WMATA OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT

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Contents

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Message from **the Inspector General**


Michelle A. Zamarin
Inspector General

On behalf of the WMATA Office of Inspector General (OIG), I am pleased to present the 38th Semiannual Report to the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors, covering the six-month period ending June 30, 2026.

Over this reporting period, the OIG team remained steadily committed to our mission to promote economy, efficiency, and effectiveness while detecting and preventing fraud, waste, and abuse. Our oversight work covered the opportunities and challenges facing WMATA as it continues to work toward becoming a more efficient, resilient, and accountable transit system. We focused particularly on how WMATA has used the substantial investment Congress provided through the 2021 Infrastructure Investment and Jobs Act (IIJA). OIG continued to conduct targeted reviews of IIJA-funded programs to assess whether those funds were being used effectively to support major capital improvements. This work enables OIG to deliver the required five-year report to Congress and to local jurisdictional leadership in November 2026. The report will evaluate WMATA's progress in implementing IIJA-funded projects, assess its adherence to the strategic plan and reform mandates, and examine whether WMATA effectively used IIJA funds.

OIG's Office of Audits & Evaluations issued five audit reports, one compliance report, and two evaluation reports. Our audits addressed critical areas such as accounts payable, data privacy and protection, federal compliance, SmarTrip billing, and dedicated funding. Our evaluations focused on security camera functionality and real property asset management. We remain vigilant in overseeing risks associated with large-scale capital investments, identifying vulnerabilities in project delivery, internal controls, and contract management.

Regarding WMATA's data privacy and protection posture, our audit findings highlight the continued need for strong enterprise-level governance and coordination, improved data privacy practices, and sustained implementation of corrective actions. Among other things, WMATA would benefit from governance with clear authority to implement data privacy and protection requirements across departments, from establishing system security plans, and from better role-based training on data privacy and protection protocols. Likewise, WMATA has not yet fully implemented enterprise-wide automated security solutions required to protect sensitive data.

Regarding accounts payable, the audit highlighted how WMATA would benefit from strengthened internal controls to adhere to its own Prompt Payment Policy and avoid delayed payments; to require needed financial documentation supporting vendor payments; and to establish better guidelines on grouping purchase orders to promote transparency and tracking of payments, among other things.

Further, OIG issued seven contract audits, identifying $5.09 million in monetary benefits. We continued to provide strategic financial advisory services through our contract audit group, supporting WMATA's procurement process and enhancing collaboration with leadership and staff.

Our Office of Investigations (OI) remains dedicated to addressing issues that pose the greatest threat to WMATA's finances, operations, and organizational integrity. During this cycle, OI's investigative results included five criminal matters, notably a health care fraud scheme that resulted in eight employee convictions and $96,371 in court-ordered restitution. We issued one report of investigation regarding ethics and procurement violations, three investigative referrals, closed five whistleblower retaliation complaints, and trained more than 900 WMATA staff on fraud awareness. The OIG Hotline received 287 complaints, resulting in 19 investigations and numerous referrals to management and other entities.

I sincerely thank WMATA Management and staff for their strong commitment to promptly implementing our recommendations and for their continued partnership with OIG in advancing our shared goals. I also want to thank the Board of Directors for their continued support and for the privilege of leading this office and its dedicated staff in carrying out this important oversight work, which enhances WMATA operations and benefits the region.

Michelle Zamarin

Michelle A. Zamarin
Inspector General

OVERVIEW OF OIG

BACKGROUND

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

Promoting economy, efficiency, and effectiveness in WMATA activities

MISSION STATEMENT

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

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

OUR CORE VALUES

Excellence

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

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

Accountability

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

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

Integrity

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

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

OUR VISION

We inspire excellence in our people by encouraging their training, advancement, and professional educational development. Through our support, they deliver high-quality independent oversight of WMATA's programs and operations. We are dedicated to working in a collaborative environment with key stakeholders to foster, promote, and maintain the integrity of WMATA's revenue, expenses, assets, and its employees.

OIG comprises two offices – the Office of Investigations (OI) and the Office of Audits & Evaluations (OA).

OFFICE OF INVESTIGATIONS

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

Investigations

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

Cyber & Forensics

The Cyber & Forensics Unit manages OIG's information technology, cybercrimes, and forensics programs. Its primary function is to provide expert digital forensic support and coordination for OI investigations, and the unit also supports the Office of Audits and Evaluations (OA) with some audits and evaluations. The unit leverages state-of-the-art technologies and innovative methodologies to support OIG operations. Its members also serve as subject matter experts and hold professional certifications in areas such as digital forensic analysis and network administration.

Data Analytics

The Data Analytics Unit manages the intake of OIG hotline complaints and determines the appropriate handling of those matters. Generally, hotline complaints are the initial source of information that leads to investigations, audits, or evaluations. Complaints outside the purview of OIG are referred to WMATA Management or external agencies, as appropriate. The Data Analytics Unit also supports OIG's mission by employing data analytics and technology to uncover fraud and misconduct in WMATA programs and activities that might otherwise go undetected.

OFFICE OF AUDITS & EVALUATIONS

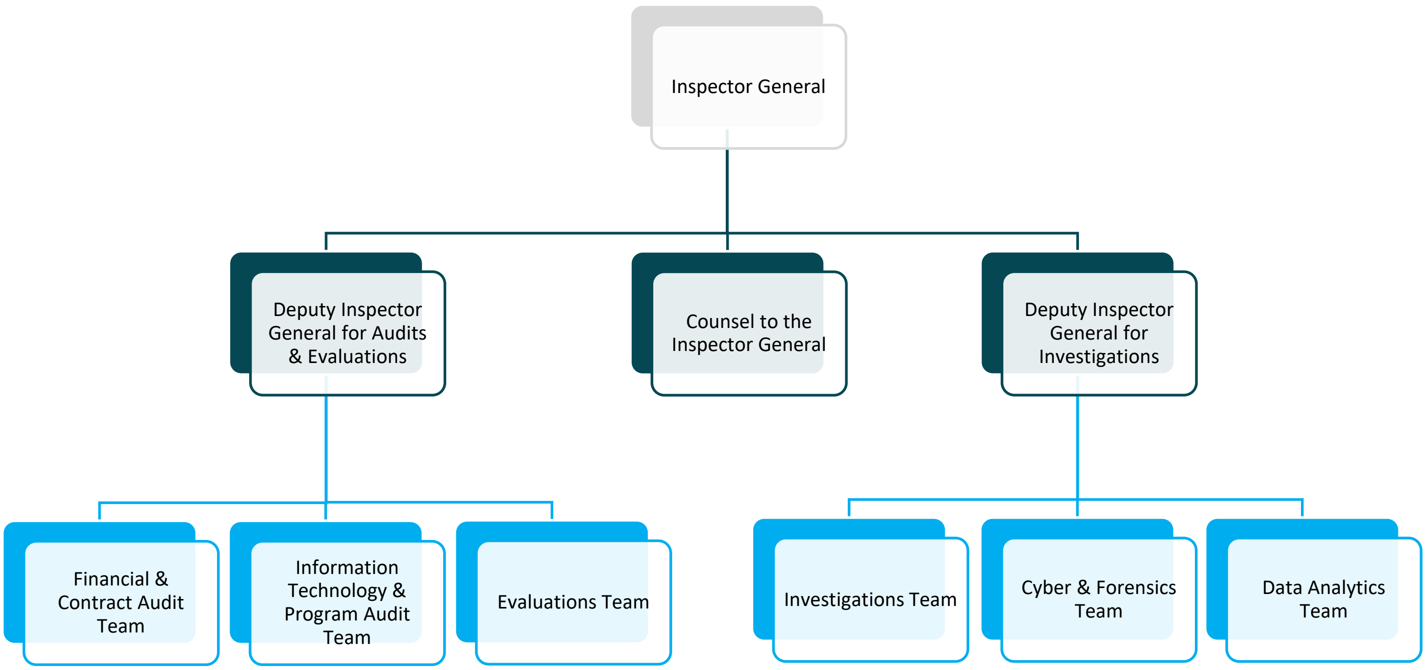
The Office of Audits & Evaluations (OA) comprises three divisions: financial and contract audits, performance audits (including information technology and administrative audits), and evaluations. There are currently 23 employees in OA.

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

On September 11, 2025, OIG issued its Annual Plan that summarizes the audits and evaluations planned for the fiscal year. Before issuing its Annual Plan, OIG seeks input from the Board of Directors, the GM/CEO, and his senior executive leadership team as part of the planning phase. Unanticipated high-priority issues may arise that also generate audits, reviews, and/or evaluations not listed in the Annual Plan. Timeliness, relevance, and impact drive OA's work, ensuring its success and fostering positive change at WMATA.

OIG ORGANIZATIONAL CHART

The chart below identifies the leadership structure for OIG. This structure enables OIG to be more efficient in our work.



INVESTIGATIONS

5 CRIMINAL MATTERS

1 REPORT OF INVESTIGATION

3 INVESTIGATIVE REFERRALS

5 WHISTLEBLOWER RETALIATION COMPLAINTS CLOSED

920 WMATA STAFF TRAINED ON FRAUD AWARENESS

BACKGROUND

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

CRIMINAL MATTERS

Criminal Pleas & Sentencings for Health Care Fraud Scheme

During this reporting period, five criminal actions occurred in relation to a health care fraud scheme whereby insurance claims were created with forged doctors' signatures and submitted to American Family Assurance Company of Columbus (AFLAC) for injuries, medical treatments, and disability periods that did not exist. The WMATA employees involved provided kickback payments to another employee who facilitated the scheme.

On January 23, 2026, the facilitator of the scheme and one other WMATA employee pled guilty to Conspiracy to Commit Mail Fraud, Wire Fraud, and Healthcare Fraud. On March 12, 2026, a third employee pled guilty to one count of Conspiracy to Commit Healthcare Fraud. All three employees are to be sentenced in the U.S. District Court for the District of Columbia in August 2026.

On June 17, 2026 and June 22, 2026, two additional WMATA employees were sentenced to 24 months of probation and ordered to pay $50,698 and $45,673 in restitution, respectively, by the U.S. District Court for the District of Columbia after pleading guilty to conspiracy to commit healthcare fraud for their involvement in the scheme. Including earlier prosecutions, a total of eight WMATA employees have been convicted for their roles in these offenses.

R E P O R T   O F   I N V E S T I G A T I O N

Conflict of Interest Involving WMATA Vice President

An OIG investigation found that a WMATA Vice President (VP), while serving as an evaluator of bids for a contract, recommended to a bidder that a household member be hired as a subcontractor. The bidder subsequently awarded a subcontract to the household member, and, in part due to the VP's evaluation, won the contract. Over several years, the household member invoiced WMATA approximately $366,669 as a subcontractor of the awarded bidder. The VP admitted to referring the household member, participating in the bidder's evaluation, and approving invoices for the household member. The WMATA VP retired during the investigation.

I N V E S T I G A T I V E   R E F E R R A L S

Investigative Referrals are issued in circumstances where allegations relating to fraud, waste, abuse, or misconduct may be within OIG's investigative purview but are better suited for WMATA Management officials to address administratively at their discretion.

OIG issued three Investigative Referrals to Management during this reporting period, which resulted in Management terminating one employee and providing a verbal warning to another.

W H I S T L E B L O W E R   R E T A L I A T I O N   C O M P L A I N T S

OIG investigates complaints from whistleblowers who believe they were retaliated against for reporting wrongdoing or safety and security issues. OIG independently reviews these allegations to determine whether the reported matter constitutes protected activity and whether any subsequent personnel action was taken because of that protected activity. During this reporting period, OIG closed five whistleblower retaliation investigations.

HOTLINE ACTIVITY

The OIG Hotline receives information from WMATA employees, customers, vendors, and the public. It is an important avenue for reporting criminal and other misconduct, as well as identifying waste and inefficiencies. OI staff review the information received to evaluate whether OIG investigative action is needed, whether a referral to an outside agency is appropriate, or whether a referral to an internal WMATA office for review and action is warranted.

Tables 1 through 3 below provide an overview of the number of complaints received, dispositions, sources of complaints, and whistleblower activity throughout this reporting period.

Table 1: Hotline Complaints Received [1]

Total Complaints Received	287
Investigations Initiated from Complaints	19
Hotline Complaints Under Review	16
Referred to Management or Other Entity	139
Closed - No OIG Action	113

[1]*As of June 30, 2026.*

Table 2: Hotline Complaints by Source

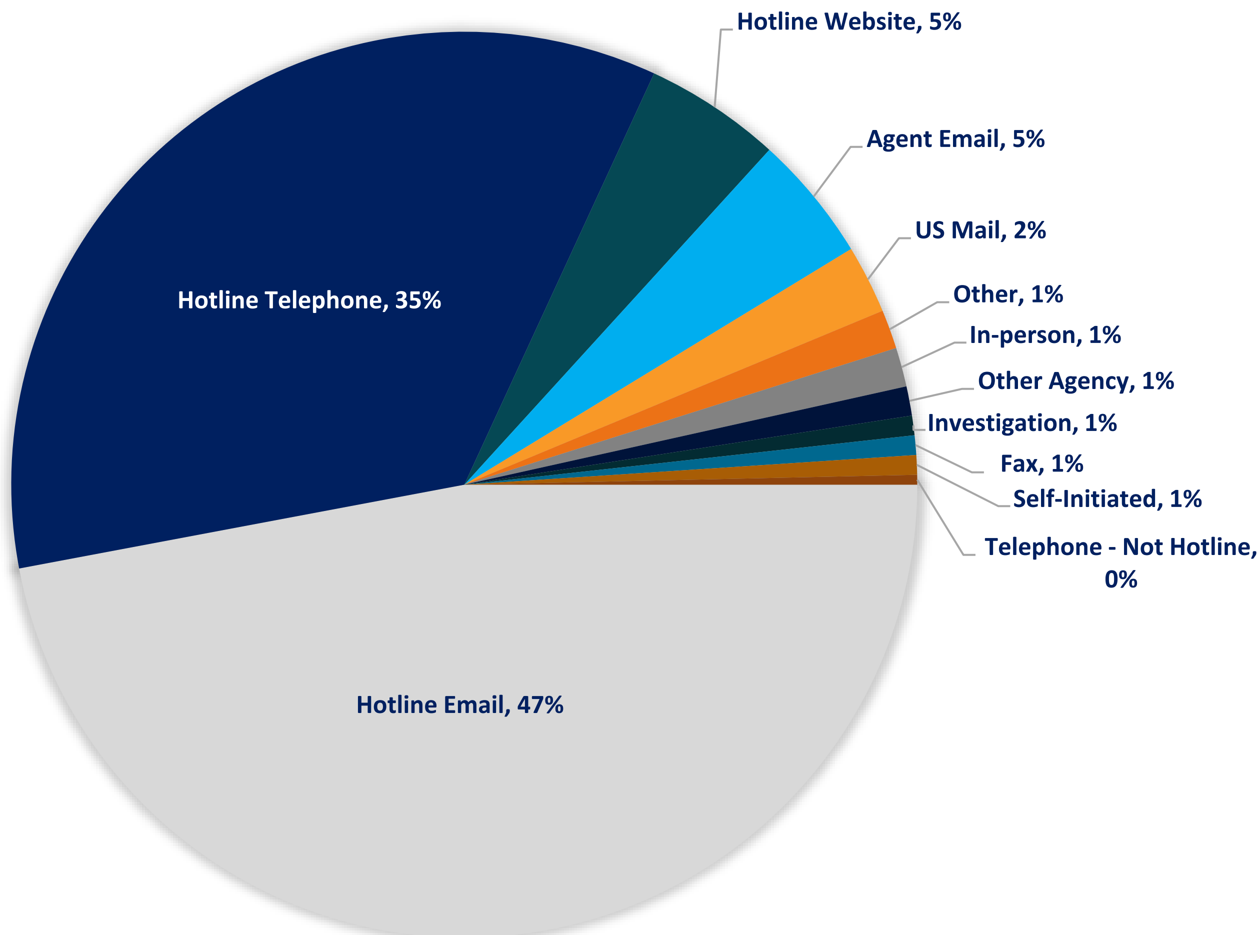
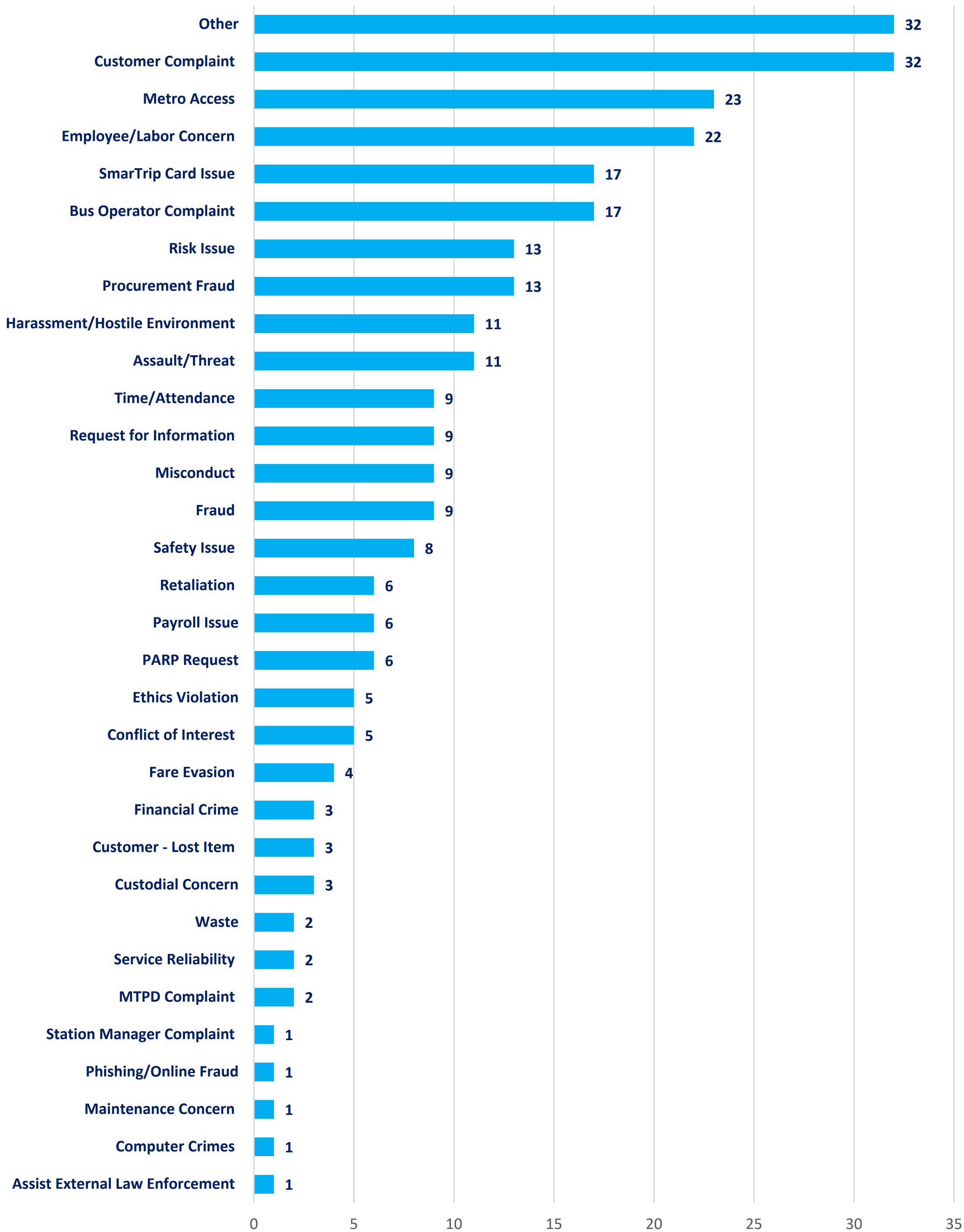


Table 3: Number of Hotline Complaints by Category



AUDITS & EVALUATIONS

$5.09 MILLION IDENTIFIED IN MONETARY BENEFITS

5 AUDIT REPORTS

1 COMPLIANCE REPORT

7 CONTRACT AUDITS

2 EVALUATION REPORTS

BACKGROUND

OA's work focuses on areas of concern such as IT security, financial management, contracts, human capital, administrative issues, and high-risk programs that impact the safe operation of the transit system. During this reporting period, OA issued five audit reports, one compliance report, two evaluation reports, and seven procurement contract audit reports. OA's audit and evaluation work identified $5.09 million in monetary benefits during this reporting period.

As of July 1, 2026, an additional five performance audits, four financial audits, 18 procurement and contract audits, and two evaluation reports were in progress.

AUDIT SUMMARIES

Audit of WMATA's Accounts Payable Process for Outside Party and Miscellaneous Vendor

WMATA's accounts payable team is responsible for ensuring payments to vendors, third parties, jurisdictions, and reimbursement to employees are processed timely, accurately, efficiently, and in compliance with policies and regulations.

The objective of this audit was to determine the effectiveness and efficiency of WMATA's internal controls for accounts payable (A/P), specifically for the outside party and miscellaneous vendor categories.

Audit Results: OIG identified opportunities for WMATA to strengthen its internal controls to ensure that invoices are adequately supported, accurate, and paid within 30 calendar days, as required by WMATA policy. Specifically, OIG's audit found:

- Internal controls for WMATA's A/P need strengthening to adhere to its prompt payment policy.

- Some A/P documentation is missing for receipt, invoice validation, and approval.
- Miscellaneous information technology purchases are not subject to the Digital Modernization department vetting.
- Bundled PO process poses risks of errors in matching and cost tracking.

Audit of WMATA’s Data Privacy and Protection Practices

Data privacy and the use of personal information are issues of increasing concern for many organizations as a result of digital transformation and global regulations. Data privacy and protection is a crucial aspect of business continuity. It is also one of an organization’s greatest risks and, if mishandled, can become one of its most significant liabilities.

The audit objective was to assess WMATA’s compliance with applicable data protection laws, regulations, and privacy standards.

Audit Results: OIG found that WMATA had not developed a data privacy program that fully incorporated applicable requirements and leading standards. The audit revealed systemic weaknesses in WMATA’s data privacy posture, including the absence of a comprehensive data privacy framework, insufficient deployment of automated security tools, and a lack of centralized encryption standards and enforcement. WMATA also lacks enterprise-wide coordination and enforcement mechanisms, which further increases the risk of data breaches and non-compliance.

These deficiencies suggest that WMATA’s current data privacy posture and practices do not adequately safeguard sensitive data in accordance with the National Institute of Standards and Technology, the Health Insurance Portability and Accountability Act, or other best-practice privacy standards.

Restatement of WMATA’s Single Audit for Fiscal Year Ended 2024

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 WMATA’s federal awards annually in accordance with applicable standards.

The objective of the Single Audit was to ensure that WMATA, as a recipient of federal funds, is in compliance with federal program requirements for how the money can be used. OIG is responsible for overseeing WMATA’s Single Audit.

Audit Results:

- Internal Control over Financial Reporting: No deficiencies found.

- Internal Control over Compliance:
    - <u>Preparation of the Schedule of Expenditures of Federal Awards</u>
      A material weakness in internal control over compliance was identified.
    - <u>Lack of Internal Controls Over Key Compliance Requirement</u>
      A significant deficiency in internal control over compliance was identified.
- Compliance and Other Matters: A material weakness was identified.

Audit of WMATA’s Single Audit for Fiscal Year Ended 2025

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

As noted above, the objective of the Single Audit was to ensure that WMATA, as a recipient of federal funds, is in compliance with federal program requirements for how the money can be used. OIG is responsible for overseeing WMATA’s Single Audit.

Audit Results:

- Internal Control over Financial Reporting:
    - <u>Material Weakness, Contract Management</u>
      A material weakness in internal control over financial reporting was identified.
- Internal Control over Compliance:
    - <u>Lack of Internal Controls Over Key Compliance Requirement</u>
      A significant deficiency in internal control over compliance was identified.
    - <u>Preparation of the Schedule of Expenditures of Federal Awards</u>
      A material weakness in internal control over compliance was identified.
- Compliance and Other Matters: A material weakness was identified.

Audit of WMATA’s SmarTrip Regional Partner Comparative Billing Statement for Fiscal Years Ended 2025 & 2024

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

Each year, WMATA is required to prepare SmarTrip Regional Partner Comparative Billing Statements to provide an allocation of the actual operating expenses incurred for the Regional SmarTrip Program for each of the Participating Jurisdictions for the current and prior fiscal years ended June 30. The actual operating expenses incurred and the allocation to each Participating Jurisdiction are audited at the end of each fiscal year. The objective of this audit was to determine whether WMATA's billing statements are free of material misstatements. OIG retained RSM US, LLP (RSM) to conduct this annual audit.

Audit Results: WMATA received an unmodified opinion on the report.

WMATA's Dedicated Funding Report for Fiscal Year Ended 2025

WMATA operates and maintains its transit system through significant financial support from the Federal Government and its regional jurisdictional partners. To ensure a stable and dedicated source of capital funding, the Maryland General Assembly, Virginia General Assembly, and Council of the District of Columbia enacted legislation providing $500 million annually for safety and state-of-good-repair capital projects. This legislation established Dedicated Capital Funding Agreements (Agreements) with each jurisdiction, which define the requirements that WMATA must meet to receive, manage, and expend these funds.

The objective of the Dedicated Capital Funding Report was to provide transparency and accountability over the use of dedicated funds and to demonstrate WMATA's compliance with the requirements established by the Agreements. OIG retained RSM US, LLP (RSM) to conduct this compliance report.

Report Results: WMATA complied, in all material respects, with the requirements specified in the Agreements for the fiscal year ended June 30, 2025.

AUDITS IN PROGRESS

Audit of WMATA's ERP Implementation Project

WMATA currently utilizes PeopleSoft as the primary system of record for its Financial, Human Capital Management, Enterprise Learning Management, and other critical operational activities, supporting over 14,000 users across the organization. WMATA plans to implement a new enterprise resource planning (ERP) system to enhance operational efficiency and improve financial reporting. This initiative aims to deploy an integrated suite of enterprise solutions designed to elevate service delivery, adopt best practices, and significantly boost the efficiency and effectiveness of WMATA's customer service and business processes.

The objective of this audit is to assess WMATA's pre-implementation readiness for the new ERP system and ensure that a sound project management framework is in place to support an effective and efficient implementation process. OIG issued its first report on the ERP implementation, focusing on the finance module, in July 2025. For the next phase, OIG will focus on additional ERP modules, including Human Capital, Finance, and Procurement.

Audit of WMATA's Vendor Master File and Supplier Portal

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

The objective of the audit is to determine if WMATA has effective internal control over its vendor master file and supplier portal.

Audit of WMATA's Cloud Computing Strategy

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

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

Audit of WMATA's Transit Asset Inventory and Conditions Assessment Process

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

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

The objective of the audit is to determine the effectiveness of internal controls over WMATA's transit asset inventory and conditions assessment process.

Audit of WMATA's AIM-SCADA and Train Control Systems

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

The objectives of this audit will be to determine whether the AIM/Supervisory Control and Data Acquisition (SCADA) and train control systems provide a safe, reliable, scalable, and cost-effective option as WMATA modernizes its rail operations.

Audit of WMATA's Financial Statements for Fiscal Year 2026

The WMATA Compact and related Board resolutions require an independent external auditor, as determined by the Inspector General, to audit WMATA's financial statements annually in accordance with applicable standards. In compliance with this requirement, OIG retained RSM US, LLP (RSM) to conduct this annual audit.

The objective of this audit is to:

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

WMATA’s Single Audit for Fiscal Year 2026

The Single Audit Act, as amended, requires an independent external auditor to audit WMATA’s federal awards annually in accordance with applicable standards. In compliance with this requirement, OIG retained RSM to conduct this annual audit.

The objective of the Single Audit is to ensure that WMATA, as a recipient of federal funds, is in compliance with federal program requirements for how the money can be used. OIG is responsible for overseeing WMATA’s Single Audit.

Audit of WMATA’s SmarTrip Regional Partner Comparative Billing Statements Fiscal Years Ended 2026 & 2025

WMATA has a funding agreement with the Participating Jurisdictions to provide a seamless regional system for transit fare collection across WMATA's service area, using smart card technology (SmarTrip). WMATA and the Participating Jurisdictions have agreed to fund their share of the operating expenses of the SmarTrip system. The agreement defines the regionally shared operating expenses, allocation methods, and funding requirements.

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

The objective of this audit is to express an opinion on WMATA’s SmarTrip Regional Partner Comparative Billing Statements for FYs 2026 and 2025.

WMATA’s Dedicated Funding Report for Fiscal Year 2026

WMATA operates and maintains its transit system through significant financial support from the Federal Government and its regional jurisdictional partners. To ensure a stable and dedicated source of capital funding, the Maryland General Assembly, Virginia General Assembly, and Council of the District of Columbia enacted legislation providing $500 million annually for safety and state-of-good-repair capital projects. This legislation established Dedicated Capital Funding Agreements (Agreements) with each jurisdiction, which define the requirements that WMATA must meet to receive, manage, and expend these funds.

The objective of the Dedicated Capital Funding Report is to provide transparency and accountability over the use of dedicated funds and to demonstrate WMATA's compliance with the requirements established by the Agreements.

PROCUREMENT AND CONTRACT AUDITS

OIG issued seven contract audits this reporting period. The Contract Audit group played a critical role in providing financial advisory services to support WMATA's procurement process by conducting pre-award audits to conduct costs analysis and review billing rates, as well as assess contractors' financial capabilities, accounting systems, and regulatory compliance. OIG also introduced a more strategic approach to selecting contracts for review, enhanced reporting to WMATA leadership and the Board, and increased collaboration with WMATA staff.

Contract audits are performed within their stated scope and objective(s) as agreed with management. They can cover a broad range of financial and non-financial subjects, which assist WMATA's procurement department in its contract negotiation process. These audits may uncover fraud, waste, abuse, or other procurement-related issues. Because these reports generally involve contractor proprietary information, the reports are not posted on OIG's website and are not publicly distributed. The types of reviews and methodology are as follows:

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

From January 1, 2026, through June 30, 2026, OIG issued 7 contract audits. For reports that identified a specific potential monetary benefit to WMATA, the amounts are listed below. For contracts that involve an as-yet indeterminate amount of services and/or materials to be provided, the potential benefits cannot be calculated until performance and thus remain "TBD."

Table 4: Contract and Buy America Audit Reports

Report Number	Report Title	Date Issued	Potential Monetary Benefits
CAR 26-011	Independent Review of Proposed Rates, Contract No. FRBIR222323, Rehabilitation of Chiller Plant Facilities at Four Locations	02/27/2026	TBD
CAR 26-012	Independent Review of Price Proposal, Contract No. FQ19144N-P2, Northern Bus Garage Replacement – Battery Electric Bus Modification #1	03/31/2026	$4,676,941.58
CAR 26-013	Independent Review of Price Proposal, Contract No. FQ2024, Task Order TRST - 0009 On-Call Survey Services	05/18/2026	$101,397.20
CAR 26-014	Independent Review of Pre-Award, Contract No. FRSMP266021, Metro Training Center	06/24/2026	N/A
CAR 26-015	Independent Review of Proposed Rates, Contract No. FQ2024, Task Order RBIR-0014 EOR Construction Phase Services for Tunnel Leak	06/24/2026	TBD
CAR 26-016	Independent Review of Price Proposal, Contract No. FQ2024, Task Order MCAP-0007 Contract Package Preparation, Project Development, and Procurement Support	06/29/2026	$315,149.91
CAR 26-017	Independent Review of Proposed Rates, Contract No. FQ2024 Task Order ELES – 0002, Elevator and Escalator Support Services	06/30/2026	TBD

EVALUATIONS SUMMARIES

Evaluation of WMATA's Security Cameras

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

The objective of the evaluation was to assess the functionality and operational effectiveness of security cameras across WMATA. Specifically, OIG sought to determine if WMATA's cameras are functioning and being maintained to ensure safety and security throughout the system.

Evaluation Results: OIG's review of over 5,700 cameras found that security cameras were generally working as intended. Most cameras were operational, and staff were generally performing preventive maintenance on schedule. However, we identified vulnerabilities that could impede WMATA's ability to respond to incidents and maintain comprehensive video coverage. OIG found the following:

1. Limitations in mSET technology and buses with incompatible camera systems impact real-time monitoring of WMATA's bus fleet.
2. Gaps exist in access and monitoring controls over the mSET application.

3. Gaps exist in the preventive maintenance and inspection records for fixed facilities.

Management Assistance Report: Evaluation of WMATA's Real Property Asset Management

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

The objective of this evaluation was to assess whether WMATA effectively managed its real property portfolio and complied with Federal Transit Administration (FTA) data reporting requirements.

Evaluation Results: OIG identified significant deficiencies with WMATA's Department of Real Estate and Development Real Property Inventory. Specifically, OIG found:

1. WMATA's Real Property Inventory submitted to FTA in 2024 and its Real Property Inventory updated as of October 2025 did not include all FTA-required data elements.
2. WMATA's October 2025 Real Property Inventory did not include all WMATA-owned real estate interests.
3. In WMATA's Real Estate Risk Register, the risk of not maintaining adequate property records for properties was understated.

EVALUATIONS IN PROGRESS

Evaluation of WMATA's Radio and Cellular Infrastructure Replacement Project

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

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

Limited Review of CIP 0342: Information Technology Hardware State of Good Repair

WMATA's Department of Digital Modernization (DM) supports all operating components of WMATA by delivering technology solutions to provide, protect, maintain, and support Metro's daily operations. As part of its responsibilities, DM is tasked with upgrading and maintaining WMATA's Information Technology (IT) infrastructure, ensuring that hardware and network assets are current and reliable for operational needs. The DM Service Delivery and Operations team oversees the Capital Improvement Program (CIP 0342) for the IT Hardware and State of Good Repair.

This limited review will assess the appropriateness of expenditures and evaluate the adequacy of internal controls associated with the CIP 0342 program.

CORRECTIVE ACTIONS ON RECOMMENDATIONS

OIG tracks and documents the status of audit recommendations and WMATA corrective action plans (CAPs). Positive change results from the process in which management acts to improve operations based on the recommendations in published audit reports. Management actions are monitored until final action is taken on all recommendations. Listed below are outstanding OIG recommendations. In every case, management's ongoing actions will correct the deficiency identified during the audit.

Table 5: Recommendations Described in Previous Semiannual Reports for Which Corrective Action Has Not Been Completed as of June 30, 2026

Report Number	Report Title	Date Issued	Open	Final Action Completed	Total Recommendations	Latest Target Date for Completion
MAR-19-0003	Cybersecurity Vulnerabilities - 7000 Series Railcars	02/22/2019	1	3	4	12/31/2027
OIG 19-10	Audit of WMATA's End-of-Service Life Operating System Software	05/01/2019	3	3	6	12/15/2028
OIG 19-11	Audit of WMATA's Software Asset Management Program	06/19/2019	1	0	1	12/15/2028
IE-19-0001	Evaluation of WMATA's Inventory Practices	01/06/2020	1	4	5	11/30/2029
OIG 22-01	Review of WMATA's Mission Critical Legacy Systems	08/24/2021	3	0	3	12/31/2028
MAR-22-0001	Pension Plan Overpayments	10/28/2021	1	5	6	06/30/2027
OIG 22-02	Audit of WMATA's Controls and Accountability of Fuel or Non-Revenue Vehicles	01/27/2022	1	10	11	TBD
OIG 22-06	Audit of WMATA's Health and Welfare Plan Management	06/23/2022	1	8	9	TBD
MAR-23-003	OIG Concerns Over Critical Cybersecurity Vulnerabilities That Remain Unresolved	02/17/2023	2	12	14	12/31/2029
OIG 23-007	Audit of WMATA's Procurement Pre-Award Cycle Time	06/08/2023	1	9	10	12/09/2026
OIG 23-008	Audit of WMATA's Money Train Operations	06/22/2023	1	11	12	TBD
OIG 24-03	Review of WMATA's Compliance with the Infrastructure Investment and Jobs Act	11/06/2023	2	1	3	TBD
OIG 24-07	Evaluation of WMATA's Background Screening Process for Employees of Contractors	02/08/2024	3	2	5	TBD
OIG 24-09	Audit of WMATA's Software Licensing Management	06/13/2024	3	2	5	12/15/2028

OIG 25-02	Audit of WMATA's Contract Modifications Process	11/21/2024	3	3	6	10/15/2026
OIG 25-05	Audit of WMATA's Travel Expenses	01/16/2025	1	5	6	TBD
OIG 25-07	Audit of WMATA's Data Center Cost Optimization	04/20/2025	18	1	19	12/15/2027
OIG 25-09	Audit of WMATA's Underground Storage Tanks	05/15/2025	2	4	6	06/30/2026
OIG 25-10	Evaluation of WMATA's Alternate Inventory and Material Practices	06/26/2025	6	0	6	12/15/2029
OIG 26-01	Management Assistance Report: Review of WMATA's ERP Implementation Project	07/09/2025	5	0	5	TBD
OIG 26-02	Evaluation of WMATA's Controls Over Bus Operator Licensing Requirements	09/11/2025	3	0	3	Under Review
OIG 26-05	Audit of WMATA's Accounts Payable Process for Outside Party and Miscellaneous Vendors	03/12/2026	10	0	10	TBD
OIG 26-06	Restatement of WMATA's Single Audit for FY 2024	03/12/2026	2	0	2	02/26/2027
OIG 26-07	Audit of WMATA's Single Audit for FY 2025	03/12/2026	3	0	3	02/26/2027
OIG 26-08	Audit of WMATA's Data Privacy and Protection Practices	04/10/2026	7	0	7	09/15/2029
OIG 26-09	Management Assistance Report: Evaluation of WMATA's Real Property Asset Management	05/14/2026	4	0	4	11/30/2026
OIG 26-12	Evaluation of WMATA's Security Cameras	06/25/2026	6	0	6	11/30/2026

Report Fraud, Waste, or Abuse at WMATA

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