



M E M O R A N D U M

SUBJECT: Results of the Audit of WMATA's
Single Audit for FY2025 (OIG 26-07)

DATE: March 12, 2026

FROM: OIG – Michelle A. Zamarin

TO: GMGR – Randy S. Clarke

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 due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FY 2025 Audit Results

The results of the Single Audit are as follows:

- Internal Control over Financial Reporting:
 - Material Weakness, Contract Management
A material weakness in internal control over financial reporting was identified and is described in the accompanying Schedule of Findings as item 2025-001.
- Internal Control over Compliance:
 - 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 as item 2025-002.
 - 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 2025-003.
- Compliance and Other Matters:
 - Refer to Finding 2025-003: 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 2025 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 6, 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 2025. 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, 2025

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, 2025**

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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 Washington Metropolitan Area Transit Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 8, 2025. Our report includes a reference to other auditors who audited the financial statements of 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 audit of 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. Our report also contains an emphasis-of-matter paragraph for the adoption of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

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*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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.
December 8, 2025

**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 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 Authority's major federal programs for the year ended June 30, 2025. 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, 2025.

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.

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 2025-003. 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 2025-003 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 2025-002 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, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon, dated December 8, 2025, 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
March 6, 2026

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

<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 Transportation:			
Direct Awards			
Passenger, Rail, Investment and Improvement (PRIIA)			
Projects for Washington Metropolitan Area Transit Authority (WMATA):	20.524		
FFY2022 PRIIA WMATA Office of Inspector General		DC-2022-010	\$ 4,872,396
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	(1,419,026)
FFY2023 PRIIA WMATA Vertical Transportation, Yellow Line Tunnel and Bridge Rehabilitation, Tunnel Water Leak Mitigation, Automatic Train Control Rooms		DC-2023-007	23,882,919
FFY2024 PRIIA WMATA - ELES Water Intrusion, Escalator Replacement, Prime Mover Replacement, ATC Train Control Rooms, AC Switchgear Rehab, Railcar SMP and Tunnel Leak Mitigation		DC-2024-009	70,109,392
Total PRIIA			<u>97,445,681</u>
Federal Transit Cluster:			
Federal Transit-Formula Grants (Urbanized Area Formula Program):	20.507		
FFY2019 5307/5340 Formula Funding		DC-2019-010	360,605
FFY2020 5307 Bus Replacements & Rehabilitation, Bus & Rail Facility Improvements, and Rail Systemwide ATC & Propulsion improvements		DC-2020-010	8,062,677
COVID-19_American Rescue Plan Act (ARPA) Section 5307 WMATA Operating Assistance		DC-2021-015	3,246,507
COVID-19_FFY2021 American Rescue Plan (ARP) Additional Assistance for WMATA Operations		DC-2022-011	120,145,002
FFY2022 Section 5307 Bladensburg Bus Garage, Northern Bus Garage and Rail Station Revitalization Program		DC-2022-014	125,335,738
FFY2022 5307 Bus Replacements, Van Replacements, Bus Rehabilitation, and Bus Preventive Maintenance		DC-2022-015	26,905,535
FFY2022 Section 5307 Station Entrance Canopies and Stairways, Rehabilitation of Parking Facilities, Rail Station Cooling, and AC Power and Switches		DC-2022-017	8,203,103
FFY2018 5307 Paratransit Van Replacements		DC-2023-006	173,837
FFY2024 Section 5307 Bus Preventive Maintenance and Rehabilitation, Security Systems, MTPD Projects, and ADA L'Enfant Elevator		DC-2024-014	31,948,317
Total Federal Transit Formula Grants			<u>\$ 324,381,321</u>

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**
(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		
FFY2020 5337 Rail System Rehabilitation, Railcar Preventive Maintenance, Railcar Procurement and HRO Facility		DC-2020-017	\$ 15,820,718
FFY2022 Section 5337 Railcar Preventive Maintenance, Railcar Scheduled Maintenance Program and Track Preventive Maintenance Program		DC-2022-012	87,418,654
FFY2022 Section 5337 Rehabilitation of Yellow Line Bridge and Tunnel, Rehabilitation of Bridge Structures and Construction of Heavy Repair Overhaul Facility		DC-2022-016	40,133,939
Section 5337 Preventive Maintenance Track and Railcars, Station Cooling, Parking Rehab, Station Gate Replacements		DC-2024-013	50,726,972
Total State of Good Repair Grants Program			<u>194,100,283</u>
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs:	20.526		
Bus Shelters Replacement		DC-2018-012	1,612,951
FFY2020 5339 (c) Low-No Metrobus Zero-Emission Fleet Program		DC-2021-003	411,114
FFY2021 5339 Bladensburg Bus Garage		DC-2021-014	6,021,378
Total Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs			<u>8,045,443</u>
Total Federal Transit Cluster			<u>526,527,047</u>
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities:	20.513		
FFY2019 Section 5310 Metro Access Replacement Vehicles		DC-2020-007	889,996
FFY2023 5310 Enhanced Mobility Paratransit Van Replacement		DC-2024-006	1,715,996
Total Enhanced Mobility of Seniors and Individuals with Disabilities			<u>\$ 2,605,992</u>

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**
(concluded)

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Contract Number	Total Federal Expenditures
U.S Department of Transportation:			
Direct Awards (continued)			
Public Transportation Research, Technical Assistance, And Training:	20.514		
WMATA FFY2019 Section 5312 Public Safety Pilot Study		DC-2021-008	\$ 110,262
Public Transportation Innovation:	20.530		
COVID-19_FFY2021 5312 Research and Demonstration Project		DC-2021-012	(4)
Strengthening Mobility and Revolutionizing Transportation Grants Program:	20.941		
Transit Data Standards & Analysis Infrastructure Framework		OS2024R1SMG066	886,693
Total U.S. Department of Transportation			627,575,671
U.S. Department of Homeland Security:			
Direct Awards			
Rail and Transit Security Grant Program:	97.075		
FY2020 Transit Security Grant Program		EMW-2020-RA-00019	4,894
FY2021 Transit Security Grant Program		EMW-2021-RA-00030	1,527,060
FY2023 Transit Security Grant Program		EMW-2023-RA-00036	1,004,576
FY2024 Transit Security Grant Program		EMW-2024-RA-05017	1,310,061
Total Rail and Transit Security Grant Program			3,846,591
Total U.S. Department of Homeland Security			3,846,591
Total Expenditures of Federal Awards			\$ 631,422,262

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

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2025

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, 2025. 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 15% 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. This also includes circumstances in which an existing grant is amended during the fiscal year, permitting the use of pre-award authority for previously incurred eligible expenditures. In such cases, the Authority may realign prior period costs to the amended grant consistent with applicable federal guidance and pre-award provisions.

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, 2025:

	Total
Total federal expenditures reported in the SEFA	\$ 631,422,262
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	(21,125,445)
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 as the grant was amended in the current fiscal year	(82,033,141)
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	2,855,497
Net adjustments reported in the SEFA	(100,303,089)
Total federal expenditures reported in the basic financial statements	\$ 531,119,173

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:

Program/ Cluster Title	Fiscal Year			Total
	2022 and Prior	2023	2024	
Passenger, Rail, Investment and Improvement Projects	\$ -	\$ 7,277,399	\$ 12,544,011	\$ 19,821,410
Federal Transit Cluster	2,580	35,097,237	45,381,862	80,481,679
Total net Adjustments	\$ 2,580	\$ 42,374,636	\$ 57,925,873	\$ 100,303,089

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2025

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? | <u> X </u> | Yes | <u> </u> | No |
| ▪ Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None Reported |
| Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

Federal Awards

Internal control over major federal programs:

- | | | | | |
|---|--------------|-----|---------------|---------------|
| ▪ Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| ▪ Significant deficiency(ies) identified? | <u> X </u> | Yes | <u> </u> | 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:

Federal Assistance <u>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
20.526	Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)
97.075	Rail and Transit Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes X No

II. Financial Statement Findings

A. Internal Control over Financial Reporting

Finding 2025-001 – Material Weakness, Contract Management

Criteria: Federal Transit Administration (FTA) Circular 4220.1F requires a cost or price analysis for all procurement actions, including contract modifications. In addition, WMATA's Best Practices Manual (BPM) mandates that any contract modification be approved by the Contracting Officer, include a clear description of all goods or services, remain within the original contract scope, and be supported by a maximum dollar value or fixed price. Furthermore, *Government Auditing Standards* (Paragraph 6.04) require auditors to obtain sufficient and appropriate evidence to form a reasonable basis for findings and conclusions. Management is responsible for ensuring that the information provided is complete and accurate.

Condition: The review of the contract management processes identified weaknesses in handling contracts. The electronic records system did not provide a complete or accurate view of contract records. Additionally, contract files lacked key records reducing transparency and oversight.

Cause: During the fiscal year 2025 audit, there was insufficient coordination and communication between Program Office and Procurement staff. Standardized procedures for contract administration were lacking and system controls and configurations were inadequate to ensure the completeness and accuracy of contract records.

Effect: There is an increased risk of compliance and operational issues due to deviations from established requirements and incomplete documentation. These weaknesses raise the possibility of unauthorized spending, inefficient resource utilization, and challenges in monitoring performance. Oversight and accountability are diminished, creating a higher risk of errors, omissions, and insufficient support for decision-making during reviews or disputes.

Recommendation:

1. Implement a formal quality assurance framework to ensure adherence to applicable policies and standards.
2. Develop a structured process for selecting and assigning qualified personnel for contract management responsibilities.
3. Update training materials to provide clear guidance on creating and managing contract changes within the system.
4. Strengthen system controls to require complete documentation for amendments, funding limits, and approvals.

Management Response to Finding: Management agrees with the finding.

To implement a quality assurance framework, Procurement Managers are now required to conduct quarterly spot reviews to monitor compliance and ensure their respective procurement teams comply with procurement policies, follow the Best Practice Manual and adhere to applicable FTA regulations. Additionally, these requirements have been formalized in both the Procurement Managers' as well as the Contract Managers' performance plans during the fiscal year 2025 performance planning period.

II. Financial Statement Findings (continued)

A. Internal Control over Financial Reporting (continued)

Finding 2025-001 – Material Weakness, Contract Management (continued)

Management Response to Finding (continued)

To assist in addressing the selection and assignment of qualified personnel for contract management responsibilities, the Authority has established a Centralized Contract Management team to serve as Contracting Officers Technical Representatives. This new team will oversee contract post-award functions, provide contract quality control and assurance, ensure contract and payment compliance, facilitate the centralization of contract files, assist departments with scopes of work creation and submission, retain institutional knowledge, process contract closeout, and serve as the point of contact for support and vendor management. Respective job descriptions include minimum criteria to ensure personnel are qualified. Also, Procurement and Materials internal Policy Memorandum No. 21-02 establishes the certification requirements for the Authority's contracting staff to ensure they are qualified to conduct proper procurement practices, issue contract awards, provide oversight and undertake contract administration. Contracting staff must obtain certification from an accredited procurement program within two (2) years of hire date and maintain thereafter; Procurement and Materials maintains the list of certified staff.

Peoplesoft Contract Lifecycle Management training materials are posted on Procurement's Data and Technology intranet site under Procurement Job Aids Data Technology Management. These training materials include guidance on creating Administrative, Other and Claim modifications as defined below:

- Administrative – used to make changes to an existing contract, purchase order, or task order, where the change does not impact the amount or dates;
- Other – used to make changes to an existing contract, purchase order or task order. The change typically affects the amount or dates; and
- Claims – used to request funds for a claim from a vendor to recoup funds.

The Authority is in the process of implementing Oracle Fusion (MetroSync) with an emphasis on transformation of all processes. MetroSync requirements include strengthening system controls, requiring documentation for amendments, funding limits, and approvals. The Authority is committing all related resources to implementing MetroSync and anticipates using the MetroSync effort to implement the changes recommended above with the implementation.

B. Compliance Findings

No matters to report.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control over Compliance

Finding 2025-002: 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: 2025

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 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 three items tested, two lacked documented procedures, and sufficient oversight and review processes to potentially prevent or detect noncompliance. Additionally, one other government entity was identified that may fall under the same compliance gap.

Question Costs: None

Repeat Finding: Yes. This repeat finding designation results from the concurrent identification of the control deficiency in both fiscal years during the fiscal year 2025 Single Audit and the fiscal year 2024 Schedule of Expenditures of Federal Awards restatement procedures. This deficiency existed

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

A. Internal Control over Compliance (continued)

2025-002: Lack of Internal Controls Over Key Compliance Requirement (continued)

in both reporting periods, and the findings for fiscal year 2024 and fiscal year 2025 were evaluated and communicated to management in 2026.

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:

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.

Finding 2025-003: 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: 2025

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, 2025, included \$2,385,715 in expenditures that were incurred in the year ended June 30, 2024, overstating the total expenditures reported for the federal awards for ALN 97.075 Rail and Transit Security Grant Program.

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

A. Internal Control over Compliance (continued)

2025-003: Preparation of the Schedule of Expenditures of Federal Awards (continued)

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 expenditures being included in the incorrect reporting cycle

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

Questioned costs: None.

Context: As a result of the inclusion of fiscal year ended 2024 expenditures, total federal awards for ALN 97.075, Rail and Transit Security Grant Program, were overstated by \$2,385,715.

Repeat Finding: Yes. This repeat finding designation results from the identification of the \$2,385,715 timing difference, which affected SEFA reporting for both fiscal year 2024 and fiscal year 2025. Findings for both fiscal years were evaluated and communicated to management in 2026.

Recommendation: We recommend that the Authority 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, the Authority will implement a verification checklist as required supporting documentation for all funding source reclassification journal entries, 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 year-end 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.

B. Compliance and Other Matters

Refer to Finding 2025-003: Preparation of the Schedule of Expenditures of Federal Awards.

IV. Summary of Prior Year Audit Findings

A. Findings and Questioned Costs for Federal Awards

1. Internal Control over Compliance

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

Audit Finding: 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.

Status of finding: Due to the timing of discovery, management did not have an opportunity to remediate this issue for the FY25 fiscal year. The FY25 SEFA has been corrected accordingly. Management has designed corrective actions and is in the process of implementing them to address the underlying causes and prevent recurrence.

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

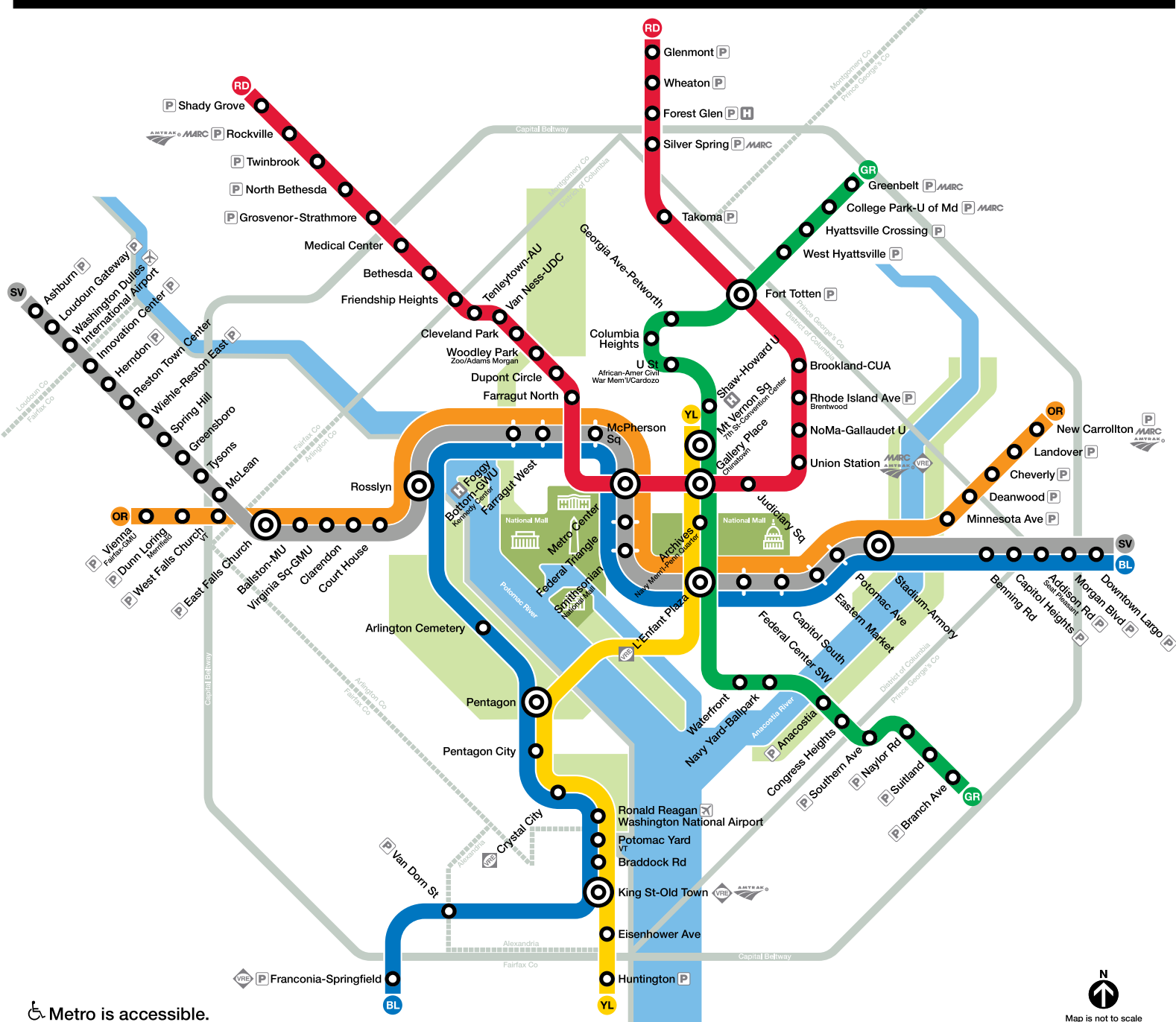
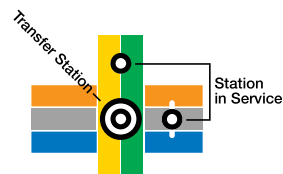
Audit Finding: During the audit of the Transit Security Grants Program during the FY24 restatement test work completed in 2026, a control deficiency was identified in the design of internal controls related to the suspension and debarment compliance requirement, particularly concerning certain external 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.

Status of finding: Due to the timing of discovery, management did not have an opportunity to remediate this issue for the FY25 fiscal year. Management has designed corrective actions and is in the process of implementing them to address the underlying causes and prevent recurrence.



- 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

- Parking
- Hospital
- Airport



 Metro is accessible.

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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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