



# Results in Brief

OIG 22-06  
June 23, 2022

## Audit of WMATA's Health and Welfare Plan Management

### Why We Did This Review

As defined by the U.S. Department of Labor (DOL), a health and welfare plan is an employee welfare benefit plan established or maintained by an employer or by an employee organization (such as a union), or both. These plans provide medical care for participants or their dependents directly or through insurance or reimbursements. Benefits include medical, prescription, vision, dental, life and accident, short-term disability, and long-term disability benefits.

OIG conducted the audit at the request of WMATA Office of Internal Compliance management. Management's concerns focused on the accuracy of fund contributions.

The audit objective was to determine if WMATA's health and welfare plans for Local Union 689 (L689) and Local Union 922 (L922) were appropriately managed, including examining the plan contribution rates and payments.

### What We Found

Management of WMATA's health and welfare plans could be strengthened. Specifically, improvements are needed in: (1) the governance over the L689 Health and Welfare Plan, and (2) making accurate contribution payments to L689 and L922 Health and Welfare Plans.

These conditions resulted because: (1) the trustees did not establish a governance program, (2) internal controls were not required by the union plans or the collective bargaining agreements (CBAs) that created them, and (3) there were no controls or weak controls over plan contribution payments for L689 and L922. Without appropriately managing the health and welfare plans, WMATA cannot ensure optimal plan performance. In addition, OIG questioned WMATA plan contribution payments totaling \$4 million and found that L689 health and welfare accounting records had inaccurately identified employee direct payment contributions of \$27 million.

**Scope Limitation:** The L922 Health and Welfare Plan legal counsel did not provide OIG with certain governance documentation that OIG requested. As a result, OIG could not fully test internal governance controls for the L922 Plan. Notwithstanding the scope limitation, OIG believes the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective. This limitation had no material impact on findings and conclusions given the magnitude of the health and welfare program as a whole.

### Management's Response

WMATA's Executive Vice President, Internal Business Operations (EVP-IBOP) and Executive Vice President, Chief Financial Officer (EVP-CFO) provided written comments (Appendix D). The EVP-IBOP and EVP-CFO agreed with the findings and recommendations. Except for recommendation 8, management's comments concluded that implementing the remaining recommendations would require the agreement of the plan's trustees and administrators during the collective bargaining process. Management does not plan to take any additional actions until the collective bargaining negotiations which are planned for 2024. Although OIG acknowledges that some of the recommendations require negotiations with the unions during the collective bargaining process, OIG believes that several recommendations can be addressed and implemented sooner. OIG will follow up during the Corrective Action Plan process on the progress of open recommendations.

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## Table of Contents

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ABBREVIATIONS AND ACRONYMS .....	3
BACKGROUND .....	4
AUDIT OBJECTIVE AND RESULTS.....	6
FINDINGS AND RECOMMENDATIONS .....	6
▪ Finding 1 – Comprehensive Health and Welfare Governance Program Needed.....	6
▪ Finding 2 – Health and Welfare Plan Benefit Contribution Transaction Inconsistencies.....	10
SUMMARY OF MANAGEMENT’S RESPONSE .....	15
APPENDICES	
A. Objective, Scope, and Methodology	
B. WMATA Health and Welfare Plan Common Terms	
C. Summary of WMATA’s Health and Welfare Plan Attributes	
D. Management’s Response	

## ABBREVIATIONS AND ACRONYMS

ACCT	Office of Accounting
A/P	Accounts Payable
CBA	Collective Bargaining Agreement
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DOL	U.S. Department of Labor
EAP	Employee Assistance Program
EID	Employee Identification Number
ERISA	Employee Retirement Income Security Act
GAO	U.S. Government Accountability Office
GM/CEO	General Manager/Chief Executive Officer
HR	Human Resources
L2	Union Local 2
L639	Local 639 Teamsters (Metro Special Police)
L689	Local Union 689
L922	Local Union 922
LTD	Long-Term Disability
NRP	Non-Represented WMATA Employees
STD	Short-Term Disability
WMATA	Washington Metropolitan Area Transit Authority

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## BACKGROUND

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OIG conducted the audit at the request of WMATA Office of Internal Compliance management. Management's concerns focused on the accuracy of fund contributions.

### What is a Health and Welfare Plan?

As defined by DOL, a health and welfare plan is an employee welfare benefit plan established or maintained by an employer or by an employee organization (such as a union), or both. These plans provide medical care for participants and/or their dependents directly or through insurance or reimbursements. Benefits include medical, prescription, vision, dental, life and accident, short-term disability, and long-term disability benefits. See Appendix B for common terms in this area.

### WMATA's Health Benefit Plans

WMATA has three health benefit plans. Their descriptions are as follows:

- **L689 Health and Welfare Plan:** The Transit Employees' Health and Welfare Plan ("L689 Health and Welfare Plan") is a single employer plan that offers a comprehensive package of benefits that includes medical, prescription drug, dental, vision, life and accident, and short-term and long-term disability insurance. The L689 Health and Welfare Plan is administered by trustees according to the terms of the CBA, the governing trust agreement, and applicable law. The trustees oversee the L689 Health and Welfare Plan's assets and make plan design recommendations and decisions about the benefits offered. The trustees consist of three union representatives and three WMATA management representatives.
- **L922 Health and Welfare Plan:** The Teamsters Local 922 - Employers Health Trust Plan ("L922 Health and Welfare Plan") is a multi-employer<sup>1</sup> group health plan organized and qualified under, and governed by, the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).<sup>2</sup> The L922 Health and Welfare Plan is designed to assist employees and their families with medical expense payments. The L922 Health and Welfare Plan includes medical insurance (including prescriptions), dental insurance, vision insurance, life insurance, long-term care insurance, and employee assistance plan. The L922 Health and Welfare Plan is administered by a third-party contract administrator, Carday Associates, Inc., which is now part of BeneSys, Inc. The L922 Health and Welfare Plan is governed by trustees consisting of two union representatives and two employer representatives. The L922 Health and Welfare Plan was established as a result of collective bargaining between the union and contributing employers. The trustees have authority to contract and manage the operation and administration of the L922 Health and Welfare Plan.
- **WMATA Healthcare Plan:** The WMATA Healthcare Plan is a single employer self-insured insurance and benefits plan. The Healthcare Plan is governed by trustees that consist of three WMATA management representatives and three union representatives.

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<sup>1</sup> L922 and Giant Food share health benefits in the L922 Health and Welfare Plan, thus making it a multi-employer health and welfare plan.

<sup>2</sup> Pub. L. 93-406, 88 Stat. 829 (codified at 29 U.S.C. 1001, et seq.)

The trustees have the authority to establish and amend benefit terms and contribution requirements for management and non-represented employees. The CBAs govern the benefit terms and contribution requirements for Transit Police, Local 639 Teamsters – Metro Special Police (L639), and Local Union 2 (L2) employees, and are the basis by which benefit terms and contribution requirements are established and amended.

WMATA is the plan sponsor for all three of the above health and welfare plans. Although some of the plan trustees are appointed by WMATA management, they are independent of WMATA management as trustees. Each trustee has a fiduciary responsibility to the plan it serves. For a summary of the three health benefit plan duties and attributes, refer to Appendix C.

### **WMATA's L689 Health and Welfare Plan Contribution Payments**

For the L689 Health and Welfare Plan, the Office of Accounting (ACCT) reviews the health and welfare invoices and compares them to Payroll and Human Resources (HR) records on a weekly basis. This process is intended to ensure that WMATA is billed correctly. On a monthly basis, ACCT prepares a remittance package and cover letter for the health and welfare payment by the due date.

The L689 Health and Welfare invoice is accompanied by an invoice detail report. The invoice detail report contains transactions for six payment streams. The payment streams are as follows:

- **Payroll Deduction:** The employees' share of the contribution into the L689 Health and Welfare Plan. This deduction is calculated using the annually determined rate for the employees' premium.
- **Payroll Refund:** Refund for employees' share of the contribution into the L689 Health and Welfare Plan.
- **Matching Amount Due:** WMATA's share of the contribution into the L689 Health and Welfare Plan. It is calculated using the annually determined rate for WMATA's contribution.
- **Matching Amount Due Refund:** Refunded amounts for the matching amount due, including any overpayment or correction to a previous billed amount.
- **Direct Payments:** Insurance premiums that are paid to the health and welfare plan by members who are on extended leave, leave without pay, leave of absence, disability, or receiving workers' compensation. Once a member has paid the monthly premium to the health and welfare plan, WMATA's matching amount is included with the monthly payment. The transactions are included in the detail file that accompanies the invoice.
- **Direct Refund:** A refunded amount for any overpayment.

## WMATA's L922 Health and Welfare Plan Contribution Payments

For the L922 Health and Welfare Plan, on a monthly basis, ACCT reviews L922 payroll and L922 detail reports with pre-established rates determined by the CBA and prepares the remittance package for the health and welfare plan payment by the due date.

### AUDIT OBJECTIVE AND RESULTS

#### Audit Objective

The audit objective was to determine if WMATA's health and welfare plans for L689 and L922 were appropriately managed, including examining the plan contribution rates and payments.

#### Audit Results

### FINDINGS AND RECOMMENDATIONS

#### Finding 1 – Comprehensive Health and Welfare Governance Program Needed

Contrary to requirements, the L689 Health and Welfare Plan did not have a governance program that included specific internal control requirements. This occurred because (1) the trustees did not establish a governance program, and (2) internal controls were not required by the union plans or the CBAs that created them. Without a comprehensive governance program for L689, WMATA cannot ensure optimal health and welfare plan performance. OIG did not opine on governance for the L922 Health and Welfare Plan because documentation was not provided.

#### What is Required

Health and welfare plan governance refers to the system used to organize the roles and responsibilities of all persons managing the program. In general, good governance promotes the timely and cost-effective delivery of benefits and, at the same time, promotes the administration of the plan in the best interests of the plan's members and beneficiaries.

According to internal control principles, promulgated by the United States Government Accountability Office (GAO)<sup>3</sup> and the Committee of Sponsoring Organizations of the Treadway Commission (COSO),<sup>4</sup> management should perform the following:

- **Framework:** Establish the organizational structure necessary to enable the entity to plan, execute, control, and assess the organization in achieving its objectives.

<sup>3</sup> GAO, Standards for Internal Control in the Federal Government, GAO-14-704G (September 2014), known as the "Green Book" (<https://www.gao.gov/assets/gao-14-704g.pdf>).

<sup>4</sup> COSO, Internal Control — Integrated Framework (2013), <https://www.coso.org/pages/ic.aspx>.

- **Risk Assessment:** Assess the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
- **Roles and Responsibilities:** Establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- **Internal Control Documentation and Communication:** Develop and maintain documentation of its internal control system. Management should internally communicate the necessary quality information to achieve the entity's objectives.
- **Data Quality:** Management should use quality information to achieve the entity's objectives, which include relevant data from reliable sources, and data processed into quality information.
- **Expectations of Competence:** Establish expectations of competence for the health and welfare plan administration employees or third-party administrator. Competence is the qualification to carry out assigned responsibilities and requires relevant knowledge, skills, and abilities, which are gained largely from professional experience, training, and certifications.

According to health and welfare plan governance best practices,<sup>5</sup> which align with GAO and COSO internal control principles, plans should:

- Objectively evaluate existing risk, internal control systems, and framework (**Framework and Risk Assessment**).
- Identify individuals who have authority to make decisions on behalf of the plan (**Roles and Responsibilities**).
- Have controls that dictate authority and document governing procedures (**Internal Control Documentation and Communication**).
- Source quality data and build strong processes to manage long-term in a conceptually structured manner (**Data Quality**).
- Have controls that dictate regular training for plan fiduciaries (members of the Board and the plan administrator) on responsibilities and that reinforce plan governance and decrease exposure to fiduciary liability. Training should be conducted on a routine basis, or whenever officers or committee members with fiduciary responsibilities have changed (**Expectations of Competence**).

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<sup>5</sup> U.S. Department of Health and Human Services, Practical Guidance for Health Care Governing Boards on Compliance Oversight; Employee Retirement Income Security Act of 1974 (ERISA) Standards; and Talend Data Governance Guidance: <https://www.talend.com/resources/data-quality-healthcare/>.

## What We Found

### L689 Health and Welfare Plan – Governance Program

Neither WMATA, the union, nor the plan's trustees had implemented a comprehensive governance program to administer the L689 Health and Welfare Plan. Critical governance, control, and monitoring requirements were not implemented.

### L922 Health and Welfare Plan – Governance Program (Scope Limitation)

L922 did not provide requested governance documentation or meet with OIG on its governance program. The L922 Health and Welfare Plan counsel provided OIG with the Trust Agreement, Summary Plan Description, certified Financial Statements, IRS Form 5500, and the fund administrator's contract. Plan counsel declined, however, to provide any other governance documentation requested by OIG, such as standard operating procedures, roles and responsibilities documents, and a risk assessment. In a December 17, 2019 letter, plan counsel asserted that, under the provisions of ERISA, the L922 plan is only required to provide the documents he made available, nothing more, and that ERISA exempts the plan from WMATA's and OIG's authorities under the WMATA Compact to obtain the governance documents that OIG requested. This refusal by plan counsel resulted in a scope limitation on the audit, as OIG could not opine on the status of the internal controls over L922's Health and Welfare Plan program. See "Objective, Scope, and Methodology" section for details on the scope limitation in Appendix A. OIG does not agree with L922 plan counsel's assessment. OIG has decided to address that matter in Recommendation 5 below and during future OIG work.

## Why This Occurred

The following contributed to the conditions cited in the finding:

- *Trustees Have Not Established a Governance Program:* The L689 CBA Section 4, states: "Trustees have the main responsibility for the administration of the health and welfare plan." The Trustees had appointed a plan administrator to assist with managing the Plan. The L689 Plan, Section 4(f) (incorporated into the CBA), also states: "The responsibilities and minimum qualifications of the administrator shall be as set forth in Appendix B-1." However, Appendix B-1 was missing from the CBA and WMATA confirmed the appendix was not part of the current CBA agreement. As a result, OIG could not determine whether the roles and responsibilities of the plan administrator were formally delegated by the Trustees or spelled out in detail.
- *Internal Controls Not Required by CBA or Union Plan:* The CBA and the L689's Health and Welfare Plan did not require WMATA and union management to establish oversight and internal controls.

OIG recognizes that the health and welfare plans were created and governed by CBAs between WMATA and several unions. The Plans and their governance provisions are, therefore, a result of negotiations. WMATA does not have the unilateral ability to correct all

the governance deficiencies identified in this report. Comprehensive corrective action will also require cooperation by the unions.

### Why This Is Important

Without a comprehensive governance program for the L689 Health and Welfare Plan, WMATA cannot ensure:

- Optimal health and welfare plan performance. For example, according to L689's Plan, Section 7(b), "The Trustees shall furnish the General Manager and Local 689 President with all monthly financial reports, the annual audit of the Fund, and documents prepared by the Fund service providers regarding the Plan's financial condition and experience." OIG confirmed that, apart from the annual reports, neither the GM/CEO nor a delegated official had been receiving the reports required by this provision. Without procedures in place to implement these or other accountability measures, WMATA has no assurance the L689 Health and Welfare Plan has sound financial management prior to funding the Plan on a monthly basis.
- Fiduciary duties and procedures are being performed. This would include determining contribution and premium rates and continuously monitoring monthly contribution payments for the health and welfare plans.
- Adequacy of information such as accurate participants listings for the health and welfare plan.

### Recommendations

We recommend the GM/CEO in concert with the trustees and unions:

1. Develop and implement a comprehensive L689 Health and Welfare Plan governance program incorporating the stated internal control requirements.
2. At the next CBA negotiations with L689, suggest adding provisions to the L689 CBA and the L689 Health and Welfare Plan agreement to establish proper governance and internal controls with specific requirements.
3. Determine if internal controls exist for the L922 governance program.
4. If controls do not exist for L922, at the next CBA negotiations with L922, suggest developing and implementing a governance program incorporating the stated internal controls and update the CBA accordingly.
5. At the next CBA negotiations with L689 and L922, suggest adding provisions to the CBA agreements giving OIG the right to review any and all documents associated with the plans.

## **Finding 2 – Health and Welfare Plan Benefit Contribution Transaction Inconsistencies**

Contrary to WMATA's Accounting Manual and best practices, WMATA had contribution transaction anomalies to L689 and L922 Health and Welfare Plans. This occurred because there were no controls or weak controls over contribution transactions for L689 and L922. Due to inadequate internal controls, OIG questioned<sup>6</sup> WMATA's contribution payments totaling over \$4 million. In addition, L689 health and welfare accounting records had inaccurately identified additional contributions of more than \$27 million through employee direct payments. Health and welfare plan payments are large disbursements for WMATA, and it is crucial that these expenditures are accurate.

### **What is Required**

#### **L689 Monthly Contribution Payment Process**

According to WMATA's Accounting Manual, the Financial Analyst of the General Ledger branch compiles the supporting documentation provided by L689 and calculated contribution amounts. The analyst then submits a request to Accounts Payable (A/P) for the payment to the L689 Health and Welfare Plan.

Supporting documentation provided by L689 includes:

- Employee deductions
- Cash directs
- Retiree contributions
- Retirees' widows' contributions
- Adjustments from previous month estimates
- Employer catch-up or refund
- Administration costs
- Employee contribution

According to L689's Health and Welfare Plan Administrator, WMATA provides the L689 Plan Administrator with a "daily demographic data" listing of L689 employees eligible for the L689's Health and Welfare Plan through a secure system.

#### **L922 Monthly Contribution Payment Process**

According to the WMATA Accounting Manual, payments to the insurance carriers for salaried non-represented employees and some represented employees from L922 are calculated straight from payroll deductions.

<sup>6</sup> Questioned Cost is defined as "—a cost that is questioned by the auditor because of an audit finding: (1) [w]hich resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds; (2) [w]here the costs, at the time of the audit, are not supported by adequate documentation; or (3) [w]here the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances." OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations (June 27, 2003).

## GAO Internal Control Guidance

According to the GAO's internal control principles, management should design control activities to achieve objectives and respond to risks. Management should design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. The common control activity categories include but are not limited to (1) proper execution of transactions, and (2) appropriate documentation of transactions and internal control.

### What We Found

#### Health and Welfare Plan Benefit Contribution Transaction Anomalies

From May 19, 2012 to October 31, 2020, WMATA paid over \$4 million in plan contributions for individuals who were not entitled to such contributions. In addition, L689's weekly detail invoice reports inaccurately identified employee direct contributions to the plan totaling over \$27 million.

**a. Excess WMATA contributions:** OIG identified that WMATA paid over \$4 million in plan contributions for 3,206 employees who were either no longer an employee of WMATA, their employment could not be verified, or had returned to work for WMATA but their entitlement to plan contributions was not validated. For these 3,206 employees, OIG concluded that they were either deceased or terminated, or were coded as "active" employees, even though they were retired and subject to a lesser retiree contribution rate.

(1) Inactive L689 Employees: OIG found that during the period of review, WMATA made more than \$3.9 million in plan contributions for 3,154 who were no longer active employees due to termination, retirement, or were deceased.

Prior to CY 2020, WMATA's HR records showed these individuals as either deceased, terminated, or retired for more than 3 years. OIG sampled 12 individuals to verify employee status. Explanations of four employees were provided, two of whom were verified as inactive and two of whom were retirees incorrectly categorized as active employees. L689 was unable to provide documentation on the other eight individuals sampled. Examples of inactive L689 employees with contribution activity are:

**Table 1: Examples of Inactive Employees with Contribution Activity**

Employee	Actual Amount Paid (CY 2012 – CY 2020)	HR Status	Employee Status	Years From Last Date of WMATA Employment to Year with Last Contribution Activity
L689 Employee 1	\$92,785	Inactive	Terminated	7 Years
L689 Employee 2	\$84,508	Inactive	Retired	4 Years
L689 Employee 3	\$6,303	Inactive	Deceased	10 Years

A L689 Health and Welfare Plan official stated, "the Fund had no record of benefits being provided to these individuals or fell under the broad category of 'bad data'." Thus, the L689 Health and Welfare Plan official did not provide any supporting documentation to validate

data or payments.

(2) Unverified Employees: OIG found that WMATA made plan contributions for 35 individuals whose employee identification numbers (EIDs) as reported in L689's weekly detail report could not be reconciled to WMATA's HR records. Total plan contributions made for these 35 individuals totaled over \$108,200.

**Table 2: Examples of Employees with Unreconcilable EIDs**

Employee	Actual Amount Paid (CY 2012 – 2020)	HR Status/ Records	Employee Status	Effective Date Employee Left WMATA
L689 Employee 10	\$42,341	No records	No records	No records
L689 Employee 11	\$39,393	No records	No records	No records
L689 Employee 12	\$15,209	No records	No records	No records

(3) Rehired L922 Employees: WMATA made employer contributions to the L922 Health and Welfare Plan for 17 retired employees who returned to work at WMATA. It was not validated that WMATA was required to provide contributions for these employees who returned to work. These transactions totaled \$16,150. For example:

**Table 3: Examples of L922 Employees with Erroneous Contributions**

Employee	Original Hire Date	Re-Hire Date	HR Status	Job Title	Employer Contribution Paid in November 2019
L922 Employee 13	4/5/1991	5/1/2018	Inactive	Bus Operator	\$950
L922 Employee 14	4/26/1984	12/31/2018	Active	Customer Service Ambassador	\$950
L922 Employee 15	5/12/1987	4/7/2019	Active	Bus Operator	\$950

**b. Inaccurate L689 invoice detail data:** L689's weekly detail invoice reports inaccurately identified direct contributions to the health and welfare fund for 1,072 individuals, totaling over \$27 million.

The weekly detail reports of contribution transactions included six payment streams, which were payroll deduction, payroll refund, direct payments from the employee, direct refund, matching amount due, and matching refund credit.<sup>7</sup>

The following are examples of three employees with the highest employee direct payments per the Plan's weekly detail report:

**Table 4: Examples of Employees with Unverifiable Employee Direct Payments**

Employee	Total Amount (CY 2012-2020)*
L689 Employee 4	\$1,522,986
L689 Employee 5	\$960,669
L689 Employee 6	\$947,164

\*The amounts reflect contribution transactions, in aggregate, from CY 2012 through CY 2020.

<sup>7</sup> These contributions were based on the invoice detail transaction reports the L689 Plan Administrator provided to WMATA's ACCT on a weekly basis.

According to L689 officials, the amounts did not seem normal because these transactions should have been based on annually determined rates, and the amounts were way above or below the normal. Moreover, a L689 official stated the irregular amounts were due to the L689 accounting system being broken. Potentially, the Plan's contribution income could be overstated.

### Why This Occurred

The following contributed to the conditions cited in the finding:

- *No Governance Program for L689:* No governance program has been established, as discussed in the first finding, which included the lack of internal controls such as: (1) monthly contribution transaction reports not aligned with the current processes, (2) an enterprise resource management system not accurate, integrated, and or reconciled with WMATA's Human Resource Management system.<sup>8</sup>
- *No WMATA Plan Contribution Payment Policy for L922:* WMATA's Office of Accounting did not have (1) a policy on the monthly employer and employee contributions process, and (2) criteria for retirees returning to work who are covered under the CBA or Medicare.

### Why This Is Important

Health and welfare plan monthly contribution payments are one of the highest payments WMATA disburses under their A/P transactions. It is critical that the internal controls over these payments are effective to demonstrate that they are being appropriately managed. Due to the lack of adequate internal controls, OIG questioned costs for contribution transactions totaling \$4 million to the L689 and L922 Health and Welfare Plans. In addition, L689 health and welfare accounting records had inaccurately identified additional contributions of \$27 million through employee direct payments.

### Recommendations

We recommend the GM/CEO in concert with the trustees and unions:

6. Verify contribution transactions by employee as soon as possible and stop those determined to be erroneous L689 and L922 contribution payments.
7. Update the L689 and L922 contribution detail reports and associated systems for accuracy.
8. Establish a WMATA monthly contribution payment policy and procedures for the L922 Health and Welfare Plan to include retirees returning to work.

<sup>8</sup> Recommendations on specific internal controls for L689 are addressed under Recommendation 1.

9. From the \$4 million in questioned costs, verify contribution payments as soon as possible and obtain reimbursement of payments that were erroneous.

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## SUMMARY OF MANAGEMENT'S RESPONSE

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On May 25, 2022, WMATA's EVP-IBOP and EVP-CFO provided written comments to the report. The EVP-IBOP and EVP-CFO agreed that the improvements OIG recommended in the report could prevent potential fraud, waste, or abuse of health and welfare plan funds.

In response to Recommendation 8, management stated that ACCT was working Payroll to develop procedures to review monthly WMATA contributions and the draft is currently in review. Management expects to complete this action by December 31, 2022.

As to Recommendations 1-7 and 9, management stated that implementation would require the agreement of the plans' trustees and administrators during the next round of collective bargaining negotiations. The negotiations for both L689 and L922 health and welfare plans are scheduled to take place in 2024. Human Capital leadership will provide OIG's recommendations to WMATA's Labor Relations department for consideration and prioritization during the next round of negotiations and will also provide the report to the appropriate plan officials for action and consideration by June 15, 2022. Management does not plan to take any additional corrective actions at this time.

OIG reviewed management's comments to Recommendations 1-7 and 9 and provides the following:

- OIG agrees with management's comments to Recommendations 2, 4, and 5 that implementation will require the agreement of the plans' trustees and administrators during the next round of collective bargaining negotiations.
- OIG does not agree that implementation of other recommendations require agreement by the plans' trustees. As such, Recommendations 1, 3, 6, 7, and 9 are actionable and can be unilaterally taken by management.
  - Recommendations 1 and 3 concern governance programs for each plan, clearly action that management can implement.
  - Recommendations 6 and 9 concern contribution payments that are made by WMATA to each health and welfare plan.
  - Recommendation 7 concerns accuracy of contribution detail reports that are provided to WMATA to support monthly contributions and requires action by WMATA to work with the plan administrators to assess and validate the accuracy of the reports.

OIG considers management's comments responsive to Recommendations 2, 4, 5, and 8 and the actions taken or planned should correct the deficiencies identified in the report. OIG does not consider management's comments responsive to Recommendations 1, 3, 6, 7, and 9. These recommendations will remain open until management takes the appropriate action. OIG will follow up during the Corrective Action Plan process on progress of the open recommendations.

## Appendix A

### OBJECTIVE, SCOPE, AND METHODOLOGY

#### Objective

The revised audit objective<sup>9</sup> was to determine if WMATA's health and welfare plans for L689 and L922 were appropriately managed including examining the plan contribution rates and payments.

#### Scope

- Local 689 Health and Welfare Plan contributions, and premiums that occurred from May 19, 2012 through October 21, 2020.
- Local 922 Health and Welfare Plan contributions and premiums that occurred in CY 2019.

#### Methodology

To achieve our audit objective, our audit methodology was as follows:

- Researched background information about WMATA's health and welfare plans by reviewing DOL Guidelines, International Foundation of Employee Benefit Plans Guidance, WMATA's CBAs, L689 Health and Welfare Plan, L922 Health and Welfare Trust Agreement, and summary plan documents.
- Reviewed WMATA's policies and procedures for health and welfare plan expenses, financial statements for the health and welfare plans, and prior audits external to WMATA.
- Performed interviews and walkthroughs to gain an understanding of WMATA's health and welfare processes with Human Resources Compensation and Benefits, Office of General Counsel, Office of Labor Relations, ACCT, Office of the Treasurer, Office of Management and Budget Services, plan trustees, and plan administrators.
- Identified and documented entity and process internal controls for the contribution process for the L689 and L922 Health and Welfare Plans.
- Tested the design effectiveness of the entity and process internal controls.
- Documented the health and welfare plans process risk control matrices.
- Conducted an external survey of eight organizations' administration of the health and welfare plans.
- Performed participant, contribution/premium, and cost data analysis to identify anomalies and other issues.
- Tested a judgmental sample of three months for L689 monthly contribution payments and five months for L922 monthly contribution payments and analyzed results of testing.

<sup>9</sup> The original objective did not specifically include examining contribution rates and payments.

## Modified GAGAS Statement

OIG conducted this performance audit in accordance with generally accepted government auditing standards except for obtaining sufficient appropriate evidence to fully meet the objective related to governance. The “Scope Limitation” section spells out the restriction on access to records from fully meeting the objective related to governance. Notwithstanding the scope limitation, OIG believes the evidence obtained provides a reasonable basis for our findings and conclusion based on the audit objective.

## Scope Limitation

Requirement not Followed	Intent of Information Requested and Reason for Not Following the Requirement	Compensating Work	Disposition – Impact on Objectives
L922 Governance Documentation	To determine if controls existed over L922 Health and Welfare Plan governance. Union legal counsel restricted access to records for nine governance document request items.	OIG obtained “high level” documentation related to the L922 Health and Welfare plan, in general, which included the Trust Agreement, Summary Plan Description, certified Financial Statements, IRS Form 5500, and the fund administrator’s contract. OIG met and obtained documentation from ACCT related to the L922 Health and Welfare contribution payments.	OIG requested but was not provided specific governance documents for the L922 plan, that, if they were provided, would have enabled OIG to determine whether there were adequate controls over the L922 plan. Without such documents, OIG was unable to meet Objective 1 in part. OIG could not determine if adequate controls existed over L922 Health and Welfare Plan’s governance. This limitation had no material impact on findings and conclusions given the magnitude of the health and welfare program. Recommendations made accordingly.

## Data Integrity

To assess the reliability of the data, OIG used the L689 invoice detail and L922 employer contribution reports to determine the contribution payments that were paid. OIG also used the WMATA HR Employee Listing to verify employees within HR records. The data utilized to support the findings contained in this report were sufficiently reliable.

Appendix B

**WMATA HEALTH AND WELFARE PLAN COMMON TERMS**

Common Term	Definition
Contribution Payment	Monthly amount WMATA pays through A/P to the L689 Health and Welfare Plan and L922 Health and Welfare Plan. Typically, both employers and employees contribute to the cost of the premium.
Contribution/Premium Rate	<p>The trustees of the Plan shall first determine whether benefit costs for these groups are projected to increase or decrease for the upcoming calendar year. After making such determination, the trustees shall adjust (up or down) the monthly contribution rates for participating members and retirees electing Preferred Provider Organization (PPO) health benefits by the amount necessary to cover the actual or projected cost increase or decrease of all benefits encompassed with the contribution rates.</p> <p>Typically, both employers and employees contribute to the cost of the premium.</p>
Direct Payments	Insurance premiums that are paid to the health and welfare plan by members who are on extended leave, leave without pay, leave of absence, disability, or receiving workers' compensation. Once a member has paid the monthly premium to the health and welfare plan, WMATA's matching amount is included with the monthly payment. The transactions are included in the detail file that accompanies the invoice.
Employee Contribution	<p>Health plan contributions from employees that are deducted from their paychecks and held by the employer.</p> <p>The contributions are pre-tax and can either be voluntary or mandatory if you are required to receive benefits from an employer.</p>
Employer Contribution	Amount an employer pays into a plan. These contributions help pay for employees' healthcare costs, ranging from premiums to prescription drugs.

Appendix C

**SUMMARY OF WMATA'S HEALTH & WELFARE PLAN ATTRIBUTES**

Item	Non-Rep/Transit Police/ L2/L639	L689 Plan	L922 Plan
Type / Desc.	Single Employer  Self-Insured	Single Employer  Self-Insured	Multi-Employer (Giant Food) Self-Insured
Coverage	Medical Care, Prescription Drugs, Dental Care, Vision Care, Life & Accident Insurance, Short-Term Disability, Long-Term Disability	Medical Care, Prescription Drugs, Dental Care, Vision Care, Life & Accident Insurance, Short-Term Disability, Long-Term Disability	Medical Care, Prescription Drugs, Dental Care, Vision Care, Life & Accident Insurance, Long-Term Disability, Employee Assistance Program
Plan Sponsor	WMATA	L689/WMATA	Teamster Local - 922 Employer Health Trust
Plan Trustees	6 Trustees	6 Trustees	4 Trustees
Plan Administrators	WMATA Benefits Office	L689 Board of Trustees	Third-Party Administrator (BeneSys, Inc.)
Participants	Non-Rep, Transit Police, L2, L639 Employees and eligible family members	L689 Employees and eligible family members	L922 Employees and eligible family members
Membership 2019/2018		29,668 Participants/ 29,980 Participants	43 Participants/ 70 Participants

**MANAGEMENT'S RESPONSE**

**M E M O R A N D U M**



SUBJECT: Audit of WMATA's Health and Welfare Plan Management

DATE: May 17, 2022

FROM: EVP/IBOP – Dianna D. Rosborough  
EVP/CFO – Dennis Anosike

Dianna D. Rosborough  
Digitally signed by Dianna D. Rosborough  
Date: 2022.05.17 19:28:53 -0400

Dennis Anosike  
Digitally signed by Dennis Anosike  
Date: 2022.05.23 09:08:09 -0400

THRU: GM/CEO – Andrew B. Off

Digitally signed by Andrew B. Off  
Date: 2022.05.25 18:01:35 -0400

TO: OIG – Rene Febles

Human Capital (HC) and Accounting (ACCT) have carefully reviewed the Office of Inspector General's (OIG) audit of WMATA's Health and Welfare Plan Management. WMATA is the plan sponsor for both Health and Welfare Plans for Local Union 689 (L689) and Local Union 922 (L922). However, the plan for L689 is administered by trustees comprised of WMATA executives and union representatives according to the terms of collective bargaining agreements, the governing trust agreement, and applicable law. The L922 plan is administered by a third-party contract administrator and is also governed by trustees consisting of two union and two employer representatives. As a result, management's direct influence over the plans is limited and changes to the plans require all parties to agree to them. Typically, this is done through the periodic collective bargaining agreement (CBA) negotiations. Negotiations will commence at the conclusion of the current active CBA. The L689 CBA expires on June 30, 2024 and L922 expires on October 31, 2024.

The report identified scope limitations with the L922 plan because the plan's legal counsel did not provide OIG access to certain governance documentation requested. This limitation resulted in OIG's inability to fully test the internal governance controls for the L922 plan. However, both the L689 and L922 plan audits of financial statements for years ended 2020 and 2019 support that the current internal controls for financial reporting are effective. This resulted in an opinion that the financial statements are presented fairly, in all material respects, for the L689 and L922 plans.

Nonetheless, management agrees that the improvements OIG identified in recommendations 1–9 could help prevent potential fraud, waste, or abuse of health and welfare plan funds. These recommendations are listed below:

- 1. Develop and implement a comprehensive L689 Health and Welfare Plan governance program incorporating the stated internal control requirements.

Washington  
Metropolitan Area  
Transit Authority

Response to Draft Report  
Page 2

2. At the next CBA negotiations with L689, suggest adding provisions to the L689 CBA and the L689 Health and Welfare Plan agreement to establish proper governance and internal controls with specific requirements.
3. Determine if internal controls exist for the L922 governance program.
4. If controls do not exist for L922, at the next CBA negotiations with L922, suggest developing and implementing a governance program incorporating the stated internal controls and update the CBA accordingly.
5. At the next CBA negotiations with L689 and L922, suggest adding provisions to the CBA agreements giving OIG the right to review any and all documents associated with the plans.
6. Verify contribution transactions by employees as soon as possible and stop those determined to be erroneous L689 and L922 contribution payments.
7. Update the L689 and L922 contribution detail reports and associated systems for accuracy.
8. Establish a WMATA monthly contribution payment policy and procedures for the L922 Health and Welfare Plan to include retirees returning to work.
9. From the \$4 million in questioned costs, verify contribution payments as soon as possible and obtain reimbursement of payments that were erroneous.

In response to recommendation #8, ACCT is working with the Office of Payroll to develop a procedure to review monthly WMATA contributions and the draft is currently in review. Management expects to complete this by December 31, 2022.

However, implementing recommendations 1-7 and 9 will require the agreement of the plan's trustees and administrators during the next round of collective bargaining negotiations. The negotiations for both plans are scheduled to take place in 2024. HC leadership will provide OIG's report recommendations to WMATA's Labor Relations department for consideration and prioritization during the next round of negotiations and will also provide the report to the appropriate plan officials for action and consideration by June 15, 2022. Management does not plan to take any additional corrective actions at this time.

cc: INCP – Eric Christensen  
HC – Sherri Dickerson  
ACCT – LaToya Thomas

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## TO REPORT FRAUD, WASTE, OR ABUSE

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**Please Contact:**

**Email:** hotline@wmataoig.gov

**Website:** <https://wmataoig.gov/hotline-form/>

**Telephone:** 1-888-234-2374

**Facsimile:** 1-800-867-0649

**Address:** WMATA  
Office of Inspector General  
Hotline Program  
500 L'Enfant Plaza SW, Suite 800  
Washington D.C., 20024