of strategic sourcing by utilizing cooperative contracts and volume commodity purchasing as one of its major achievements in FY2019. This audit will determine whether the program (a) is in compliance with laws, regulations and contracting policies, and (b) realized savings.

Information Technology

During the COVID-19 pandemic, businesses face potential increased vulnerability to cyber-attacks due to remote work environments, such as greater susceptibility to phishing and malware. Information security concerns make it paramount that IT assets are effectively and efficiently managed across WMATA. We plan to conduct four audits on information technology.

1. Mission Critical Legacy Systems (In process)

Some of WMATA's mission critical systems are antiquated and may be at the end of their life cycle. Other critical WMATA systems are approaching end-of-life, as vendors update systems and discontinue support. As they age, legacy systems can become more expensive to maintain, more exposed to cybersecurity risks, harder to integrate with new technology, and less effective in accomplishing the intended purpose. The audit will identify the mission critical legacy systems in need of modernization and evaluate plans for modernizing these systems.

2. COVID-19 IT Remote Access Controls

The increase in remote working and relaxing risk tolerances significantly increase the vulnerabilities to and the impact of a cyber-attack. There is an anticipation of a significant increase in socially-engineered cyber-attacks targeting financial and personally identifiable information during the pandemic. Uncontrolled use of collaboration tools (e.g., Zoom) and home computing (e.g., personal printers) may expose confidential data to inappropriate access and use. This audit will assess security controls including access controls supporting a remote workforce.

3. Project Management Lifecycle Review

WMATA's Project Lifecycle Management (PLM) process provides a guide that standardizes the stages of projects occurring throughout the enterprise. The end-to-end PLM framework also allows IT management and stakeholders to manage projects from "cradle to grave" while maintaining the flexibility to manage how each project is tailored to specific needs based on project size, complexity, scope, and duration. This audit will assess WMATA's development and implementation of a major project.

4. IT Hardware Asset Management Program

Hardware asset management is a fundamental IT control. WMATA has consolidated all funding used for purchasing IT products into a single operating fund allocated to the IT Department. This consolidation simplifies budget management for new IT product purchases and supports enterprise-wide planning and control of technology investments. The IT Department has implemented guidelines and standards in support of these goals, including software and hardware standards. This audit will assess whether adequate controls are in place to manage WMATA's IT hardware assets.

Human Capital and Asset Management

The most significant operating cost drivers are personnel costs, primarily wages and benefits, which account for approximately 70 percent of WMATA expenditures. Controls over assets are also critical to WMATA's programs and activities. WMATA needs to ensure assets are managed appropriately, and programs run efficiently and effectively. We will conduct four audits in this area.

1. Controls and Accountability over Fuel (In process)

WMATA manages over 1,500 non-revenue vehicles and spends about \$2.1 million on non-revenue vehicle fuel each year. Topics may include the cost of fuel and whether bulk discounts are being provided. Because fuel is a high value, easily transferable item susceptible to theft, control and accountability are essential. The audit will assess whether WMATA has adequate controls and accountability over fuel.

2. Pension Plans (In process)

Reducing pension costs and maximizing pension fund investment returns continue to be a huge challenge facing WMATA. This audit will assess whether the pension plan program oversight and risk-reward strategies are optimal.

3. Health & Welfare Fund Management (In process)

The Health & Welfare Funds support plans that offer a comprehensive package of benefits that include medical, prescription drug, dental, vision, life and accident and long-term and short-term disability insurance. The audit will assess the effectiveness of oversight of the fund.

4. Warranty Management

In a typical warranty program, the manufacturer promises to repair or replace equipment in a specific time period. Except for rail operations, WMATA's warranty program was disbanded in 2016 due to budget cuts. The program has since been turned over to the Reliability and Asset Management Office. It is critical that a robust warranty program is in place enterprise-wide, which could save millions of dollars. The audit will assess the effectiveness of the warranty program.

Authority, Mission and Contact Information

WMATA's 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.

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