

WMATA OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT

NO. 30 | JANUARY 1 – JUNE 30, 2022



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THE ACTING INSPECTOR GENERAL'S MESSAGE TO THE BOARD



Rene Febles
Acting Inspector General

I am pleased to present the 30th Semiannual Report (SAR) to the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors, which covers significant achievements of the WMATA Office of Inspector General (OIG) for the six-month period from January 1, 2022 to June 30, 2022.

Over the past six months, OIG continued to work with stakeholders to execute its mission of promoting the economy, efficiency, and effectiveness of WMATA's operations as well as combatting fraud, waste, abuse, crimes, and other serious misconduct. I would like to acknowledge the professionalism and flexibility of all OIG personnel who leaned in during these challenging times to uphold the OIG mission with pride and dedication.

During this reporting period, the challenges of the COVID-19 pandemic continued to affect WMATA's operations through reduced ridership. All the while, the safety of the public and staff remained WMATA's top priority.

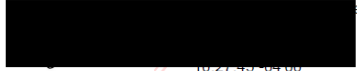
On November 5, 2021, the Infrastructure Investment and Jobs Act (IIJA) became law, providing continued support to WMATA as well as OIG. The provisions of this law reaffirm Congress's commitment to a strong and independent OIG within WMATA. In alignment with the IIJA, OIG has already begun to assess WMATA's effectiveness in its use of funds for major capital improvement projects as well as its compliance with strategic plan deadlines.

During the six months covered by this report, OIG investigative work resulted in one criminal indictment, four Reports of Investigation, one Management Alert, one Management Assistance Report, and one Special Project Report. OIG audit work resulted in the issuance of 25 contract audits, one Buy America audit, two program audit reports, and one Management Alert. OIG audit work led to the identification of \$12.3 million in total possible savings, \$6.1 million of the total savings was identified through contract audits. OIG also continued to focus our efforts on procurement fraud.

OIG continued to protect the interests of riders, taxpayers, and other stakeholders through our robust investigative efforts and those of our partner law enforcement agencies with which we cooperate. OIG Special Agents collaboratively conducted investigations with the assistance of many federal, state, and local agencies, including United States Attorney Offices, the Federal Bureau of Investigation, the Department of Transportation OIG, and local States Attorney offices. These collaborative efforts enhance OIG's ability to conduct thorough criminal, civil, and administrative investigations. For example, OIG was alerted to questionable actions related

to the integrity of the procurement of a federally funded contract. OIG issued a Management Alert, which ultimately resulted in the termination of the procurement.

OIG strives to maintain the highest possible standards of professionalism and quality in our investigations, evaluations, inspections, and audits. I would like to commend our dedicated and professional staff for their diligence and commitment to the mission of this office. I would like to thank WMATA Management and its staff for implementing recommended corrective actions in a timely manner. Finally, I would like to thank the Board of Directors for its continued support.

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Rene Febles

Acting Inspector General

OVERVIEW OF OIG

BACKGROUND

The Board of Directors established OIG by Resolution 2006-18, approved April 20, 2006. On August 19, 2009, the WMATA Compact was amended to codify OIG by statute and to make the Inspector General an officer of WMATA. The Inspector General reports to the Board.

MISSION STATEMENT

OIG's mission depends on our talented staff who are dedicated to OIG's independent and objective work.

Under the WMATA Compact, OIG is “an independent and objective unit of the Authority that conducts and supervises audits, program evaluations, and investigations relating to Authority activities; promotes economy, efficiency, and effectiveness in Authority activities; detects and prevents fraud and abuse in Authority activities; and keeps the Board fully and currently informed about deficiencies in Authority activities as well as the necessity for and progress of corrective action.” We provide advice to the Board and General Manager/Chief Executive Officer (GM/CEO) to assist in achieving the highest levels of program and operational performance at WMATA.

**Promoting
economy,
efficiency,
and
effectiveness
in Authority
activities**



OUR CORE VALUES

Excellence

We are committed to excellence in our people, our processes, our products, our impact, and our mission performance.

- We value a diverse, educated, and highly trained workforce that reflects independence, initiative, and mutual respect.
- We value operating within an objective code of standards yet remain open to innovation.
- We support WMATA's mission to provide safe, equitable, reliable, and cost-effective public transit.

Accountability

We insist on high standards of professional conduct from OIG employees at all levels and compliance with professional standards to ensure the Board and Management can rely on our products.

- We have confidence that our work is accurate and that our results hold up to professional scrutiny.
- We encourage an environment of risk-free communication and promote an open, honest, and respectful exchange of ideas and information.

Integrity

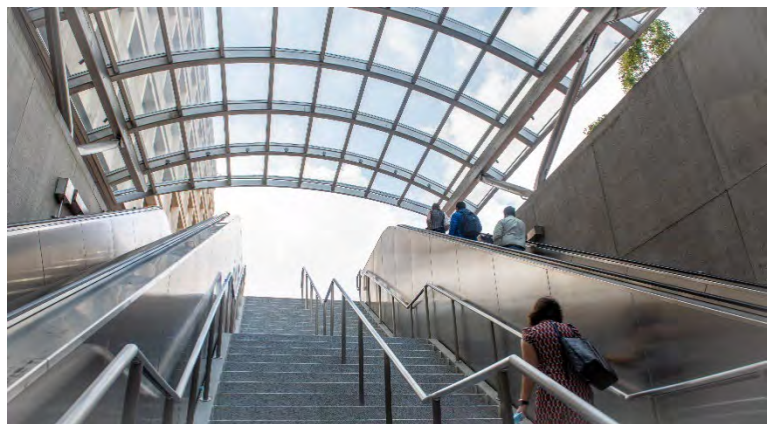
We strive to maintain the highest level of trust and integrity in all of our activities, and the approach we take in accomplishing our mission must be fair, balanced, and credible.

- The personal and professional qualities of our employees include honesty, respect for others, and freedom from bias.
- We value and protect our access to information recognizing that reputations, public confidence, and lives can be affected by our actions.

OUR VISION

We are committed to excellence in our people, by supporting them through training, advancement, and supporting their professional needs. Through our support they deliver high-quality independent oversight of WMATA's programs and operations.

We value diversity in our workplace and support the values and culture of all people.



OFFICE OF INVESTIGATIONS & SPECIAL PROJECTS

OIG is comprised of two offices - Investigations and Special Projects (OI) and Audits and Evaluations (OA).

OI focuses on three areas: Investigations, Special Projects, and Cybersecurity/Data Analytics. OI is comprised of staff who have extensive law enforcement experience at the local, state, and federal levels. Collectively, its staff has more than 300 years of law enforcement experience in conducting fraud, financial, administrative, police misconduct, and myriad economic and general crime investigations. In addition, OI staff are experts in data analytics and computer forensic investigations. Many are Certified Fraud Examiners.

Investigations

OI conducts criminal, civil, and administrative investigations relating to WMATA activities, programs, and operations. Investigations can lead to criminal prosecution, civil penalties, disciplinary action, and/or administrative action. OI also manages the OIG Hotline, including the intake of complaints and determining the appropriate handling of those complaints. Complaints may be investigated by OI or referred to Management, to OA for audit consideration, or to another agency, as appropriate. OI also aggressively pursues proactive investigations through data analysis, recruiting confidential informants, and mining financial information to detect evidence of wrongdoing.

OI also investigates Whistleblower retaliation complaints. OI makes quarterly reports to the Board regarding Whistleblower complaints and outcomes or litigation that relate to any protected activity or prohibited personnel practices.

Special Projects

Special Projects provides a range of specialized services and products, including quick reaction reviews, onsite inspections, and in-depth evaluations of a major departmental function, activity, or program.

These products include:

- Factual and analytical information;
- Monitoring compliance;
- Measuring performance;
- Assessing the effectiveness and efficiency of programs and operations;
- Sharing best practices; and
- Inquiring into allegations of fraud, waste, abuse, and mismanagement.

Cybercrimes and Data Analytics

The OI Cybercrimes and Data Analytics Unit manages OIG's information technology, cyber, forensics, and data analytics programs. Its primary function is to provide investigative support and coordination to OIG investigations and audits. The unit's members also serve as subject experts on matters under their purview such as digital forensic analysis, cyber incident response protocols, and the use of data analytics as a way to uncover fraud and misconduct in WMATA programs and activities. In addition, since OIG is responsible for investigating

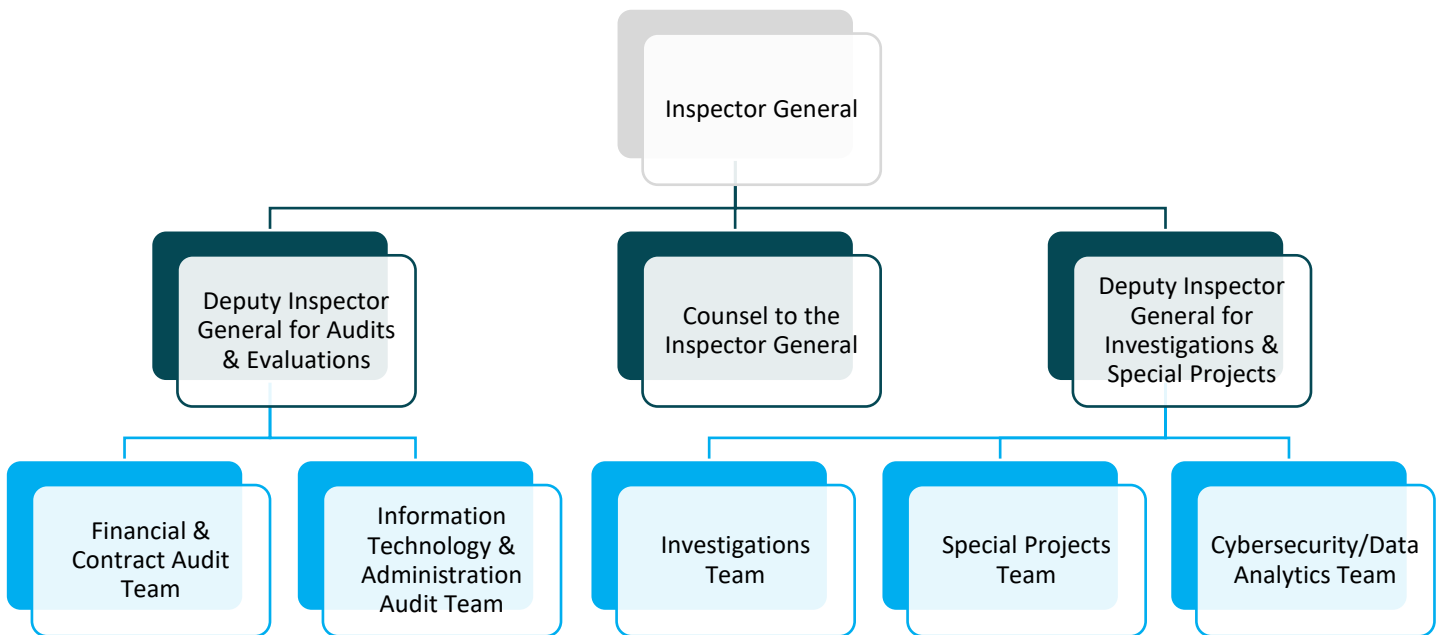
cybercrimes that affect WMATA programs and operations, OIG coordinates with the Chief Information Officer, the Chief Information Security Officer, and all appropriate Information Technology (IT) staff.

OFFICE OF AUDITS

OA is comprised of two teams: the financial and contract audit team, and the information technology and administration audit team. OIG audits provide independent assessments of WMATA programs and operations that help to reduce waste, abuse, and mismanagement and to promote economy and efficiency. OIG also oversees audit work conducted by outside audit firms on behalf of OIG. Our staff is comprised of auditors with educational backgrounds and degrees in accounting, finance, and information systems. Most of the staff have professional certifications as accountants, internal auditors, fraud examiners, and information systems auditors.

Each July, OIG issues an *Annual Audit Plan* that summarizes the audits planned for the coming fiscal year (FY). OIG seeks management input from the GM/CEO and his staff as a part of the planning phase. Unanticipated high-priority issues may arise that generate audits not listed in the *Annual Audit Plan*.

OIG ORGANIZATIONAL CHART





1 CRIMINAL INDICTMENT

- Healthcare Fraud



4 REPORTS OF INVESTIGATION

- Fuel Injector Theft
- Suspicious Parts Purchases
- MTPD Evidence Handling
- Conflict of Interest



1 SPECIAL PROJECT REPORT

- Station Inspections



1 MANAGEMENT ALERT

- Code of Ethics Violations



1 MANAGEMENT ASSISTANCE REPORT

- Pension Plan Overpayments

INVESTIGATIONS & SPECIAL PROJECTS

BACKGROUND

During this reporting period, OI conducted both criminal and administrative investigations involving allegations of wrongdoing. Several of these investigations involved potential criminal activity. OIG Special Agents and Investigators worked closely with federal, state, and local law enforcement agencies and prosecutors to pursue criminal charges when appropriate. During this reporting period, OI issued numerous subpoenas related to ongoing investigations. To ensure the confidentiality and integrity of sensitive information, only a summary of the variety of complaints and investigations conducted is provided in this report.

CRIMINAL INDICTMENTS

Healthcare Fraud

As a result of a joint investigation by OIG and the United States Attorney’s Office, the Department of the Army Criminal Investigation Division, and the Department of Defense Inspector General’s Office, a federal grand jury returned an indictment charging eight individuals, including one WMATA employee, with conspiracy to commit healthcare fraud as well as wire fraud and related charges in connection with a scheme to defraud Walter Reed National Military Medical Center and the Defense Health Agency. Both the Department of Defense and the Army requested the assistance of OIG.

REPORTS OF INVESTIGATION

Fuel Injector Theft

OIG received an allegation that a WMATA Storeroom Clerk may have been stealing WMATA property. The initial allegation involved fuel injectors missing from Storeroom 110 at WMATA's Carmen Turner Facility in Landover, Maryland.

OIG initiated an investigation and uncovered evidence to suggest the employee stole over \$150,000 worth of WMATA inventory, including control modules, valves, and transmissions in addition to the missing fuel injectors. During the OIG investigation, WMATA terminated the employee for cause. OIG presented the matter for criminal prosecution, and the employee was subsequently indicted in the State of Maryland. The employee pled guilty to the charge of Theft Scheme and received a sentence of six months, fully suspended, and five years of supervised probation, with the special condition to pay restitution to WMATA in the amount of \$54,424.96.

Suspicious Parts Purchases

OIG received an alert from the Office of Bus Maintenance (BMNT) managers regarding suspicious WMATA-issued purchase card transactions with a bus parts vendor. Multiple BMNT staff were repeatedly using purchase cards to procure bus parts from the vendor at significantly higher-than-normal prices and higher freight costs, despite those same parts, in many instances, being available the same day and at a much lower cost from WMATA's conventional bus parts suppliers.

OIG's investigation identified a Bus Inventory Parts Specialist in Supply Chain Management (SCM) as the most frequent and highest total dollar-value purchaser with the vendor, despite the company's inflated parts pricing. OIG's investigation also uncovered evidence the Parts Specialist concurrently sought and obtained employment for his wife from the vendor. His wife received an estimated \$8,000 in payments from the company. Some of these funds were deposited into an account jointly owned by the Parts Specialist and his wife. Criminal charges against the Parts Specialist were declined; however, his employment with WMATA was terminated. The vendor is currently suspended from procurement activities pending the outcome of a debarment hearing.

MTPD Evidence Handling

OIG received a confidential complaint alleging Metro Transit Police Department (MTPD) evidence personnel falsified evidence control forms. The allegation suggested MTPD personnel completed evidence control forms in 2021 to appear as though they were completed in 2014 and 2015. MTPD's Office of Professional Responsibility and Inspections (OPRI) also received a similar complaint.

OIG's independent investigation revealed evidence collected by MTPD is processed by two separate units. In this case, the two units did not coordinate with each other to enter the evidence into their database system. OIG's investigation determined the forms were not falsified but were part of an effort to organize evidence storage facilities in MTPD's two district stations. The criminal case involving this evidence has been adjudicated

and the evidence is scheduled to be destroyed. According to OPRI staff, OPRI's administrative investigation did not identify any intentional misconduct but did identify a lack of communication between the Evidence Control Officer and the property room, resulting in poor record keeping.

Conflict of Interest

OIG received a complaint alleging a potential conflict of interest, collusion, and favoritism between senior WMATA officials and a consulting company (Company). The complaint alleged preferential treatment in the awarding of a contract for WMATA Information Technology Support Services (ITSS) to the Company. The complaint also alleged several senior managers of WMATA's Management team were steering all IT work to the Company. The complaint specifically cited a past business relationship between the Company and a WMATA senior manager. OIG previously received a similar complaint regarding the same allegation. During that review, OIG did not find any conflict of interest or preferential treatment by WMATA employees. Based on the information obtained by OIG through interviews and contract reviews regarding this complaint, no evidence of preferential treatment in the award of the contracts was found.

SPECIAL PROJECT REPORTS

Station Inspections

OIG conducted inspections of 17 WMATA rail stations, representing approximately 19 percent of the 91 stations across the system. With the anticipated return of more riders to the Metro system and continuing COVID-19 concerns, OIG assessed stations' general cleanliness and appearance, operations of key components, and COVID-19 mitigation efforts. The stations were selected to represent all jurisdictions – the District of Columbia, Maryland, and Virginia – across the system's six service lines.

The results of the inspections were mixed, with some exceptions noted. While the overall appearance of the stations was mostly positive at the time of the inspections, there were some areas for improvement. OIG also observed potential safety and physical security concerns. OIG provided WMATA with the results of the inspection for Management's review and corrective action.

MANAGEMENT ALERTS

Code of Ethics Violations

On March 2, 2020, OIG was notified by an outside contractor that certain WMATA employees were provided gratuities and engaged in procurement misconduct. The contractor's internal investigation, conducted by an outside law firm, uncovered evidence the former president of the company provided WMATA employees with gifts and money and engaged in procurement misconduct. OIG's independent investigation confirmed two WMATA employees improperly accepted monies, gifts, and other items of value from the company's president while engaged in the performance of their official WMATA duties. One WMATA employee also used a personal email account to send sensitive procurement information to the company's president, which may have provided an unfair advantage to the company in contract bidding. This matter was referred to WMATA for appropriate action.

MANAGEMENT ASSISTANCE REPORTS

Pension Plan Overpayments

OIG initiated a review of WMATA's five retirement pension plans to determine if improper payments were continuing after an annuitant died. The pension plans are funded by payroll contributions from plan participants and WMATA. As a result of this review, eight Local 689 annuitant accounts were identified as the retiree being deceased, however full annuity payments continued incorrectly to the surviving family members. WMATA's Compensation and Benefits Office confirmed overpayments to these accounts, which resulted in a loss to the Local 689 pension plan of \$440,219. As a result of stopping the improper payments from continuing to the eight annuitant accounts, OIG projected a one-year savings to the Local 689 pension plan of \$220,990.

HOTLINE ACTIVITY

The OIG Hotline receives information from WMATA employees, customers, vendors, and the general public. It is an important avenue for reporting criminal and other misconduct. OI staff review the Hotline information received to evaluate the need for OIG investigative action, referral to an outside agency, or referral to an internal WMATA office for appropriate review and action.

Tables 1 through 4 below provide an overview of the number of complaints received, dispositions, sources of complaints, and Whistleblower activity throughout this reporting period. Due to continued reduced ridership from the COVID-19 pandemic, the volume of complaints received during this reporting period are significantly lower than previous reporting periods.

TABLE 1: HOTLINE COMPLAINTS RECEIVED¹

Total Complaints Received	182
Investigations Initiated from Complaints	13
Open	29
Referred to Management or Other Entity	107
Closed No OIG Action	33

¹ As of June 30, 2022.

TABLE 2: PERCENTAGE OF HOTLINE COMPLAINTS BY THEIR SOURCE

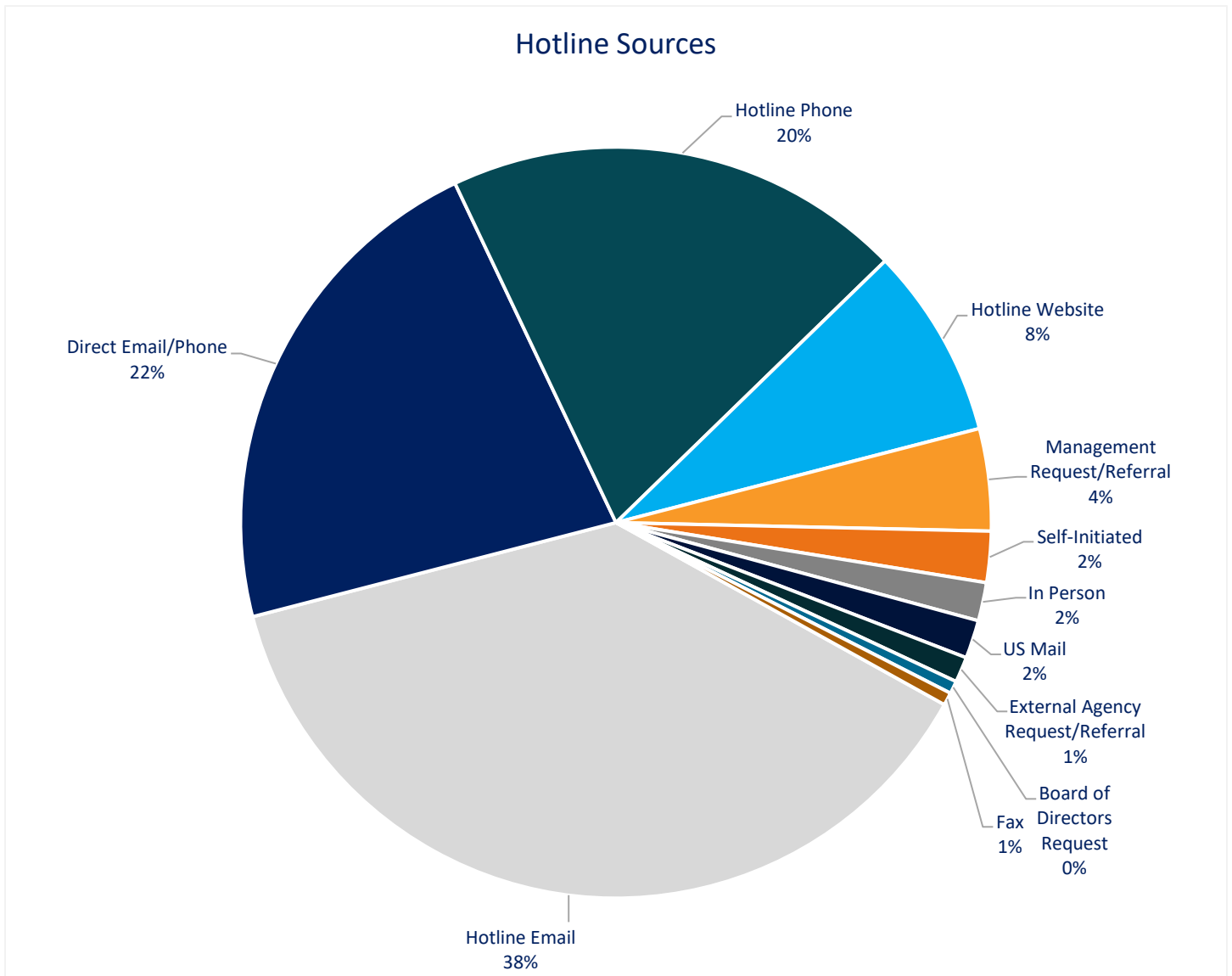


TABLE 3: CATEGORIES OF HOTLINE COMPLAINTS

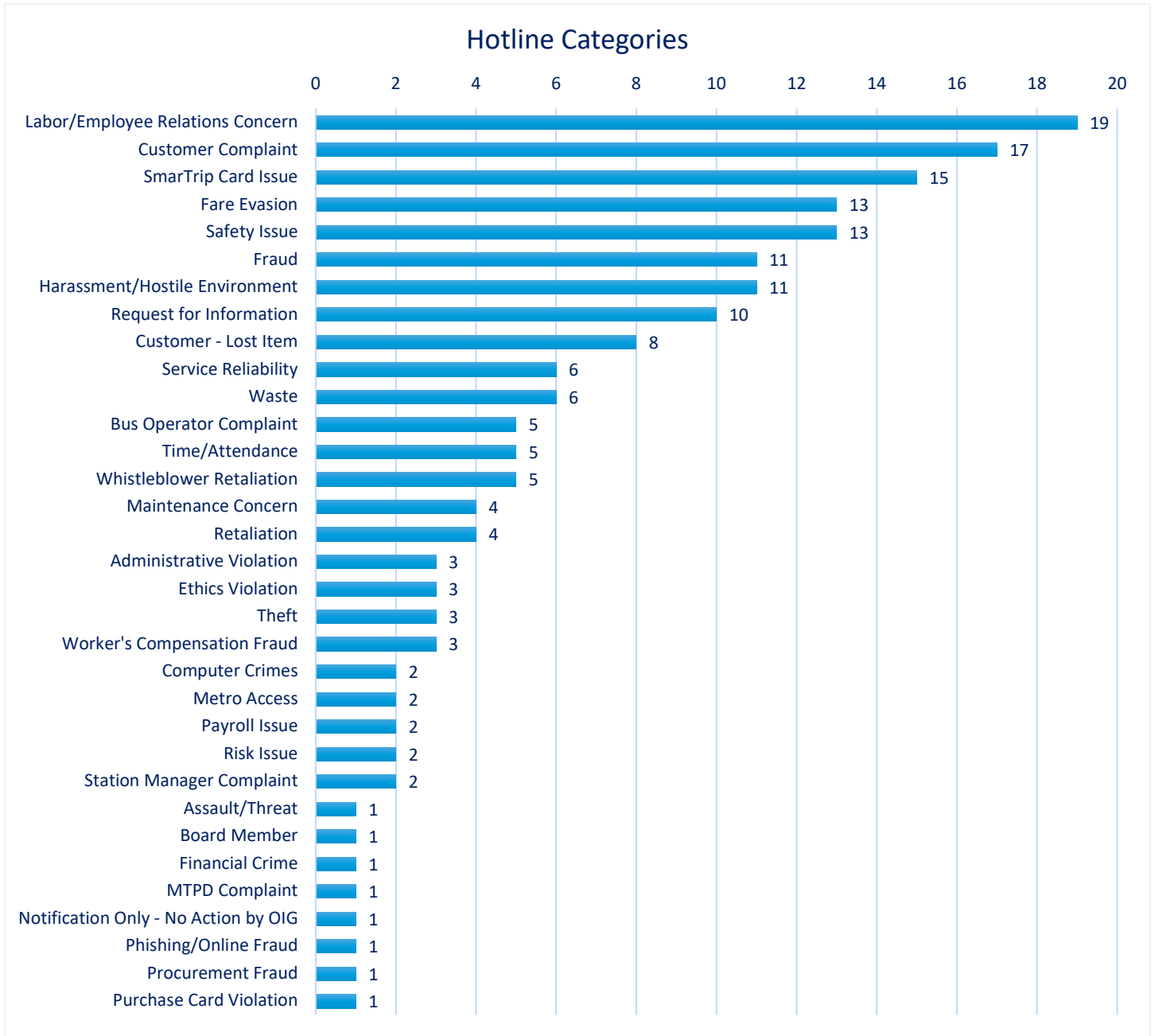


TABLE 4: WHISTLEBLOWER COMPLAINTS RECEIVED

OIG investigates whistleblower complaints to protect employees from retaliation.

Complaint Status	Total
Complaints Received	5
Investigations Initiated from Complaints	1

AUDITS & EVALUATIONS



2 PROGRAM AUDIT REPORTS



1 MANAGEMENT ALERT



25 CONTRACT AUDITS



1 BUY AMERICA AUDIT



\$12.3 MILLION IDENTIFIED IN POSSIBLE SAVINGS

BACKGROUND

OA's work focuses on areas of concern such as IT security; financial management; contracts; human capital; administrative issues; and high-risk programs that impact the safe operation of the transit system. During this reporting period, OA issued two program audit reports and one Management Alert. An additional nine program and financial audits were in progress as of June 30, 2022. Report highlights include:

- Identified weaknesses in WMATA's control and accountability of fuel for non-revenue vehicles. The report recommended that WMATA establish a comprehensive program to improve controls over: fuel acquisition, delivery, and consumption; security at fuel facilities; and excessive vehicle idle times.
- Identified governance controls were needed over WMATA's health and welfare plans, including one plan which OIG questioned \$4 million worth of contribution payments.
- Issued the Audit of WMATA's SmarTrip Regional Partner Comparative Billing Statements for FYs 2020 and 2021 and WMATA's Single Audit for FY 2021.

PROCUREMENT & CONTRACT AUDITS

OIG issued 25 contract audits and one Buy America audit that identified over \$6.1 million in possible savings which WMATA desperately needs during this time of financial uncertainty. Contract audits are performed within their stated scope and objective(s) as agreed with Management. They can cover a broad range of financial and non-financial subjects, which assist WMATA's procurement department in their contract negotiation process. These audits may uncover fraud, waste, and abuse or other procurement-related issues. Because these reports generally involve contractor proprietary information, they are not posted on OIG's website nor publicly distributed.

AUDIT SUMMARIES

Audit of WMATA's Health and Welfare Plan Management

WMATA's Health and Welfare Funds support plans that offer members of unions L689 and L922 a comprehensive package of benefits including medical, prescription drug, dental, vision, life and accident, and long-term and short-term disability insurance. In FY 2019, WMATA paid over \$236.7 million for these benefits to 11,508 employees.

The Health and Welfare Plans are governed by their own Boards of Trustees, which are comprised of members designated by WMATA management and Union management.

OIG found that 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 union employee direct payment contributions of \$27 million.

Audit of WMATA's Controls and Accountability of Fuel for Non-Revenue Vehicles

WMATA manages over 1,500 non-revenue vehicles (NRV) which are Metro-owned or leased vehicles used to support Metro's administrative, maintenance, construction, and/or operational functions. From FY 2017 through FY 2019, a total of \$66.5 million was spent on fuel for NRVs.

OIG found WMATA has not fully implemented a NRV Fuel Program. Specifically, improvements are needed in controls over (1) fuel acquisition, delivery, and consumption, (2) segregating duties for fuel delivery, (3) physical security at facilities and fuel pumps, and (4) excessive vehicle idling during work hours.

These conditions occurred because WMATA (1) did not have a comprehensive program for the acquisition, delivery, and consumption of fuel, and (2) lacked adequate physical security controls.

OIG tests showed there were over 1.17 million gallons of unaccounted fuel transactions valued at over \$2 million which OIG considers questioned costs. OIG could not validate these transactions as legitimate because current and former employees could easily pump fuel into unauthorized vehicles, using codes which gave the appearance of a valid transaction. For example, 211 separated employee identification numbers were inappropriately used as validation to pump over 4,500 gallons of fuel. Further, OIG observed significant process

gaps and an overall inadequate control environment to prevent or detect fraud. Lastly, these control deficiencies resulted in excessive vehicle idling time that wasted fuel valued at over \$187,000.

Audit of WMATA's Single Audit for FY 2021

The Single Audit Act, as amended, requires an independent external auditor, as determined by the Inspector General, to annually audit WMATA's federal awards in accordance with applicable standards.

The objective of the Single Audit was to ensure a recipient of federal funds was in compliance with the federal program's requirements for how the money can be used. OIG had the responsibility for oversight of WMATA's Single Audit.

Audit Results:

- Internal Controls over Financial Reporting: *Unmodified opinion*
- Internal Controls over Compliance: *No deficiencies found*
- Compliance and other matters: *No deficiencies found*

Audit of WMATA's SmarTrip Regional Partner Comparative Billing Statements Fiscal Years Ended 2021 & 2020

The Operations Funding Agreement between WMATA's ten local jurisdictions (the Participating Jurisdictions) requires an independent external auditor, as determined by the Inspector General, to annually audit WMATA's actual allocated operating expenses and amounts billed included in the SmarTrip Regional Partner Comparative Billing Statements.

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.

Audit Results: RSM US LLP conducted the audit on behalf of OIG. WMATA received an unmodified opinion on the report.



AUDITS & REVIEWS IN PROGRESS

Audit of Defined Benefit Pension Plans

WMATA has five defined benefit (DB) pension plans, three of which are still open to new participants of certain unions. WMATA employees were eligible to join the various closed plans based on their union representation or lack thereof. These pension plans are governed by their own Boards of Trustees, which are comprised of members designated by WMATA management and Union management or elected by plan participants.

At the end of FY 2019, there were 18,970 participants in WMATA's DB pension plans and WMATA made \$285 million in benefit contributions to retirees. The total pension liability was \$5.1 billion of which \$837 million was unfunded. In FY 2021, the unfunded liability status increased to \$1.15 billion.

The audit objectives are to determine whether WMATA's DB pension plans were adequately managed and to examine alternative pension plans.

Audit of WMATA's Cybersecurity Program

According to the Federal Bureau of Investigation (FBI), cyber threats have grown exponentially with nation state and cyber criminals increasing the scale, scope, and level of sophistication of their cyber-attacks. The FBI reported that the number of cyber-attack complaints is up to 4,000 a day, which represents a 400 percent increase from pre-pandemic levels. Recent incidents include the SolarWinds hack that compromised hundreds of systems worldwide, and the Colonial Pipeline incident that shut down the largest gas pipeline in the U.S.

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

Audit of WMATA's Cloud Computing Strategy

Cloud computing provides on-demand access to a shared pool of computing resources. The adoption of cloud computing has become mainstream by large enterprises because it provides benefits such as: (1) potential cost savings, (2) improved delivery, (3) ease of scalability and procurement efficiencies, as well as (4) operational efficiencies and security. WMATA has a limited presence in the cloud computing environment.

The objective of the audit is to assess the strategy and plan for migrating applications to the cloud.

Audit of WMATA's Money Train Processes

Whenever there is a large amount of cash (bills and coins) on hand, there is a very high risk of theft. WMATA uses four railcars ("money trains") to collect cash fare revenue from stations throughout the system then return the collection to a central location for processing. Once the collection is processed, the cash is transported by armored vehicles for deposit at a bank.

The objectives of the audit are to determine if: (1) WMATA has appropriate internal controls for the safeguarding of Metrorail cash to include the collection and deposit processes, and (2) the effectiveness and efficiency of the money trains.

Audit of WMATA's Procurement Pre-award Cycle-time

Procurement cycles have major impacts on business strategies, operational costs, and service deliveries. Streamlined procurement cycles facilitate efficient approaches to reduce operational costs and provide competitive advantages in the market.

The objective of the audit is to determine the effectiveness of controls over WMATA's procurement pre-award cycle-time.

Audit of WMATA's Compliance with Infrastructure Investment & Jobs Act

On November 6, 2021, Congress passed the Infrastructure Investment and Jobs Act. The historic legislation, in part, will 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 more 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, to 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.

Audit of WMATA's Financial Statements for FY 2022

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 auditing 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, established OIG's responsibility for the supervision of WMATA's annual independent audit of financial statements.

The objective of this audit is to:

- Express opinions on the Authority'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.

WMATA's Single Audit for FY 2022

The Single Audit Act, as amended, requires an independent external auditor, as determined by the Inspector General, to annually audit WMATA's federal awards in accordance with applicable standards. Through the Compact and adoption of Board Resolution 2006-18, OIG has the responsibility for the supervision of WMATA's external auditors.

The objective of a Single Audit is to ensure a recipient of federal funds is in compliance with the federal program's requirements for how the money can be used. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Single Audit.

Audit of WMATA's SmarTrip Regional Partner Comparative Billing Statements for FYs 2022 and 2021

WMATA has a funding agreement with the Participating Jurisdictions to provide a seamless regional system for transit fare collections for both the service areas of the Authority and the Maryland Transportation Administration using smart card technology (SmarTrip). WMATA and the Participating Jurisdictions have agreed to fund their share of the operating expenses of the SmarTrip system. The agreement defines the regionally shared operating expenses, allocation methods, and funding requirements.



Each year, WMATA is required to prepare SmarTrip Regional Partner Comparative Billing Statements to provide an allocation of the actual operating expenses incurred for the Regional SmarTrip Program for each of the Participating Jurisdictions for the current and prior fiscal years ended June 30. The actual operating expenses incurred and the allocation to each Participating Jurisdiction are audited at the end of each fiscal year.

The objective of this audit is to express an opinion on WMATA's SmarTrip Regional Partner Comparative Billing Statements for FYs 2022 and 2021.

PROCUREMENT & CONTRACT AUDITS

OIG issued 25 contract audits and one Buy America audit that identified over \$6.1 million in possible savings. The types of contract audits performed, and methodology are as follows:

- **Pre-Negotiation** - Assess contractor's proposal (e.g., labor rates, indirect rates, materials, etc.) to determine if the pricing information is current, accurate, complete, and ties back to the contractor's accounting systems and supporting documentation.
- **Billing Rates** - Assess the basis of the billing rates and support for the cost elements (base wage rates and overheads) included in a contractor's proposal to ensure that the pricing information is current, accurate, and complete.
- **Pre-Award** - Assess financial data provided by a prospective contractor to determine if the contractor has adequate financial resources and whether the contractor meets the applicable standards for a responsible prospective contractor.
- **Buy America** - Assess the pre-award and post-delivery certification of rolling stock vehicles compliance with the Federal Transit Administration's Buy America Act regulations by reviewing supplier's certifications, invoices, and final assembly costs.

SUMMARY OF CONTRACT AUDITS

From January 1, 2022, through June 30, 2022, OIG issued 25 contract audits and 1 Buy America Act audit as outlined in Table 5 below.

TABLE 5: CONTRACT AND BUY AMERICA ACT AUDIT REPORT

Report Number	Report Title	Date Issued
CAM 22-019	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	01/13/2022
CAM 22-020	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	02/01/2022
CAM 22-021	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	02/16/2022
CAA 22-005	Independent Review of Price Proposal for Contract No. FQ19006, PCO 011, Regenerative Drives	02/16/2022
CAA 22-006	Independent Review of Price Proposal for Contract No. FCPM200214-W01, Next Generation Bus Farebox System	02/17/2022
CAA 22-007	Independent Review of Price Proposal for Contract No. FDULS211272, Program Management and Construction Management	02/28/2022
CAM 22-022	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	03/01/2022
CAM 22-023	Independent Review of Proposed Rates for Contract FQ18033, A&E Consultant Services, IDIQ	03/03/2022
CAA 22-008	Independent Review of Price Proposal for Contract No. FQ19138, PCO 001, Surface Parking Pavement Rehabilitation – Group 1	03/10/2022
CAM 22-024	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	03/17/2022
CAM 22-025	Independent Review of Pre-Award for Contract No. 0000007828, Low-No Emissions Program	04/04/2022
CAA 22-009	Independent Review of Pre-Award Buy America Audit for Contract No. 0000007828, Low-No Emissions Program	04/08/2022
CAM 22-026	Independent Review of Proposed Rates for Contract FQ19172, General Architectural and Engineering Consultant On-Call Design Services	05/03/2022
CAM 22-027	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	05/05/2022
CAM 22-028	Independent Review of Travel Costs for Contract CQ19197, 2/3/6K Engineering Consulting	05/16/2021
CAA 22-010	Independent Review of Price Proposal for Contract No. RFP0000008549, Metrobus Intelligent Transportation System Disruption Management Module	05/20/2022
CAA 22-011	Independent Review of Price Proposal for Contract No. FMCAP200229, Mod M003, SmartYard Management System	05/25/2022
CAM 22-029	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	05/31/2022
CAM 22-030	Independent Review of Proposed Rates for Contract FQ19172, General Architectural and Engineering Consultant (GEC) On-Call Design Services	06/08/2022
CAM 22-031	Independent Review of Proposed Rates for Contract FQ18033, Task Order FQ18033-HNTB-MCAP-006 A/E Consultant Services for Contract Package Preparation, Project Development, and Procurement Support	6/13/2022
CAM 22-032	Independent Review of Proposed Rates for Contract FQ18033, General Architectural and Engineering Consultant Services – PMCM	06/15/2022
CAM 22-033	Independent Review of Travel Costs for Contract FQ19196, Engineering Consulting Services for Roadway Maintenance Machines	06/29/2022

Report Number	Report Title	Date Issued
CAM 22-034	Independent Review of Pre-Award for Contract CLAND211254, Real Estate “On-Call Services” MATOC-IDIQ	06/29/2022
CAM 22-035	Independent Review of Pre-Award for Contract CLAND211254, Real Estate “On-Call Services” MATOC-IDIQ	06/30/2022
CAM 22-036	Independent Review of Travel Costs for Contract FQ18149, Engineering Consulting Services for 8000 Series Passenger Railcars	06/30/2022
CAM 22-037	Independent Review of Travel Costs for Contract FQ19148, Engineering Consulting Services for 7000 Series Passenger Railcars	06/30/2022

CORRECTIVE ACTIONS ON AUDIT RECOMMENDATIONS

OIG tracks and documents the status of audit recommendations and WMATA corrective action plans. Positive change results from the process in which Management acts to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. Listed below are recommendations issued that are outstanding as of June 30, 2022. In every case, Management’s ongoing actions will correct the deficiency identified during the audit.

TABLE 6: RECOMMENDATIONS DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED AS OF JUNE 30, 2022

Report Number	Report Title	Date Issued	Number of Recommendations		Latest Target Date Per WMATA Corrective Action Plan
			Open	Complete	
OIG 19-10	Audit of WMATA’s End-of-Service Life Operating System Software	05/01/2019	3	3	09/01/2022
OIG 19-11	Audit of WMATA’s Software Asset Management Program	06/19/2019	1	0	06/30/2022
OIG 21-01	Audit of the Replacement of WMATA’s Remote Terminal Units	11/16/2020	1	8	11/30/2022
OIG 21-05	Review of WMATA’s Improper Payments	06/28/2021	1	0	06/30/2022
OIG 22-01	Review of WMATA’s Mission Critical Legacy Systems	08/24/2021	3	0	12/31/2022
OIG 22-02	Audit of WMATA’s Controls and Accountability of Fuel or Non-Revenue Vehicles	01/27/2022	9	2	12/31/2023
OIG 22-06	Audit of WMATA’s Health and Welfare Plan Management	06/23/2022	9	0	12/31/2024



REPORT FRAUD, WASTE, OR ABUSE AT WMATA

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