

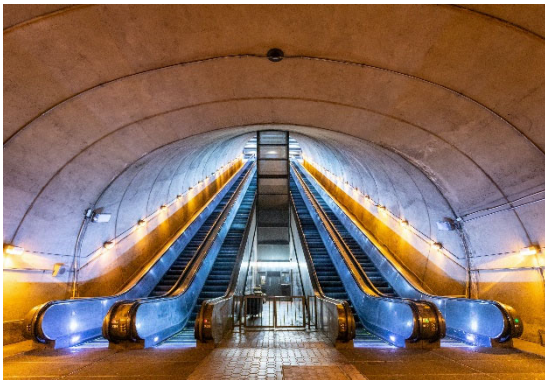
20

WMATA OFFICE OF INSPECTOR GENERAL

# SEMIANNUAL REPORT

NO. 33 | JULY 1 – DECEMBER 31, 2023





# CONTENTS

MESSAGE TO THE BOARD....	1
OVERVIEW OF OIG .....	3
INVESTIGATIONS .....	7
HOTLINE ACTIVITY .....	10
AUDITS & EVALUATIONS ...	13

# THE ACTING INSPECTOR GENERAL'S MESSAGE TO THE BOARD



Kevin B. Muhlendorf  
Acting Inspector General

On behalf of the WMATA Office of Inspector General (OIG), I am pleased to present the 33<sup>rd</sup> Semiannual Report (SAR) to the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors. This SAR covers significant activities and achievements for the six-month period from July 1, 2023, to December 31, 2023.

Over the past six months, OIG Auditors, Special Agents, Administrative Staff, and Analysts continued to support OIG's important mission of promoting the economy, efficiency, and effectiveness of WMATA's operations as well as combatting fraud, waste, abuse, crimes, and other serious misconduct. OIG could not accomplish this outstanding work without the dedication of the staff, who maintain the highest standards of professionalism and quality in our investigations, evaluations, and audits.

During this reporting period, OIG's Office of Audits & Evaluations focused on WMATA's major operational and financial challenges, issuing 11 contract audits, three Buy America audits, four audit reports, and one evaluation report. OIG audit work led to \$11.1 million in total possible savings identified through audits and evaluations. Based on an annual budget of \$12.4 million, over the six-month period, OIG returned \$1.8 dollars to WMATA for every dollar spent. Our evaluation and audit work is ongoing, with several important reports expected in the coming months to help WMATA identify efficiencies and improve processes related to contracting and asset management.

Investigative work by the Office of Investigations resulted in four Reports of Investigation, one Management Assistance Report, and the indictment of a WMATA employee responsible for the sale of surplus goods. Much of our investigative work is supported by our Data Analytics Team, who both analyze complex data sets to detect fraud and waste, and also design internal data tools that support OIG's work. We continue to seek out instances of waste, fraud, and abuse by those who do business with, or on behalf of, WMATA.

OIG protects 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. Our office collaborated with many federal, state, and local agencies, including United States Attorney's Offices, the Federal Bureau of Investigation, the Department of Transportation OIG, and local prosecuting offices. These collaborative efforts act as a force multiplier, enhancing OIG's ability to conduct thorough criminal, civil, and administrative investigations.

Throughout the reporting period, we also maintained our OIG Hotline, receiving 176 hotline complaints via email, phone, and the OIG website. These complaints resulted in numerous OIG investigations and referrals to

WMATA for resolution. I am extremely proud of OIG's recently launched Whistleblower Award Pilot Program, and want to thank the WMATA Board and Management for their support in this initiative. We are optimistic that this program will further the mission of detecting, preventing, and prosecuting fraud committed against WMATA by improving the timing and quality of whistleblower tips. Similarly, in addition to the previously planned audits, in the upcoming year OIG will be examining WMATA contractors' compliance with their mandatory disclosure obligations and evaluating the effectiveness of the WMATA Suspension and Debarment program. All of these efforts will further OIG's goal of detecting and deterring fraud and preserving WMATA assets.

I would like to commend our staff for their diligence and commitment to the independent oversight mission of this office. I would also like to thank WMATA Management and its staff for implementing recommended corrective actions in a timely manner and for collaborating with OIG to achieve our shared goals. Finally, I would like to thank the Board of Directors for its continued support and the unique opportunity to lead this office and its dedicated staff in such critical work for WMATA and the region.

Kevin B. Muhlendorf  
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 keep the Board fully informed and keep the General Manager and Chief Executive Officer (GM/CEO) apprised of our work 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 inspire excellence in our people by encouraging their training, advancement, and professional educational development. 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.

OIG comprises two offices - Investigations (OI) and Audits & Evaluations (OA).

## OFFICE OF INVESTIGATIONS

OI staff has extensive law enforcement experience at the local, state, and federal levels conducting fraud, financial, administrative, misconduct, and myriad other criminal investigations. In addition, OI includes staff who are experts in data analytics and computer forensic investigations. Many OI staff are certified through the Association of Certified Fraud Examiners and/or the Association of Inspectors General. There are currently 21 employees in OI.



## **Investigations**

OI conducts criminal, civil, and administrative investigations relating to WMATA activities, programs, and operations. OI is responsible for investigating complaints from Congress, the partner jurisdictions, the WMATA Board of Directors, internal Authority sources, outside governmental agencies, and the public. OI is also responsible for investigating whistleblower retaliation complaints and assists the Metro Transit Police Department with internal affairs investigations of senior command staff. OI pursues proactive investigations through the recruitment of confidential informants and mining financial information to detect evidence of wrongdoing. Investigations can lead to criminal prosecution, civil penalties, disciplinary or other administrative action, or any combination thereof. OI also provides regular training to various WMATA departments.

## **Cybercrimes and Data Analytics**

OI Cybercrimes and Data Analytics Units manage the intake of OIG hotline complaints and determine the appropriate handling of those complaints. OI may investigate complaints or refer them to Management, OA for audit consideration, or another agency, as appropriate. The OI Cybercrimes and Data Analytics Units manage OIG's information technology, cyber, forensics, and data analytics programs. Their primary function is to provide investigative support and coordination to OIG investigations and audits. The Units' members also serve as subject matter experts in areas such as digital forensic analysis and the use of data analytics as a way to uncover fraud and misconduct in WMATA programs and activities. OIG coordinates with the Chief Information Officer, the Chief Information Security Officer, and all appropriate Information Technology (IT) staff to investigate cybercrimes that affect WMATA programs and operations.

## **OFFICE OF AUDITS & EVALUATIONS**

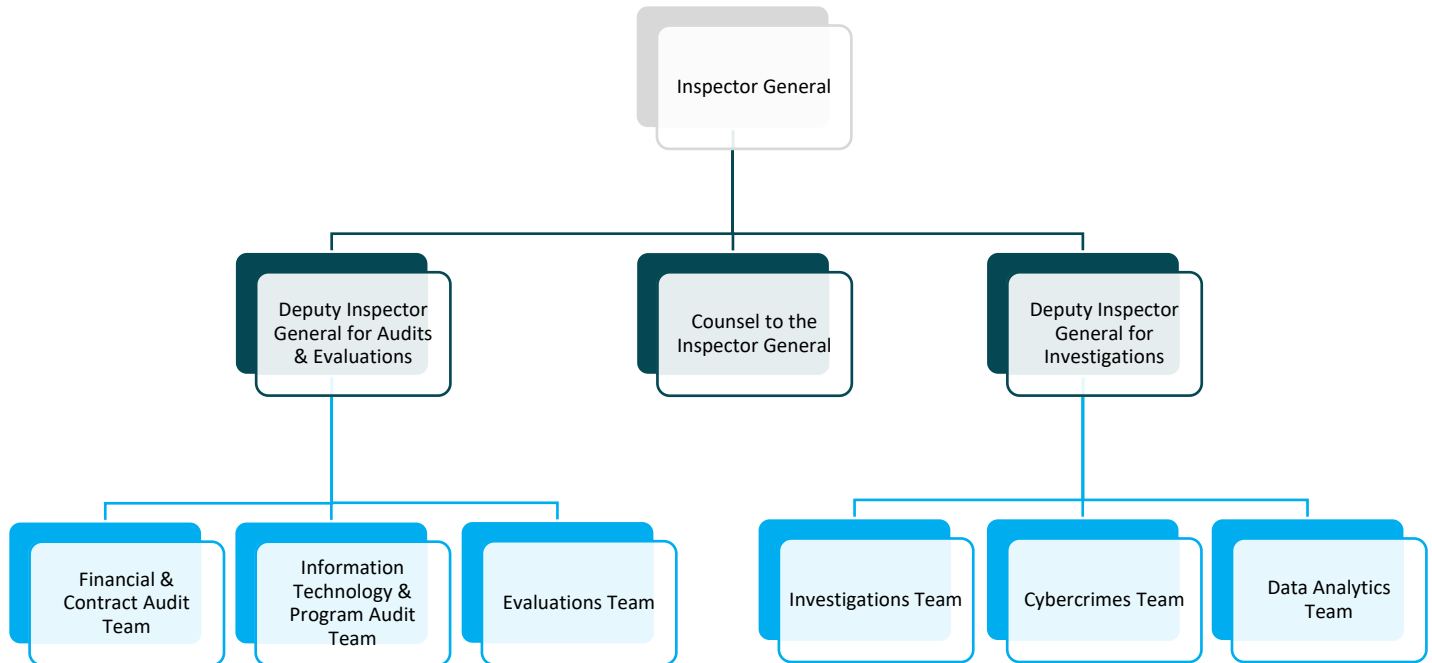
The Office of Audits & Evaluations (OA) comprises three divisions: financial and contract audits, performance audits (performing information technology and administrative audits), and evaluations. There are currently 18 employees in OA.

OA provides independent assessments of WMATA programs and operations that help reduce waste, abuse, fraud, and mismanagement and promote the economy, efficiency, and effectiveness of WMATA operations. OA also oversees WMATA's financial audit work conducted by an outside public accounting firm on behalf of OIG. Our staff comprises auditors and evaluators with educational backgrounds and degrees in accounting, finance, and information systems. Most staff have professional certifications as accountants, internal auditors, fraud examiners, and information systems auditors.

Each July, OIG issues an Annual Plan that summarizes the audits and evaluations planned for the coming fiscal year. OIG seeks management input from the Board of Directors, GM/CEO, and his senior executive leadership team as part of the planning phase. Unanticipated high-priority issues may arise that generate audits, reviews, and/or evaluations not listed in the Annual Plan.

The chart below identifies the leadership structure for OIG. This structure enables OIG to be more efficient in our work. Three factors in our work – timeliness, relevance, and impact – are key to the success of our work and the ability to bring positive change to WMATA.

## OIG ORGANIZATIONAL CHART







## 1 CRIMINAL MATTER



## 4 REPORTS OF INVESTIGATION



## 1 MANAGEMENT ALERT

# INVESTIGATIONS

## BACKGROUND

During this reporting period, OI conducted both criminal and administrative investigations involving allegations of wrongdoing. OIG Special Agents and Investigators work 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 MATTER

### **Indictment for Bribery & Theft Scheme**

A former WMATA employee responsible for the sale of surplus goods was indicted by a federal grand jury on conspiracy, aiding and abetting, theft, extortion, and bribery charges. The indictment alleges the WMATA employee demanded and accepted cash payments in exchange for favorable treatment in surplus property sales and knowingly converted and misapplied WMATA surplus property to a co-conspirator's use for their own enrichment. The matter is being jointly investigated by OIG, the Federal Bureau of Investigation, and the U.S. Attorney's Office.

## REPORTS OF INVESTIGATION

### **Unauthorized Diversion of Payroll Funds**

A WMATA employee reported the entirety of his WMATA payroll funds for a seven-month period, totaling \$34,761, had been diverted into an unknown bank account without his consent. OIG's investigation confirmed the payroll funds were received by another WMATA employee who failed to report the improper receipt of funds to Payroll, though there was insufficient evidence to prove intent. The matter was referred for criminal prosecution and declined.

Based on OIG's reporting, WMATA implemented additional internal controls to mitigate the likelihood of future unauthorized payroll diversions in the payroll system.

## **Unauthorized Network Access**

WMATA's Office of Cybersecurity reported a security incident involving a former IT contractor who accessed WMATA's network after his separation from WMATA. OIG's investigation found the former contractor retained access to WMATA systems after his access should have been terminated. With the former contractor's consent, OIG subsequently took forensic action to remove WMATA data from the computer and render remaining WMATA data inaccessible to the extent possible. As a result of this incident, in FY 2024, OA initiated and completed two evaluations which sought to strengthen WMATA's contractor offboarding and the background screening processes. WMATA management concurred with OA's recommendations and has agreed to recommended improvements in both processes, which are underway and being monitored by OA (see discussion on page 20).

## **Alleged Purchase Card Violation**

OIG received an allegation that multiple WMATA senior executives inappropriately used a WMATA-issued purchase card for prohibited travel-related expenditures, and that a WMATA Senior Vice President (SVP) knowingly allowed them to do so in lieu of following WMATA's travel program procedures. OIG's investigation determined the SVP provided an exception to use a WMATA-issued purchase card for travel expenditures in this instance and had authorization by policy to do so. OIG found no evidence of misconduct when reviewing the purchase card transactions made. WMATA subsequently revised policies and procedures for business travel, which now include the use of a central travel card for these expenditures to increase efficiency and accountability going forward.

## **Time and Attendance Fraud**

OIG received an allegation that three WMATA employees in the Legal Department were engaging in time and attendance fraud. There was sufficient evidence for OIG to determine two of the three employees had engaged in a pattern of misconduct for portions of their workday without the knowledge or approval of their supervisor. They resigned while still under OIG investigation. There was no evidence to substantiate the allegations against the third employee.

# **MANAGEMENT ALERT**

## **Roadway Worker Protection (RWP) Training Investigation**

OIG issued a Management Alert highlighting RWP Training managers' failure to take effective action to address complaints about prolonged time and attendance abuses committed by four RWP Training Instructors. OIG received allegations this behavior was ongoing and could adversely affect the overall quality of the RWP Training program and the overall safety of employees and contractors on the tracks.

OIG determined four RWP Training Instructors routinely ended RWP training classes early, departed their designated worksite early without authorization, and utilized electronic devices in a way that gave the false impression they were clocking out from their worksite as required when, in reality, they were physically elsewhere. Evidence demonstrated department managers were aware of the potential time and attendance abuses as early as March 2022, but failed to take meaningful action to stop the behavior. The four Training Instructors and three managers were terminated following the completion of the OIG investigation.

# HOTLINE ACTIVITY

The OIG Hotline receives information from WMATA employees, customers, vendors, and the 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 3 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 following the COVID-19 pandemic, the volume of complaints received during this reporting period is significantly lower than in previous reporting periods.

Beginning in December 2023, OIG studied whistleblower award programs, both in the federal government and at the state and local levels, in an effort to increase the number, quality, and timeliness of tips related to fraud, waste, or abuse impacting WMATA. As a result, in January 2024, OIG announced the launch of a pilot program to pay whistleblowers up to \$10,000 for tips leading to a recovery of at least \$250,000 or savings to WMATA of at least \$1,000,000. Details on the program and how to submit a tip can be found here: [Whistleblower Award Program](#).

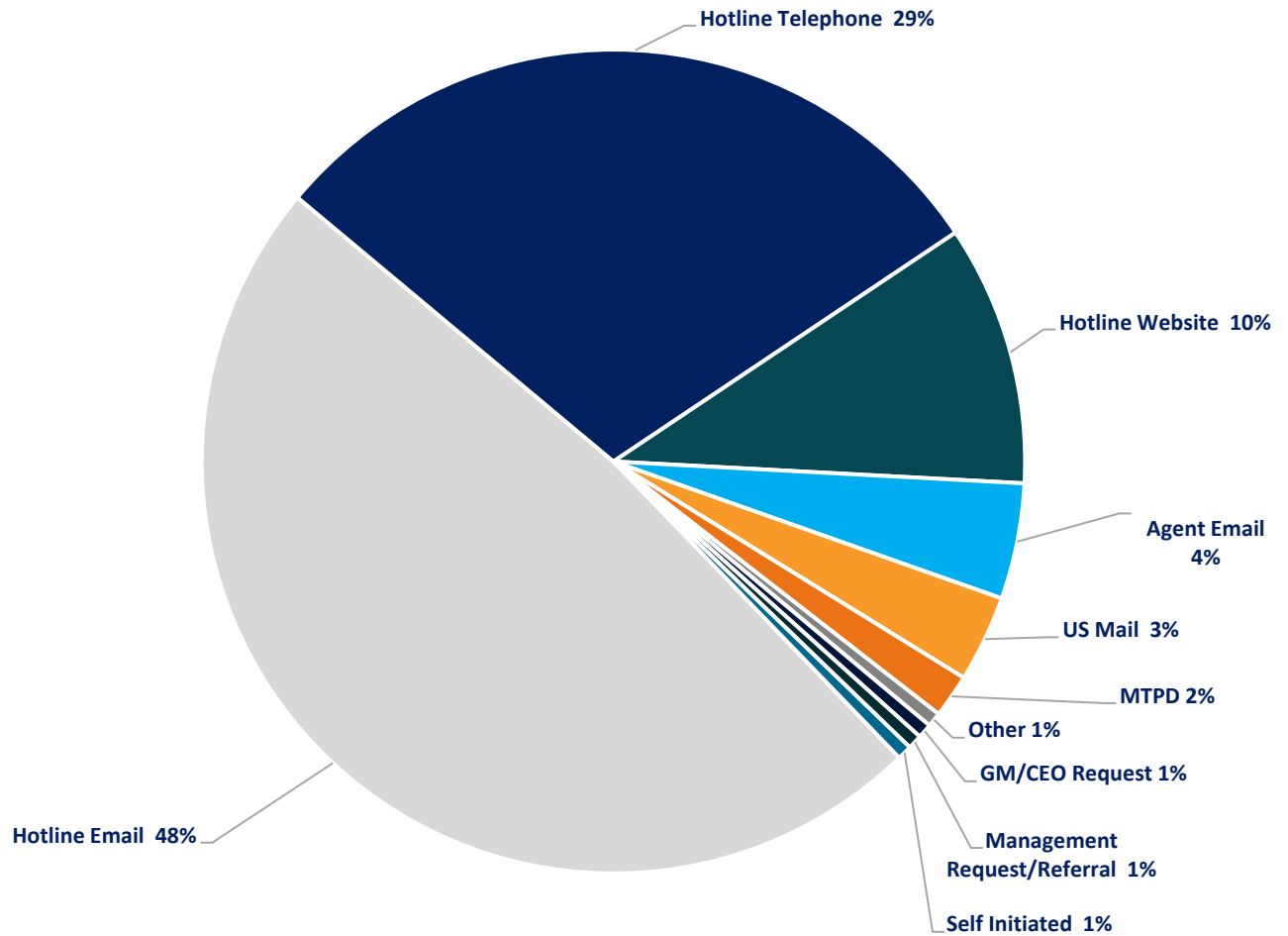
TABLE 1: HOTLINE COMPLAINTS RECEIVED<sup>1</sup>

Total Complaints Received	176
Investigations Initiated from Complaints	2
Open	17
Referred to Management or Other Entity	119
Closed - No OIG Action	38

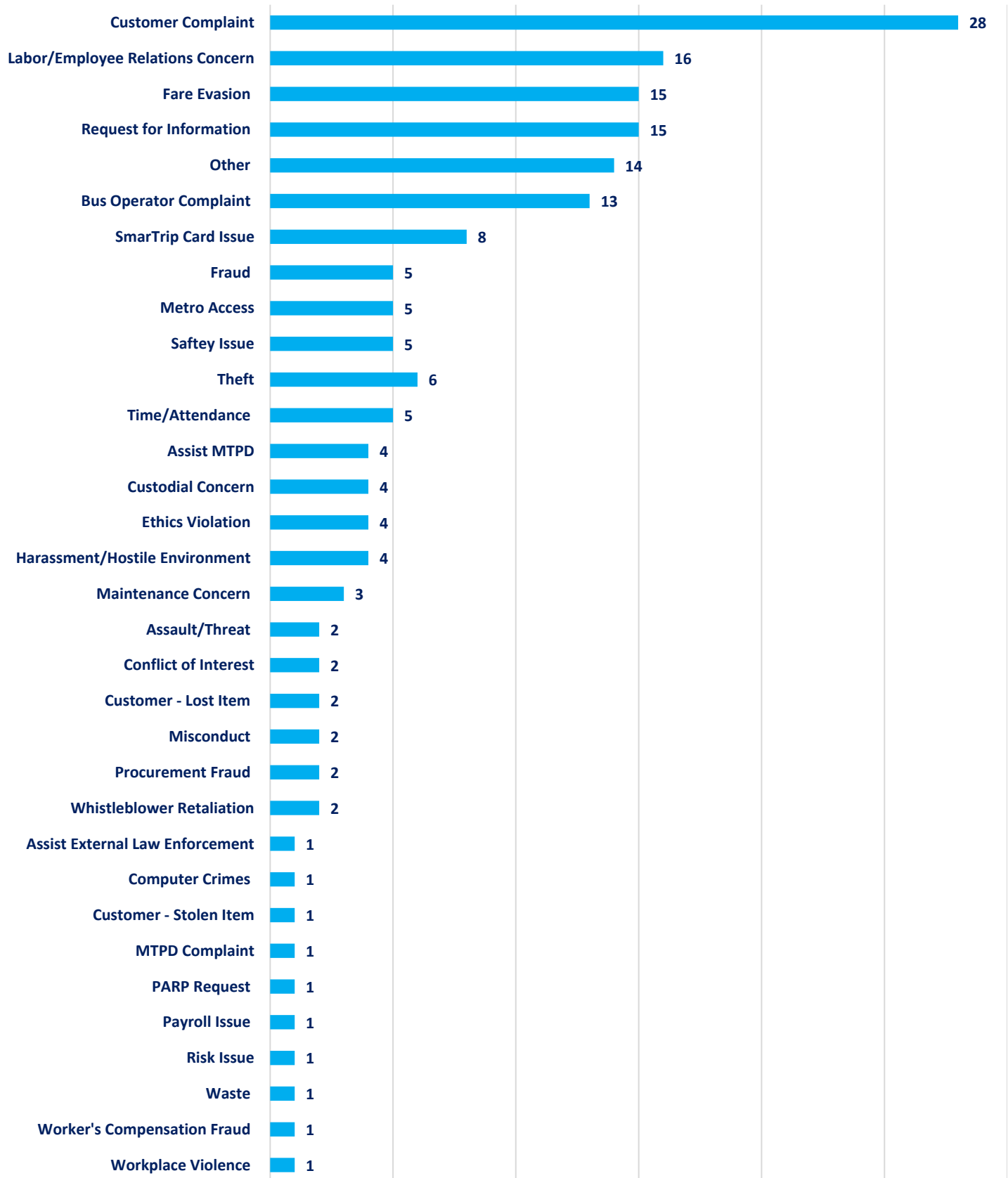
<sup>1</sup> As of December 31, 2023.



**TABLE 2: PERCENTAGE OF HOTLINE COMPLAINTS BY THEIR SOURCE**



**TABLE 3: CATEGORIES OF HOTLINE COMPLAINTS**





4 AUDIT REPORTS

# AUDITS & EVALUATIONS



11 CONTRACT AUDITS



3 BUY AMERICA AUDITS



1 EVALUATION  
REPORT

## 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 four audit reports, 14 procurement contract audit reports, and one evaluation report. OA's audit and evaluation work identified \$11.1 million<sup>2</sup> in possible savings during this reporting period.

An additional eight performance audits, one financial audit, 21 procurement and contract audits, and three evaluations were in progress as of December 31, 2023.

## AUDIT SUMMARIES

### WMATA's Single Audit for FY 2023

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

The objective of the 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. OIG is responsible for overseeing 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



\$11.1 MILLION  
IDENTIFIED IN  
POSSIBLE SAVINGS

<sup>2</sup> The \$11.1 million comprises \$10.8 million in potential savings from contract audits and \$322,311 from implementing a corrective action plan for the Non-Revenue Vehicle Program evaluation.

## **Audit of WMATA's SmarTrip Regional Partner Comparative Billing Statements Fiscal Years Ended 2022 & 2021**

WMATA has a funding agreement with ten local jurisdictions (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 was to express an opinion on WMATA's SmarTrip Regional Partner Comparative Billing Statements for FYs 2022 and 2021. OIG retained RSM US, LLP (RSM) to conduct this annual audit.

**Audit Results:** WMATA received an unmodified opinion. An unmodified opinion, also known as a clean opinion, indicates that the SmarTrip Regional Partner Comparative Billing Statements are free of material misstatements or errors.

RSM identified a significant deficiency in internal control during the audit. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

RSM recommended that WMATA evaluate the processes in place related to the review of the completeness and accuracy of the expenses being included in the report in accordance with the reporting framework. In addition, RSM recommended that WMATA increase the depth of resources capable of assisting with the preparation of this report.

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

On November 6, 2021, Congress passed the Infrastructure Investment and Jobs Act. The legislation, in part, aims to improve transportation options for millions of Americans and reduce greenhouse emissions; build a national network of electric chargers and upgrade the power infrastructure; and make 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 was to assess WMATA’s implementation of the Act, including whether (1) specific Act requirements are being met, including reforms and deadlines, (2) projects outlined in the Act are appropriately prioritized, and (3) funds are being applied and used in accordance with the Act.

Audit Results: With the exception of certain reforms to OIG independence, OIG determined that WMATA complied with the IIJA mandates and reforms, specifically for the areas of jurisdictional dedicated funding, capital planning policies, transit asset management process, outcome performance measures, annual reporting, implementation of new technology to include cybersecurity, and continued integration of new wireless services and emergency networks. OIG published a report on this Audit, available here: [Review of WMATA’s Compliance with Infrastructure Investment and Jobs Act](#).

## **Audit of WMATA’s Financial Statements for FY 2023**

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 Chair 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 objectives of this audit were 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.
- Assess WMATA’s compliance with the Office of Management and Budget’s Uniform Guidance.

Audit Results: The external auditor conducted the audit, and OIG performed oversight and monitoring procedures to ensure the completion of the audit deliverables. In November 2023, WMATA’s Financial Report for the years ending June 30, 2023 and 2022 was issued. WMATA received an unmodified “clean” opinion on the report.

## **AUDITS IN PROGRESS**

### **Audit of WMATA’s Cybersecurity Program**

According to the 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 daily, representing 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 U.S.’s largest gas pipeline.

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 Cost Reduction Strategies for WMATA's Data Center**

Data center cost optimization involves identifying and implementing strategies to reduce expenses while maintaining or improving the efficiency and performance of the data center. The Office of Infrastructure & Operations manages the data center infrastructure, and is responsible for designing, building, maintaining, and monitoring a robust, state-of-the-art IT infrastructure, enabling Metro to deliver safe, reliable, and efficient transit services. With MetroMoves, a new data center is being built at Mill Road to replace the Jackson Graham Building (JGB) data center, and the Carmen Turner Facility (CTF) is also being upgraded. Additionally, an Equinix data center is being leased temporarily to replace JGB.

The objective of the audit is to determine whether WMATA has implemented data center cost reduction initiatives or strategies.

## **Audit of WMATA's Software License Management**

Software licenses come with specific terms and conditions to which organizations must adhere. Non-compliance can result in legal and financial consequences. Effective software license management enables organizations to optimize their software expenditures. By tracking licenses accurately and efficiently, redundant or underutilized licenses can be identified and reallocated, potentially leading to cost savings. In addition, poor software license management can expose organizations to security risks and vulnerabilities. Unlicensed or outdated software may lack important security updates and patches, making systems more susceptible to cyber threats.

The objective of the audit is to determine whether Digital Modernization has established adequate controls to manage WMATA's software licenses.

## **Audit of WMATA's Travel Expenses**

Travel expenses are the ordinary and necessary costs associated with traveling for the purpose of conducting business-related activities. According to WMATA policies, the expenses consist of reimbursable meals, lodging, mileage, transportation, parking, and miscellaneous expenses related to official WMATA business travel. Official travel means travel in connection with the performance of the traveler's duties to serve and benefit the interest of WMATA.

The objective of the audit is to determine whether internal controls for WMATA's travel expense program are effective and efficient - specifically to:

- Determine whether employee travel expense reimbursements comply with WMATA and federal travel program policies and procedures.
- Examine the processes for pre-approval and expense reimbursements.

## **Audit of WMATA's Change Order Management Process**

According to WMATA's Procurement Best Practices Manual, a contract modification is any written alteration of specification, delivery point, frequency of delivery, period of performance, price, quantity, or other contract provisions.

The objective of the audit is to determine the effectiveness and efficiency of the internal controls for WMATA's contract change order and modification process. The audit will assess whether change orders were in accordance with the contract terms and conditions. The audit objective will also include verifying cumulative change order amounts as a percentage of original contract amounts and benchmarking to available industry standards.

## **Procurement Award Process**

Procurement fraud includes the unlawful manipulation of the procurement process to acquire goods and services, or to obtain an unfair advantage during the bidding process.

The audit objective is to determine whether the procurement process is efficient and effective. The audit will also assess whether WMATA complied with competitive bidding requirements and other applicable procurement guidelines. Lastly, OIG will assess barriers to the competitive procurement bidding process and identify best practices.

## **Audit of WMATA's Underground Storage Tanks**

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

The objective of the audit is to determine the effectiveness of managing the underground storage tank program.

## **Audit of WMATA's SmarTrip Regional Partner Comparative Billing Statements Fiscal Years Ended 2023 & 2022**

WMATA has a funding agreement with ten local jurisdictions (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 2023 and 2022.

## **PROCUREMENT AND CONTRACT AUDITS**

OIG issued 11 contract audits and three Buy America Act audits that identified at least \$10.8 million in possible savings. 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 its contract negotiation process. These audits may uncover fraud, waste, abuse, or other procurement-related issues. Because these reports generally involve contractor proprietary information, the reports are not posted on OIG's website and are not publicly distributed. The types of reviews and methodology are as follows:

- **Pre-Negotiation** - Assess a contractor's proposal (e.g., labor rates, indirect rates, materials, etc.) to determine whether 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 whether the contractor has adequate financial resources and meets the applicable standards for a responsible prospective contractor.
- **Buy America** - Assess the pre-award and post-delivery certification of rolling stock vehicle compliance with the Federal Transit Administration's Buy America Act regulations by reviewing supplier certifications, invoices, and final assembly costs.



# SUMMARY OF CONTRACT AUDITS

From July 1, 2023, through December 31, 2023, OIG issued 11 contract audits and three Buy America Act audits.

**Table 4: Contract and Buy America Audit Reports**

Report Number	Report Title	Date Issued	Possible Cost Savings
CAR 24-001	Independent Review of Price Proposal, Contract No. FIRPG21113, PCO No. 1680, Structure Package A	07/12/2023	\$596,638.14
CAR 24-002	Post-Delivery Buy America Audit, Contract No. 0000007828, Low-No Emissions Program	07/18/2023	N/A
CAR 24-003	Independent Review of Proposed Rates, Contract No. FQ18033, General Architecture and Engineering Consultant Services-PMCM	08/3/2023	TBD
CAR 24-004	Independent Review of Pre-Award, Contract No. CLAND211254, Real Estate “On-Call Services” MATOC-IDIQ	08/15/2023	N/A
CAR 24-005	Independent Review of Proposed Rates, Contract No. CLAND211254, Real Estate “On-Call Services” MATOC-IDIQ	08/23/2023	TBD
CAR 24-006	Independent Review of Proposed Indirect Rates, Contract No. FRBIR222210, Dry Fire Standpipe Replacement	08/24/2023	TBD
CAR 24-007	Pre-Award Buy America Audit, Contract No. FACCS222218-SV, Ramp-Equipped Minivans and Upfitting Services	10/05/2023	N/A
CAR 24-008	Pre-Award Buy America Audit, Contract No. FACCS222159-SV, Ramp-Equipped Minivans and Upfitting Services	10/12/2023	N/A
CAR 24-009	Independent Review of Price Proposal, Contract No. CIRPG211139, Mechanical Systems Rehabilitation at CTF	10/23/2023	\$172,854.87
CAR 24-010	Independent Review of Proposed General and Administrative (G&A) Rate, Contract No. FIRPG211167, Replace of Drainage Pumping Stations and Drainages	10/30/2023	N/A
CAR 24-011	Independent Review of Price Proposal, Contract No. FIRPG211104, Tunnel Ventilation Pilot Project	11/08/2023	\$221,421.43
CAR 24-012	Independent Review of Price Proposal, Contract No. CBMNT233060-BTK, Non-Warranty Repair Services to Allison Propulsion Systems	11/09/2023	\$9,796,141.31
CAR 24-013	Independent Review of Proposed Rates, Contract No. FQ18033, General Architectural and Engineering Consultant Services-PMCM	11/14/2023	TBD
CAR 24-014	Independent Review of Pre-Award, Contract No. FLAND244003-F, Bike Parking Equipment – Operations & Maintenance	12/13/2023	N/A

## EVALUATIONS SUMMARIES

### Review of WMATA’s 7000-Series Rail Cars Cannibalization for Spare Parts

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

OIG observed gaps in processes and procedures with potential safety implications. OIG found that WMATA does not clearly define what constitutes a safety-sensitive/safety-critical part. OIG also identified a lack of compliance with standard operating procedures related to the cannibalization of rail cars. OIG published a report on this Evaluation, available here: [Review of WMATA's 7000-Series Rail Car Cannibalization for Spare Parts](#).

## **EVALUATIONS IN PROGRESS**

### **Review of WMATA's Purchase Card Program (Continuous)**

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

### **Review of WMATA's Contractor Background Screening Program**

Background screenings help safeguard the integrity and trustworthiness of current and prospective employees of WMATA, and its contractors' employees. The objective of this review is to evaluate the management and oversight of WMATA's contractor background screening program, including its compliance with applicable regulations, policies, and procedures.

### **Review of WMATA's Contractor Offboarding Program**

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

## **CORRECTIVE ACTIONS ON 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 OIG recommendations that are outstanding. In every case, management's ongoing actions will correct the deficiency identified during the audit.

**Table 5: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed as of December 31, 2023**

Report Number	Report Title	Date Issued	Open	Final Action Completed	Total Recommendations	Latest Target Date for Completion
MAR-19-0003	Cybersecurity Vulnerabilities - 7000 Series Railcars	02/22/2019	1	3	4	06/30/2024
OIG 19-10	Audit of WMATA's End-of-Service Life Operating System Software	05/01/2019	3	3	6	12/15/2023
OIG 19-11	Audit of WMATA's Software Asset Management Program	06/19/2019	1	0	1	12/15/2023
IE-19-0001	Evaluation of WMATA's Inventory Practices	01/06/2020	2	3	5	01/31/2024
OIG 21-05	Review of WMATA's Improper Payments	06/28/2021	1	0	1	12/31/2023
OIG 22-01	Review of WMATA's Mission Critical Legacy Systems	08/24/2021	3	0	3	03/31/2023
MAR-22-0001	Pension Plan Overpayments	10/28/2021	1	5	6	06/30/2024
OIG 22-02	Audit of WMATA's Controls and Accountability of Fuel or Non-Revenue Vehicles	01/27/2022	6	5	11	12/31/2023
MA-22-0003	Audit of WMATA Cybersecurity Program – Critical Cybersecurity Vulnerabilities	05/17/2022	5	1	6	12/31/2022
OIG 22-06	Audit of WMATA's Health and Welfare Plan Management	06/23/2022	9	0	9	01/15/2024
OIG-23-01	Audit of WMATA's Defined Benefit Pension Plan	07/28/2022	6	0	6	12/31/2024
OIG-23-003	Review of WMATA's Non-Revenue Vehicle Program	01/26/2023	3	10	13	06/30/2023
MAR-23-003	OIG Concerns Over Critical Cybersecurity Vulnerabilities That Remain Unresolved	02/17/2023	5	9	14	03/31/2025
OIG 23-007	Audit of WMATA's Procurement Pre-Award Cycle Time	06/08/2023	6	4	10	12/31/2023
OIG 23-008	Audit of WMATA's Money Train Operations	06/22/2023	8	4	12	12/31/2023
OIG 24-001	Review of WMATA's 7000-Series Rail Car Cannibalization for Spare Parts	09/28/2023	5	0	5	03/31/2024
OIG 24-03	Review of WMATA's Compliance with the Infrastructure Investment and Jobs Act	11/06/2023	3	0	3	TBD



## REPORT FRAUD, WASTE, OR ABUSE AT WMATA

EMAIL: hotline@wmataoig.gov

PHONE: 1-888-234-2374

FAX: 1-800-867-0649

WEBSITE: [www.wmataoig.gov](http://www.wmataoig.gov)

MAIL: WMATA  
Office of Inspector General  
Hotline Program  
500 L'Enfant Plaza, S.W., Suite 800  
Washington, D.C. 20024