



M E M O R A N D U M

SUBJECT: Restatement of WMATA's Single
Audit for FY2024 (OIG 26-06)

DATE: March 12, 2026

FROM: OIG – Michelle A. Zamarin

TO: GMGR – Randy S. Clarke

This restated Single Audit Report for the fiscal year ended June 30, 2024, replaces and supersedes the previously issued auditor's report dated October 30, 2024. Subsequent to the issuance of the Authority's original schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2024, WMATA identified a timing-related difference affecting the presentation of the schedule. The SEFA excluded expenditures that were later determined to be allowable under the Department of Homeland Security's Rail and Transit Security Grant Program. The restatement resulted in one additional major program, Rail and Transit Security Grant Program 97.075, being tested for the fiscal year ended June 30, 2024, in accordance with the requirements of the Uniform Guidance.

The Single Audit Act, as amended, requires an independent external auditor to audit the WMATA's federal awards annually in accordance with applicable standards. In compliance with this requirement, OIG retained RSM US, LLP (RSM) to conduct this annual audit. Transmitted with this memorandum is RSM's report, which contains the following:

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

Objective of a Single Audit

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

RSM's audit and examination were made in accordance with:

- Auditing standards generally accepted in the United States of America;
- Standards applicable to the financial audits, contained in Government Auditing Standards issued

- by the Comptroller General of the United States; and
- Attestation standards established by the American Institute of Certified Public Accountants.

The audit included, among other things, obtaining an understanding of WMATA and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal control over financial reporting.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FY 2024 Audit Results

The results of the Single Audit are as follows:

- Internal Control over Financial Reporting:
No deficiencies found.
- Internal Control over Compliance:
 - Preparation of the Schedule of Expenditures of Federal Awards
A material weakness in internal control over compliance was identified and is described in the accompanying Schedule of Findings and Questioned Costs for Federal Awards as item 2024-001.
 - Lack of Internal Controls Over Key Compliance Requirement
A significant deficiency in internal control over compliance was identified and is described in the accompanying Schedule of Findings and Questioned Costs for Federal Awards as item 2024-002.
- Compliance and Other Matters:
 - Refer to Finding 2024-001: Preparation of the Schedule of Expenditures of Federal Awards.

OIG Oversight of RSM Performance

To fulfill our responsibilities and ensure the quality of the audit work performed, we monitored RSM's audit of WMATA's FY 2024 Single Audit by, among other things:

- Reviewing RSM's audit approach and planning;
- Monitoring audit progress at key points;
- Examining the working papers related to planning and performing the audit;
- Reviewing RSM's audit report to ensure compliance with Government Auditing Standards;
- Coordinating the issuance of the audit report; and
- Performing other procedures deemed necessary.

RSM is responsible for the attached auditors' report, dated March 5, 2026, and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with Government Auditing Standards, was not intended to enable us to express an opinion on the Single Audit for FY 2024. Accordingly, OIG has not expressed any opinion regarding:

- The effectiveness of WMATA's internal control over financial reporting; or
- WMATA's compliance with laws and regulations.

Meeting with the Board Executive Committee

RSM discussed the results of the audit with the Board Executive Committee on March 12, 2026.

Attachment

Washington Metropolitan Area Transit Authority



SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

A Regional and Responsible Path Forward

Single Audit Report issued in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.



This Single Audit Report was prepared by:

Office of the Chief Financial Officer

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Special thanks to all Office of Accounting and support
personnel who contributed to the preparation of this document.

**Washington Metropolitan Area Transit Authority
Single Audit Report
For the Fiscal Year Ended June 30, 2024**

Table of Contents

	Page
Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (Restated)	3
Schedule of Expenditures of Federal Awards (Restated)	7
Notes to the Schedule of Expenditures of Federal Awards (Restated)	10
Schedule of Findings and Questioned Costs (Restated):	
I. Summary of Independent Auditor's Results	13
II. Financial Statement Findings	14
III. Findings and Questioned Costs for Federal Awards	14

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

Board of Directors
Washington Metropolitan Area Transit Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Washington Metropolitan Area Transit Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 30, 2024. Our report includes a reference to other auditors who audited the financial statements of the Washington Metropolitan Area Transit Authority Retirement Plan (Retirement Plan) and the Washington Metropolitan Area Transit Authority Local 2 Retirement Plan (Local 2 Plan), as described in our report on the Authority's financial statements. The financial statements of the Retirement Plan and the Local 2 Plan were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Retirement Plan and the Local 2 Plan or that are reported on separately by those auditors who audited the financial statements of the Retirement Plan and the Local 2 Plan.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
October 30, 2024

**Report on Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required
by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Washington Metropolitan Area Transit Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Washington Metropolitan Area Transit Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Emphasis of Matter—Reissuance of Reports

The report on compliance for each major federal program, the report on internal control over compliance, and the report on the schedule of expenditures of federal awards required by Uniform Guidance replaces our previously issued report dated October 30, 2024. As discussed in Note 3 to the schedule of expenditures of federal awards, expenditures for the Rail and Transit Security Grant Program (AL #97.075) were omitted from the schedule of expenditures of federal awards for the year ended June 30, 2024. The schedule of expenditures of federal awards has been restated to include the omitted expenditures of the Rail and Transit Security Grant Program. Our report on compliance for each major federal program, our report on internal control over compliance and the report on the schedule of expenditures of federal awards required by Uniform Guidance, and the accompanying schedule of findings and questioned costs have been reissued to include the Rail and Transit Security Grant Program as a major federal program and findings 2024-001 and 2024-002.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and fiduciary activities of the Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon, dated October 30, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, after the restatement described in Note 3 of the schedule of expenditures of federal awards, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Washington, D.C.

October 30, 2024, except as to our opinion on Rail and Transit Security Grant Program (AL #97.075), findings 2024-001 and 2024-002, and Note 3 to the schedule of expenditures of federal awards, which are as of March 5, 2026

Schedule of Expenditures of Federal Awards (Restated) For the Year Ended June 30, 2024

Federal Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Grant Contract Number	Total Federal Expenditures
U.S. Department of Transportation:			
Direct Awards			
Passenger, Rail, Investment and Improvement (PRIIA) Projects for Washington Metropolitan Area Transit Authority (WMATA):	20.524		
FFY2020 H.R.1865 RSI (Section 75) Funding Railcar Acquisition & Rehab, Train Control, Vertical Improvements, Ventilation, & Platforms Phase II		DC-2020-016	\$ 155,028
FFY2021 PRIIA WMATA Railcars Rehabilitation, Platform Rehab (Phase 3), Vertical Transportation, Automatic Train Control and Radio Infrastructure		DC-2021-017	27,786,975
FFY2022 PRIIA WMATA Office of Inspector General		DC-2022-010	5,198,030
FFY2022 PRIIA WMATA Vertical Transportation, Support Facility Fire System Rehabilitation, Tunnel Water Leak Mitigation, Platform Rehab (Phase 4), Automatic Train Control and Radio Infrastructure		DC-2022-018	19,260,276
FFY23 PRIIA ELES, Yellow Line, Tunnel Leak Mit, ATC Rooms		DC-2023-007	115,880,333
Total PRIIA			<u>168,280,642</u>
Federal Transit Cluster:			
Federal Transit-Formula Grants (Urbanized Area Formula Program):	20.507		
FFY2019 5307/5340 Formula Funding		DC-2019-010	2,777,055
FFY20 5307 Bus Replacements & Rehabilitation, Bus & Rail Facility Improvements, and Rail Systemwide ATC & Propulsion improvements		DC-2020-010	8,350,327
COVID-19 American Rescue Plan Act (ARPA) Section 5307 WMATA Operating Assistance		DC-2021-015	532,622,037
FFY 2022 Section 5307 Bladensburg Bus Garage, Northern Bus Garage and Rail Station Revitalization Program		DC-2022-014	102,714,973
FFY2022 5307 Bus Replacements, Van Replacements, Bus Rehabilitation, and Bus Preventive Maintenance		DC-2022-015	33,149,296
FFY2022 Section 5307 Station Entrance Canopies and Stairways, Rehabilitation of Parking Facilities, Rail Station Cooling, and AC Power and Switches		DC-2022-017	7,162,628
FFY22 VA CMAQ Bus Replacements		DC-2023-005	3,505,649
Total Federal Transit Formula Grants			<u>\$ 690,281,965</u>

**Schedule of Expenditures of Federal Awards (Restated)
For the Year Ended June 30, 2024**

(continued)

Federal Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Grant Contract Number	Total Federal Expenditures
U.S. Department of Transportation:			
Direct Awards (continued)			
State of Good Repair Grants Program:	20.525		
FFY20 5337 Rail System Rehabilitation, Railcar Preventive Maintenance, Railcar Procurement and HRO Facility		DC-2020-017	\$ 36,344,784
FFY2022 Section 5337 Railcar Preventive Maintenance, Railcar Scheduled Maintenance Program and Track Preventive Maintenance Program		DC-2022-012	107,965,860
FFY2022 Section 5337 Rehabilitation of Yellow Line Bridge and Tunnel, Rehabilitation of Bridge Structures and Construction of Heavy Repair Overhaul Facility		DC-2022-016	(590,037)
Total State of Good Repair Grants Program			143,720,607
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs:	20.526		
Bus Shelters Replacement		DC-2018-012	1,987,043
FFY2020 5339 (c) Low-No Metrobus Zero-Emission Fleet Program		DC-2021-003	2,666,363
FFY2021 5339 Bladensburg Bus Garage		DC-2021-014	11,120,939
FFY2022 Section 5339 Bus Farebox Replacements		DC-2022-008	1,469,145
Total Buses and Bus Facilities Formula, Competitive, an Low or No Emissions Programs			17,243,490
Total Federal Transit Cluster			851,246,062
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities:	20.513		
FFY19 Section 5310 Metro Access Replacement Vehicles		DC-2020-007	(49,866)
Total Transit Services Programs Cluster			(49,866)
Public Transportation Innovation:	20.530		
COVID-19_FFY2021 5312 Research and Demonstration Project		DC-2021-012	53,986
Total U.S. Department of Transportation			\$ 1,019,530,824

Schedule of Expenditures of Federal Awards (Restated)
For the Year Ended June 30, 2024

(concluded)

<u>Federal Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Contract Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Homeland Security:			
Direct Awards			
Rail and Transit Security Grant Program	97.075		
FY2019 Transit Security Grant Program		EMW-2019-RA-00011	\$ 52,214
FY2020 Transit Security Grant Program		EMW-2020-RA-00019	39,670
FY2021 Transit Security Grant Program		EMW-2021-RA-00030	1,702,683
FY2023 Transit Security Grant Program		EMW-2023-RA-00036	1,772,638
Total Rail and Transit Security Grant Program			<u>3,567,205</u>
Total U.S. Department of Homeland Security			<u>3,567,205</u>
Total Expenditures of Federal Awards			<u>\$ 1,023,098,029</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards (Restated) For the Year Ended June 30, 2024

1. Summary of Significant Accounting Policies

a) Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant award activity of the Washington Metropolitan Area Transit Authority (Authority) under programs of the federal government for the year ended June 30, 2024. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

b) Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The categorization of expenditures by program included in the SEFA is based on the Federal Assistance Listing number.

Federal expenditures are reported in the Authority's basic financial statements as follows:

- a) Grant expenditures that meet capitalization criteria are recorded as capital assets on the Statements of Net Position.
- b) All other grant expenditures are reported in the Statements of Revenues, Expenses, and Changes in Net Position.

Costs are included in the SEFA to the extent they are aligned to a federal grant in the current period and included in the federal financial reports, which is the source for the data presented in the SEFA.

c) Indirect Costs

The Authority has elected not to use the 10% de minimus indirect cost rate discussed in Section 200.414 of the Uniform Guidance.

1. Summary of Significant Accounting Policies (continued)

d) Pre-award Authority

The majority of the Department of Transportation grants awarded to the Authority contain pre-award authority approved by the Federal Transit Administration (FTA). FTA's policy on pre-award authority states that costs may remain eligible for reimbursement or count towards the local match, regardless of the date incurred, provided that the funds were expended in accordance with all federal requirements and would have been allowable if incurred after the date of award, and the grantee is otherwise eligible to receive the funding.

Pre-award authority allows the Authority to incur project costs prior to grant approval and retain the eligibility of those costs for subsequent periods. As such, the Authority may align expenditures that were originally incurred in prior fiscal years and included in prior year financial statements and may report them as current year expenditures in the SEFA.

e) Pass-Through Grants and Subrecipients

The Authority does not have pass-through grants or subrecipients.

2. Reconciliation of Federal Expenditures Reported in the SEFA to the Authority's Basic Financial Statements

The following is a reconciliation of the federal expenditures reported in the SEFA to the amounts reported in the basic financial statements for the fiscal year ended June 30, 2024:

	<u>Total</u>
Total federal expenditures reported in the SEFA as restated	\$ 1,023,098,029
Adjustments reported in the SEFA:	
Prior year expenditures, which were aligned to new federal grants awarded during the current fiscal year, using pre-award authority	(83,511,633)
Prior year expenditures, which were never aligned to a federal grant or reported in the prior year SEFA, but were aligned to an eligible grant during the current fiscal year using pre-award authority	(61,502,343)
Prior year expenditures, which were previously aligned to a federal grant and reported in the prior year SEFA, but were removed from the grant during the current fiscal year	<u>14,751,106</u>
Net adjustments reported in the SEFA	<u>(130,262,870)</u>
Total federal expenditures reported in the basic financial statements	<u>\$ 892,835,159</u>

2. Reconciliation of Federal Expenditures Reported in the SEFA to the Authority's Basic Financial Statements (continued)

The differences between the federal expenditures reported in the current year SEFA and basic financial statements primarily represent costs incurred in prior fiscal years and aligned to federal grants with pre-award authority in the current year. Additional adjustments represent costs in the previous year's reporting that were aligned to, but not billed to, federal grants and were subsequently assigned to other nonfederal funding sources during the current year.

Below is a summary of the net expenditure adjustments by the fiscal year that the costs were originally incurred and reported in the basic financial statements and by the federal grant program or cluster impacted in the current year's SEFA:

<u>Program/ Cluster Title</u>	<u>2021 and Prior</u>	<u>Fiscal Year</u>		<u>Total</u>
		<u>2022</u>	<u>2023</u>	
Passenger, Rail, Investment and Improvement Projects	\$ 31,030,946	\$ (1,436,133)	\$ 92,180,586	\$ 121,775,399
Federal Transit Cluster	(1,686,315)	(1,515,943)	11,734,698	8,532,441
Enhanced Mobility of Seniors and Individuals with Disabilities	-	-	(49,866)	(49,866)
Public Transportation Innovation	-	-	4,896	4,896
Total net Adjustments	<u>\$ 29,344,631</u>	<u>\$ (2,952,076)</u>	<u>\$ 103,870,314</u>	<u>\$ 130,262,870</u>

3. Restatement of SEFA

Subsequent to the issuance of the Authority's original SEFA for the year ended June 30, 2024, the Authority identified a timing-related difference affecting the presentation of the schedule. The SEFA excluded expenditures that were later determined to be allowable under the Department of Homeland Security's Rail and Transit Security Grant Program (TSGP). The effects of the restatement on federal expenditures reported in the accompanying schedule are summarized as follows:

<u>Program/ Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures as Previously Issued</u>	<u>Adjustment</u>	<u>Total Federal Expenditures as Restated</u>
Rail and Transit Security Grant Program	97.075	\$ 1,181,490	\$ 2,385,715	\$ 3,567,205
Total Expenditures of Federal Awards		\$ 1,020,712,314	\$ 2,385,715	\$ 1,023,098,029

The restatement resulted in one additional major program, Rail and Transit Security Grant Program 97.075, being tested for the fiscal year ended June 30, 2024 in accordance with the requirements of the Uniform Guidance.

**Schedule of Findings and Questioned Costs (Restated)
For the Year Ended June 30, 2024**

I. Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified? _____ Yes ___X___ None Reported
- Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___X___ Yes _____ No
- Significant deficiency(ies) identified? ___X___ Yes _____ None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? ___X___ Yes _____ No

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
--	---

Federal Transit Cluster:

	Federal Transit-Formula Grants (Urbanized Area Formula Program)
20.507	
20.525	State of Good Repair Grants Program
	Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)
20.526	
97.075	Rail and Transit Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$3,069,294

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

II. Financial Statement Findings

A. Internal Control over Financial Reporting

No matters to report.

B. Compliance Findings

No matters to report.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control over Compliance

Finding 2024-001: Preparation of the Schedule of Expenditures of Federal Awards

Material weakness/other matter noncompliance

Federal Agency: U.S. Department of Homeland Security

Program Name: Transit Security Grant Programs

ALN Number: 97.075

Award Number: 97.075

Award Year: 2024

Criteria: The Uniform Guidance (2 CFR 200.510b) requires that the auditee (typically a non-federal entity receiving federal funds) must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by its financial statements which must include the total Federal Awards expended as determined in accordance with 2 CFR 200.502.

Condition: The SEFA for the year ended June 30, 2024 excluded \$2,385,715 in expenditures incurred from the total expenditures reported for the federal awards for ALN 97.075 Rail and Transit Security Grant Program.

Cause: The existing internal control procedures for processing funding source reclassifications are not structured to fully support the SEFA reporting cutoff deadline. While a process is in place, it does not fully incorporate all necessary stakeholders early enough in the cycle to ensure timely communication, coordinated review, and approval of reclassifications leading to eligible expenditures being omitted.

Effect: Not in compliance with the Uniform Guidance (2 CFR 200.510b). There could be impacts on future funding.

Context: As a result of the omission of eligible expenditures, total federal awards for ALN 97.075, Rail and Transit Security Grant Program, were understated by \$2,385,715 due to the exclusion of expenditures. This understatement caused the major program determination to be improperly calculated and resulted in a missed major program.

Question Costs: None

Repeat Finding: No

III. Findings and Questioned Costs for Federal Awards (continued)

A. Internal Control over Compliance (continued)

2024-001: Preparation of the Schedule of Expenditures of Federal Awards

Material weakness/other matter noncompliance (continued)

Recommendation: We recommend that the Organization review the schedule of expenditures of federal awards prior to issuance.

Views of responsible officials and planned corrective actions: Management agrees with the finding and acknowledges that internal control procedures should be strengthened to ensure adherence to the SEFA reporting cutoff deadline. To address this issue, Management will implement a verification checklist as required supporting documentation for all funding source reclassification journal entries and vouchers, ensuring that all relevant departments have reviewed and approved the entries prior to being posted. The Authority will also establish a cutoff date for Program Offices to submit current year reclassification requests, allowing adequate time for eligibility review and fiscal yearend reporting. In addition, Accounting Policies and Procedures Manual will be updated to include guidelines limiting reclassifications of expenditures incurred in prior fiscal years. The Authority will communicate policy updates incorporate these changes to ensure consistent application across departments.

Finding 2024-002: Lack of Internal Controls Over Key Compliance Requirement

Significant Deficiency

Federal Agency: U.S. Department of Homeland Security

Program Name: Transit Security Grant Programs

ALN Number: 97.075

Award Number: 97.075

Award Year: 2024

Criteria: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance) requires compliance with provisions of procurement, suspension, and debarment. Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.985 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. 2 CFR § 200.303, also states non-Federal entities must establish and maintain effective internal control over federal awards to ensure compliance with applicable statutes, regulations, and the terms and conditions of the award.

Condition: During the audit of the Transit Security Grants Program, we identified a deficiency in the design of internal controls related to the suspension and debarment compliance requirement, particularly concerning certain external government entities. Specifically, the Authority had not established documented procedures, oversight mechanisms, or review processes sufficient to ensure compliance on funded special agreements, including these Memorandums of Understanding, negotiated independent of the procurement process. This design gap limited the entity's ability to potentially prevent or detect noncompliance effectively.

Cause: The Authority had not sufficiently developed or implemented internal control procedures to verify suspension and debarment status for funded memorandums of understanding with external governments involved in the grant. These contracts were negotiated without the participation of the

III. Findings and Questioned Costs for Federal Awards (continued)

A. Internal Control over Compliance (continued)

2024-002: Lack of Internal Controls Over Key Compliance Requirement (continued)

Office of Procurement and Materials of the Authority and therefore were not subject to the procurement process, which includes such controls

Effect or Potential Effect: The internal controls insufficiency creates a reasonable possibility that material noncompliance with the suspension and debarment requirement could occur and not be prevented or detected and corrected in a timely manner. As a result, this represents a significant deficiency in internal control over compliance. Although no federal funds were disbursed to an excluded party, the lack of timely verification represents noncompliance with federal requirements and increases the risk of future violations.

Context: Of the five items tested during the FY24 restatement test work completed in 2026, two lacked documented procedures, and sufficient oversight and review processes to potentially prevent or detect noncompliance. Additionally, two other government entities were identified that may fall under the same compliance gap.

Question Costs: None

Repeat Finding: No

Recommendation: We recommend the Authority design and implement internal control procedures to ensure compliance with the suspension and debarment requirements for federal grants. This may include developing written policies, assigning responsibilities, and establishing monitoring and reviewing processes.

View of Responsible Officials: Management agrees with the finding:

As this deficiency was identified concurrently with the FY25 audit cycle, management will implement corrective actions based on recommendations prospectively to prevent future occurrences starting from the FY26 reporting year.

The Authority acknowledges that controls established in the procurement process are not consistently followed for funded special agreements if they are negotiated without participation of the Procurement and Materials. While Procurement and Materials has controls in place to verify whether entities, including government entities, are suspended or debarred prior to awarding any contract, it does not perform these checks for funded special contracts for which they do not participate in the process. The condition identified pertains specifically to funded transactions executed by the Metro Transit Police Department through Memorandums of Understanding in accordance with the Compact and Policy Instructions (PI) 9.6 Delegation of Authority - Special Agreements, which did not go through the standard procurement process.

The Authority will revise PI 9.6 to provide clarity on roles, responsibilities, and compliance steps, including a documented process requiring verification of suspension and debarment status through SAM.gov or other appropriate mechanism for all funded transactions under delegated authority. This requirement will be communicated to all departments and integrated into standard operating practices. Additionally, targeted training sessions will be provided to staff on the revised PI 9.6 and SAM.gov verification procedures to ensure consistent application across the Authority.

B. Compliance and Other Matters

Refer to Finding 2024-001: Preparation of the Schedule of Expenditures of Federal Awards.

Metro System Map

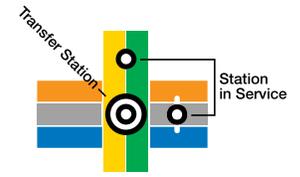
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 Information: 202-637-7000 | TTY: 202-962-2033
 Metro Transit Police: 202-962-2121 | Text: MYMTPD (696873)

- ### Legend
- **RD** Red Line • Glenmont / Shady Grove
 - **OR** Orange Line • New Carrollton / Vienna
 - **BL** Blue Line • Franconia-Springfield / Downtown Largo
 - **GR** Green Line • Branch Ave / Greenbelt
 - **YL** Yellow Line • Huntington / Mt Vernon Sq
 - **SV** Silver Line • Ashburn / Downtown Largo

Station Features

- Parking
- Hospital
- Airport

Connecting Rail Systems



Metro is accessible.

N
 Map is not to scale

- No Smoking
- No Eating or Drinking
- No Animals (except service animals)
- No Audio (without earphones)
- No Littering or Spitting
- No Dangerous or Flammable Items



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