

Annual Audit and Evaluation Plan Fiscal Year 2026





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Inspector General's Message to the Board of Directors

I am pleased to present the Washington Metropolitan Area Transit Authority (WMATA) Office of Inspector General's (OIG) FY 2026 Annual Audit and Evaluation Plan, which outlines the audit activities and priorities for the upcoming year. The Plan is part of OIG's mission to combat fraud, waste and abuse, ensure integrity and accountability, and promote economy, efficiency, and effectiveness in WMATA's programs and activities.

The development of this year's plan included a comprehensive risk assessment process that incorporated valuable input from a diverse group of stakeholders. While we engaged with executive leadership and members of the Board, we also reached deeper into the organization to hear from managers and team leaders who have first-hand knowledge of WMATA processes, challenges, and risks. Their practical insights were instrumental in helping us sharpen our focus on areas of critical importance.

Our FY 2026 plan builds on key areas of focus established in prior years, while also addressing emerging issues and evolving organizational priorities. We have incorporated audits that are new in scope, as well as projects that continue or expand upon work initiated in FY 2025. As always, we recognize that risk is dynamic. Accordingly, the plan has been designed to remain flexible and responsive. While it reflects our current priorities, we fully expect that circumstances may shift, requiring us to reassess and reallocate our resources to respond to new challenges as they arise.

We prioritized high-impact areas where we believe that audits and evaluations can provide the most value. Our planned work spans a diverse set of operational and strategic focus areas ranging from safety and infrastructure investment to financial management, procurement, and information technology risk. Our Plan closely aligns with WMATA's mission, performance goals, and Strategic Transformation Plan.

We deeply appreciate the collaboration and support of the Board, management, and staff in shaping this plan. We look forward to continuing to work with all our stakeholders to meet our goals, fulfill our mission, and help riders, employees, and contractors travel safely through our system.

Michelle Zamarin

Michelle A. Zamarin
Inspector General



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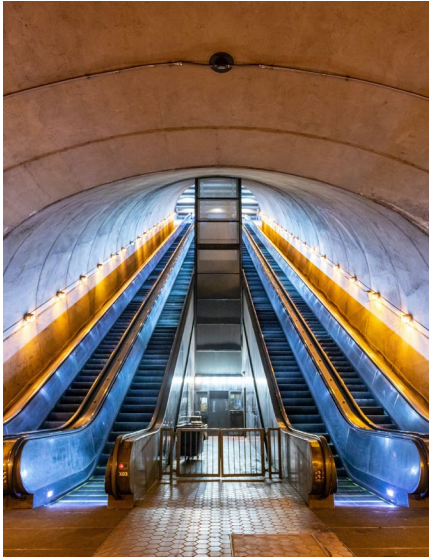
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Summary of Audits and Evaluations for Fiscal Year 2026

This Audit and Evaluation Plan generally aligns with WMATA's Strategic Transformation Plan entitled "Your Metro, The Way Forward." The strategic plan identifies the major challenges and critical risk areas facing WMATA and identifies opportunities for the region to work collaboratively to meet these challenges. This strategic plan was developed by the Board and management to guide WMATA's decision-making. It connects the mission, vision, and goals with actionable initiatives that will drive progress. OIG audit resources will be directed in these areas in an optimum fashion, as well as to determine cost savings opportunities and efficiencies.

The process we used to select and prioritize proposed audits and evaluations was disciplined and risk-based. Factors OIG considered include the following:

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

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

 **Safety, Regulatory, and Compliance**
 **Financial Exposure**
 **Audit Experience**

 **Information Technology and Cybersecurity**
 **Mission Critical Operations**
 **Reliability and Customer Service**

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

Below is a summary of the audits and evaluations to be conducted in FY 2026, along with the associated risk level. A more detailed description follows.

Audits and Evaluations	Organization	Overall Risk Rating
1. Evaluation of Security Cameras	Safety, Operations	5
2. Audit of ERP System Pre-Implementation Readiness	Digital Modernization	5
3. Effectiveness of the Track Rehabilitation Program (CIP 0024)	Infrastructure, Finance	5
4. Audit of the AIM-SCADA and Train Control Systems	Digital Modernization, Safety, Operations	5
5. Audit of Supply Chain Vulnerability Management	Digital Modernization, Operations	5
6. Evaluation of Radio Systems Replacement Project	Infrastructure, Operations	5
7. Audit of Account Payable Payments for Outside Party and Miscellaneous Vendors	Finance	5
8. Audit of the Vendor Master File and Supplier Portal	Finance, Procurement	5
9. Audit of Data Privacy Practices	Digital Modernization, People, Culture, & Inclusion	5
10. Audit of the Contract Closeout Process	Procurement, Finance	5
11. Audit of Sole Source Procurements	Procurement	5
12. Audit of Identity and Access Management and Zero Trust Framework	Digital Modernization	5
13. Audit of Succession Planning Focusing on the Effectiveness of the Knowledge Transfer Process	People, Culture, Inclusion	5
14. Evaluation of Real Property Asset Management	Finance	5
15. Audit of Cloud Computing Strategy	Digital Modernization	4

16. Audit of Transit Asset Inventory and Conditional Assessment	Infrastructure, Operations, Digital Modernizations	4
17. Evaluation of Warranty Management	Operations	4
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The Audit and Evaluation Plan also includes cyclical audits mandated by federal statute. These reviews include Financial Statement Audits, a Single Audit, and reporting requirements under the Infrastructure, Investment and Jobs Act (IIJA). Because these are required audits, they were not assessed a risk rating.

Safety, Reliability, & Convenience

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

1. Evaluation of Security Cameras (In Process)

WMATA is piloting enhancements to the Metro Integrated Command and Communications Control Center to improve situational awareness of operating conditions. These modernization efforts may include upgrades such as intrusion detection and access control systems, new intercoms, communication equipment, and the necessary supporting infrastructure. The capital improvement project (CIP) 0145, Facility Security Monitoring Equipment Program, aims to enhance safety, deter crime, and ensure proper functioning of monitoring equipment by overseeing stations and facilities both inside and outside, while also advancing communication with customers, employees, and public service announcements. The objective of the evaluation is to assess the functionality and operational effectiveness of security cameras across WMATA.

2. Audit of ERP System Pre-Implementation Readiness (In Process)

WMATA currently utilizes PeopleSoft as the primary system of record for its Financial (FIN), Human Capital Management (HCM), Enterprise Learning Management (ELM), and other critical operational activities, supporting over 14,000 users across the organization. WMATA plans to implement a new enterprise resource planning (ERP) system to enhance operational efficiency and improve financial reporting. This initiative aims to deploy an integrated suite of enterprise solutions designed to elevate service delivery, adopt best practices, and significantly boost the efficiency and effectiveness of WMATA's customer service and business processes. On October 2, 2023, WMATA awarded a \$97,485,148 contract to implement Oracle Fusion as WMATA's new ERP solution. The period of performance is October 6, 2023, through October 5, 2027.

The objective of this audit is to assess WMATA's pre-implementation readiness for the new ERP system and ensure that a sound project management framework is in place to support an effective and efficient implementation process.

3. Effectiveness of the Track Rehabilitation Program (CIP 0024)

This program replaces, rehabilitates, and provides preventative maintenance for rail systems to maintain a state of good repair. This includes rail replacement, stray current mitigation, track bed cleaning, drain rodding, vegetation control, and other related

activities. The program aims to prevent potential safety incidents and minimize disruptions to service, as measured by the Rail Infrastructure performance target of $\leq 3.0\%$ of track unavailability.

The audit/evaluation objective is to assess whether WMATA has effectively utilized jurisdictional funding to address this major CIP. The evaluation will focus on WMATA's ability to:

- Effectively manage the CIP project;
- Meet the requirements of the related contract;
- Achieve CIP milestones; and
- Adhere to the planned CIP budget.

4. Audit of the AIM-SCADA and Train Control Systems

The Advanced Information Management (AIM) rail system allows the WMATA dispatchers and supervisors to manage all rail line traffic, power traction devices, and station equipment by receiving information from the field, processing it, and displaying it on workstations and large projection screens. AIM is the nerve center of the rail train system and is used in the Metro Integrated Command and Communications Center.

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

5. Audit of Supply Chain Vulnerability Management

The Supply chain vulnerabilities pose a growing cybersecurity risk as attacks targeting third-party vendors increase, potentially causing widespread disruption across interconnected networks. Third-party providers may lack strong security controls, and limited visibility into their practices can leave organizations vulnerable to emerging threats. To address these risks, organizations require vendors to meet recognized security standards and establish clear contractual cybersecurity obligations and incident response protocols.

This audit will assess the adequacy and effectiveness of WMATA's measures to mitigate supply chain vulnerabilities. The review aims to identify potential risks, evaluate compliance with security standards, and enhance efficiency, transparency, and accountability across the supply chain. Given the growing frequency and impact of supply chain attacks, the audit will also examine WMATA's efforts to protect its operations and assets.

6. Evaluation of the Radio System Replacement Project

WMATA's Radio System Replacement Project is a multi-year effort to upgrade the agency's aging communications infrastructure to improve operational reliability and rider safety. Originally slated for completion in 2022, the project has been delayed to CY 2026. Reliable radio communications are critical for coordinating train movements, dispatching emergency services, and ensuring rider and employee safety. The extended timeline and shifting project scope have increased operational and financial risks, making effective project management, risk mitigation, and governance essential.

This audit will assess the effectiveness of WMATA's project management, oversight, and risk controls for the Radio System Replacement Project.

Financial and Environmental Sustainability

WMATA's FY 2026 operating and capital budget totals \$5 billion and remains grounded in WMATA's commitment to enhancing system safety, reliability, and financial accountability. To improve controls and ensure that expense and capital dollars are spent efficiently and effectively, OIG will continue to conduct audits in fiscal areas. We have six reviews in this area.

1. Contract Audits (Continuous)

OIG provides financial advisory services to WMATA's procurement staff responsible for acquisition and contract administration. OIG's support ensures WMATA gets the best value for every dollar spent on contracts. OIG achieves this by conducting independent, professional reviews of financial representations made by contractors. OIG helps to determine whether contract costs are allowable, allocable, and reasonable. WMATA's procurement staff relies on OIG's audit findings and suggested adjustments to negotiate better prices and settlements with major WMATA contractors. OIG also assesses 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. In FY 2025, OIG completed 34 contract audits and currently has 13 others to complete, with a growing list in the new fiscal year.

2. Fiscal Year 2025 Financial Statements Audit (In Process)

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

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

3. Fiscal Year 2025 Single Audit (In Process)

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

of the audit is to ensure that a recipient of federal funds is following the federal program's requirements. OIG is responsible for overseeing WMATA's Single Audit.

4. SmarTrip Regional Partners Billing Statements Audit

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

5. Audit of Accounts Payable Payments for Outside Party and Miscellaneous Vendors (In Process)

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

6. Audit of the Vendor Master File and Supplier Portal (In Process)

The vendor master file and the supplier portal are critical components of WMATA's financial and procurement operations, serving as the centralized repository for all vendor-related information. It includes key details such as vendor names, addresses, contact information, payment terms, and banking details. While the vendor master file database facilitates efficient vendor management and payment disbursements, the supplier portal supports the procurement processes to ensure adequate competition among all eligible vendors. The integrity and reliability of the vendor master file and supplier portal are crucial for ensuring financial transparency and accountability. The accuracy of vendor information and adherence to procurement policies must also be assessed. Maintaining a clean and reliable vendor master file and supplier portal supports informed decision-making, strengthens vendor relationships, and safeguards WMATA's financial interests.

The objective of the audit is to determine if WMATA has effective internal controls over its:

1. Vendor master file; and
2. Supplier portal.

Information Technology and Procurement

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

1. Audit of Data Privacy Practices (In Process)

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

2. Audit of Cloud Computing Strategy (In Process)

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, ease of scalability, and procurement efficiencies, and (3) operational efficiencies and security. WMATA has a limited presence in cloud computing. The objective of the audit is to assess the strategy and plan for migrating applications to the cloud.

3. Audit of Contract Closeout Process

A contract closeout occurs when all contract terms have been fulfilled, all administrative actions have been completed, disputes have been resolved, and the final payment has been made. Closing contracts within the expected time frame can help minimize WMATA's exposure to financial risks by identifying and recovering improper payments. Timely closeout also allows departments to deobligate and reallocate funds from completed contracts.

The audit objective is to determine whether WMATA has adequate controls in place to ensure that contracts are closed out timely and accurately and that funds are properly deobligated.

4. Audit of Sole Source Procurements

Sole source procurements are contracts awarded without competitive bidding and are allowed only in limited situations. They require strong safeguards to protect fairness and ensure good value for taxpayers.

This audit will explore whether WMATA's sole source contracting practices protect the public interest by limiting noncompetitive awards to appropriate circumstances and by maintaining transparency and accountability. Sole source decisions can affect competition, pricing, and vendor performance, making strong oversight essential. The review will help identify opportunities to strengthen procurement controls, reduce the risk of overreliance on sole source awards, and promote greater confidence in WMATA's purchasing practices. The objective of the audit is to evaluate whether WMATA's sole source procurements are justified, transparent, and provide fair value in accordance with applicable policies and regulations.

5. Audit of WMATA's Identity and Access Management and Zero Trust Framework

Identity and Access Management (IAM) is a core element of WMATA's cybersecurity strategy, ensuring that only authorized individuals and devices can access sensitive systems and data. The Zero Trust framework strengthens this security by requiring continuous verification of identities and devices, regardless of whether access requests originate inside or outside WMATA's networks. With more than 10,000 employees, contractors, and vendors accessing WMATA's information systems—including payment card data (PCI), personal information (PII), and medical records—effective IAM controls are essential to prevent unauthorized access, protect privacy, and safeguard critical business operations.

The audit will assess the effectiveness of WMATA's IAM and Zero Trust controls in protecting sensitive data, preventing unauthorized access, and evaluating compliance with applicable regulatory requirements.

Talented Teams and Asset Management

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

1. Audit of Succession Planning focusing on the Effectiveness of the Knowledge Transfer Process

Succession planning is critical to maintaining operational continuity and leadership stability within WMATA. A key component of effective succession planning is the transfer of knowledge from outgoing employees to their successors, ensuring that institutional expertise is retained and effectively utilized by the next generation of leaders. The effectiveness of this knowledge transfer process directly impacts the organization's ability to maintain service quality, mitigate risks, and sustain its strategic objectives during leadership transitions. This audit will assess the overall effectiveness of WMATA's succession planning efforts, emphasizing the processes and mechanisms in place for knowledge transfer. The audit will examine whether current practices adequately capture and transfer critical knowledge and whether documentation and training efforts support a smooth transition.

The objective of this audit is to identify any gaps or weaknesses in the succession planning and knowledge transfer processes that could hinder WMATA's ability to maintain operational continuity and achieve its long-term goals.

2. Evaluation of Real Property Asset Management

WMATA holds and manages over 1,000 acres of real estate across the District of Columbia, Maryland, and Virginia. This includes rail stations, rail yards, parking facilities, bus loops, maintenance facilities, track infrastructure, and office buildings, supporting both operational needs and administrative functions. The management of these assets not only supports transit operations but also aims to promote Metro ridership, enhance community development, and contribute to WMATA's financial sustainability.

The objective of this evaluation is to determine whether WMATA effectively manages its real property asset portfolio. This includes maintaining a comprehensive inventory of assets, guiding real estate development, and overseeing facilities and space utilization to maximize value, support operations, and advance WMATA's strategic mission.

3. Audit of Transit Asset Inventory and Conditional Assessment

WMATA maintains a comprehensive transit asset inventory encompassing all vehicles, infrastructure, and equipment essential for transportation operations. This inventory serves as a vital resource for strategic planning, maintenance scheduling, and budget allocation.

Regular assessments of asset conditions are conducted to evaluate their performance, safety, and reliability. These assessments involve systematic inspections, data collection, and analysis to identify maintenance needs, prioritize investments, and ensure compliance with regulatory standards. As part of WMATA's transit asset management plan framework, the integrity of the transit asset inventory and the condition assessment process should be validated. Additionally, data accuracy and compliance with asset management policies should be verified. The audit objective is to determine whether WMATA has effective internal controls for managing the transit asset inventory and conditions assessment.

4. Evaluation of Warranty Management

Warranties help protect WMATA's investment in buses, railcars, equipment, and other assets. In a typical warranty program, a manufacturer or vendor promises to repair or replace defective items within a set period at no cost to the customer. To fully benefit from these protections, WMATA must accurately track warranty terms, identify covered repairs, and submit timely, well-documented claims.

This audit will consider whether WMATA's warranty program safeguards public resources by maximizing reimbursements, reducing unnecessary repair costs, and holding vendors accountable for product quality. Effective warranty management can help recover significant funds, extend the life of assets, and improve operational efficiency. The review will also highlight opportunities to strengthen oversight and help WMATA obtain all benefits available under its warranty rights. The objective of this audit is to assess the effectiveness of the warranty program.

Infrastructure Investment and Jobs Act

On November 6, 2021, Congress passed the IIJA, a once-in-a-generation investment in our nation's infrastructure and competitiveness. The historic legislation, in part, 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 resilient to cyber-attacks.

IIJA Section 30019(d)(2)(E)(iii) requires WMATA OIG to issue a report two and five years after the enactment of the IIJA that includes, in part, an assessment of the effective use of funding to address major capital improvement projects. We have several ongoing and proposed reviews in this area, as shown in the sections above.

Authority, Mission, and Contact Information

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

Hotline

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

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