

Annual Audit and Evaluation Plan Fiscal Year 2027





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Inspector General's Message to the Board of Directors

I am pleased to present the Washington Metropolitan Area Transit Authority (WMATA) Office of Inspector General's (OIG) FY 2027 Annual Audit and Evaluation Plan, which outlines our audit and evaluation activities and priorities for the coming year. This plan is a cornerstone of OIG's mission to combat fraud, waste, and abuse, ensure integrity and accountability, and promote economy, efficiency, and effectiveness in WMATA's programs and activities.

This year's plan was developed through a comprehensive risk assessment process, incorporating valuable input from executive leadership, the Board, managers, and team leaders across WMATA, as well as external stakeholders. Their insights helped us sharpen our focus on areas of critical importance and emerging risk.

Our FY 2027 plan builds on key areas established in prior years (such as key capital improvement projects and information technology), while also addressing new and evolving organizational priorities. Notably, we have prioritized audits concerning high-impact operational and financial challenges that pose the greatest financial and operational risk to WMATA. Among these, we will complete audit reports on WMATA's implementation of a new multi-million-dollar Enterprise Resource Planning (ERP) System and its Advanced Information Management (AIM) System, which enables WMATA dispatchers and supervisors to remotely monitor and manage the systems operating rail line traffic.

In addition, the Evaluation of Overtime Management and Timekeeping Controls will be a critical review. Overtime continues to be a significant driver of WMATA's labor costs, with recent years seeing actual overtime expenditures exceed budgeted levels by over 50% annually. This audit will assess whether management has established sufficient oversight mechanisms to ensure overtime is properly authorized, accurately recorded, and paid only for work performed. Our goal is to strengthen controls, reduce opportunities for misuse, and support reliable timekeeping across the organization.

In addition to overtime, our plan includes audits of supply chain vulnerability management, cybersecurity over operational and information technology convergence, contract closeout processes, sole source procurements, and succession planning. These reviews reflect our commitment to addressing both longstanding and emerging risks, ensuring WMATA's resources are used efficiently and effectively, and supporting the agency's mission and strategic transformation.

In addition, our plan continues and expands our contract audit work, which over the past fiscal year has identified millions in potential cost savings on WMATA contracts.

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

Michelle Zamarin

Michelle A. Zamarin
Inspector General



Table of Contents

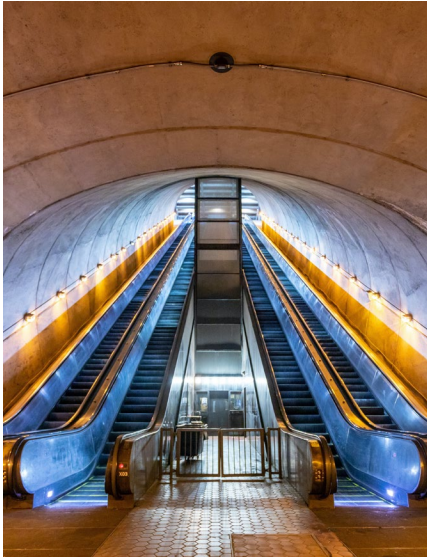
Summary of Audits and Evaluations for Fiscal Year 2027 5

Service Excellence8

1. Audit of WMATA's Compliance with Infrastructure Investment and Jobs Act..... 8
2. Audit of ERP System Pre-Implementation Readiness..... 8
3. Audit of WMATA's AIM Supervisory Control and Monitoring of Rail Systems.....9
4. Audit of Supply Chain Vulnerability Management.....9
5. Audit of Cybersecurity over WMATA's Operation Technology & Information Technology Convergence.....10
6. Audit of the Red Line Modernization Program: Governance, Pre-Implementation Readiness & Control.....10
7. Audit of Cloud Computing Strategy11

Financial and Organizational Efficiency 12

1. Contract Audits (Continuous)..... 12
2. Fiscal Year 2026 Financial Statements Audit 12
3. Fiscal Year 2026 Single Audit 13
4. Fiscal Year 2026 SmarTrip Regional Partner Billing Statements Audit.....13
5. Audit of the Vendor Master File and Supplier Portal.....13
6. Dedicated Funding Report for Fiscal Year 2026.....14
7. Limited Review of CIP 0342 – IT Hardware State of Good Repair.....14
8. Evaluation of Overtime Management and Timekeeping Controls.....14
9. Audit of Contract Closeout Process.....15
10. Audit of Sole Source Procurements & Ratifications.....15



11. Audit of WMATA’s Identity and Access Management and Zero Trust Framework	16
Talented Teams and Asset Management.....	17
1. Audit of Succession Planning Focusing on the Effectiveness of the Knowledge Transfer Process	17
2. Audit of Transit Asset Inventory and Conditional Assessment.....	17
3. Evaluation of Warranty Management.....	18
Authority, Mission, and Contact Information.....	19

Summary of Audits and Evaluations for Fiscal Year 2027

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

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

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

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

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

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

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

Below is a summary of the audits and evaluations to be conducted in FY 2027, along with the associated risk level. A more detailed description follows.

Audits and Evaluations	Organization	Overall Risk Rating
1. Audit of WMATA's Compliance with Infrastructure Investment and Jobs Act	WMATA	5
2. Audit of ERP System Pre-Implementation Readiness	Digital Modernization	5
3. Audit of WMATA's AIM Supervisory Control and Monitoring of Rail Systems	Digital Modernization, Safety, Operations	5
4. Audit of Supply Chain Vulnerability Management	Digital Modernization, Operations	5
5. Audit of Cybersecurity over WMATA's Operational Technology	Digital Modernization, Operations	5
6. Audit of the Vendor Master File and Supplier Portal	Finance, Procurement	5
7. Audit of the Red Line Modernization Program: Governance, Pre-Implementation Readiness & Controls	Infrastructure, Operations, Digital Modernizations, Finance	5
8. Audit of the Contract Closeout Process	Procurement, Finance	5
9. Evaluation of Overtime Management and Timekeeping Controls	WMATA	5
10. Audit of Sole Source Procurements and Ratifications	Procurement, Finance	5
11. Audit of Identity and Access Management and Zero Trust Framework	Digital Modernization	5
12. Audit of Succession Planning Focusing on the Effectiveness of the Knowledge Transfer Process	People, Culture, Inclusion	5
13. Audit of Cloud Computing Strategy	Digital Modernization	4
14. Audit of Transit Asset Inventory and Conditional Assessment	Infrastructure, Operations, Digital Modernizations	4
15. Evaluation of Warranty Management	Operations	4
16. Limited Review of CIP 0342 – Information Technology Hardware State of Good Repair	Digital Modernization	4

17. Contract Audits	Procurement	3
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The Audit and Evaluation Plan also includes cyclical audits mandated by federal statute. These reviews include the Financial Statement Audits and the Single Audit. Because these are required audits, they were not assessed a risk rating.

Service Excellence

Service Excellence is at the core of Metro's mission — delivering safe, reliable, convenient, and accessible transit that customers can count on every day, across all modes. Ensuring the safety of WMATA's passengers, employees, stakeholders, and infrastructure remains an ongoing challenge. WMATA's Strategic Transformation Plan strives to deliver safe, reliable, convenient, equitable, accessible, and enjoyable service for customers. OIG has six reviews in this area.

1. Audit of WMATA's Compliance with Infrastructure Investment and Jobs Act (In Process)

On November 6, 2021, Congress passed the IIJA, a once-in-a-generation investment in our nation's infrastructure and competitiveness. The historic legislation, in part, will improve transportation options for millions of Americans and reduce greenhouse emissions; build a national network of electric chargers and upgrade the power infrastructure; and make our infrastructure resilient to cyber-attacks.

IIJA Section 30019(d)(2)(E)(iii) requires WMATA OIG to issue a report two and five years after the enactment of the IIJA that includes, in part, an assessment of the effective use of funding to address major capital improvement projects. OIG has conducted multiple audits, evaluations, and ongoing reviews related to these requirements, and the mandated five-year report will be issued in November 2026.

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

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

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

3. Audit of WMATA's AIM Supervisory Control and Monitoring of Rail Systems (In Process)

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

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

4. Audit of Supply Chain Vulnerability Management

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

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

5. Audit of Cybersecurity over WMATA's Operational Technology & Information Technology Convergence

As WMATA expands its use of Internet of Things devices, industrial automation, and digital modernization, operational technology (OT) systems that were once isolated are increasingly integrated with enterprise information technology (IT) networks. OT systems are used to monitor and control physical equipment and processes, while IT systems are used to manage information, applications, and business operations. While this convergence improves efficiency and visibility, it also exposes legacy OT infrastructure to modern cyber threats and raises risks around safety, data integrity, and operational continuity.

The audit objective is to evaluate whether WMATA has adequate controls in place to secure converged OT/IT environments, including integrated incident response, protection of legacy OT assets, complete and accurate asset inventories, and safeguards that preserve safety-critical operations and system resilience.

6. Audit of the Red Line Modernization Program: Governance, Pre-Implementation Readiness & Controls

The Red Line Modernization Program requires strong governance, disciplined planning, and reliable integration across legacy and new rail systems to successfully implement communication-based train control (CBTC) and related modernization efforts. Early oversight is critical to prevent schedule delays, cost growth, safety risks, and integration challenges as WMATA transitions to advanced train control technologies.

The audit objective is to determine whether WMATA has adequate controls in place to ensure the program is ready to advance, including:

- Foundational design and readiness assessments;
- Alignment with FTA, engineering, and other applicable standards;
- Comprehensive integration and risk planning; and
- Safeguards that support safe, reliable implementation of CBTC and long-term modernization.

7. Audit of Cloud Computing Strategy

Cloud computing provides on-demand access to a shared pool of computing resources. The adoption of cloud computing has become mainstream by large enterprises because it provides benefits such as: (1) potential cost savings, (2) improved delivery, ease of scalability, and procurement efficiencies, and (3) operational efficiencies and security. WMATA has a limited presence in cloud computing. The objective of the audit is to assess the strategy and plan for migrating applications to the cloud.

Financial and Organizational Efficiency

Financial & Organizational Efficiency reflects Metro's responsibility to steward public resources while ensuring service delivery and modernizing how the agency operates. Achieving efficiency means maximizing the value of every dollar so customers experience better service and employees have the tools needed to provide it. This requires aligning budgets with outcomes, streamlining core processes such as procurement and IT, and managing energy effectively. WMATA's FY 2027 operating and capital budget totals \$4.8 billion and is grounded in Metro's commitment to enhancing safety, reliability, and financial accountability. To strengthen controls and ensure that operating and capital funds are used efficiently and effectively, OIG will continue to conduct audits in fiscal areas. We have multiple reviews in this area.

1. Contract Audits (Continuous)

OIG provides financial advisory services to WMATA's procurement staff responsible for acquisition and contract administration. OIG's support ensures WMATA gets the best value for every dollar spent on contracts. OIG achieves this by conducting independent, professional reviews of financial representations made by contractors. OIG helps to determine whether contract costs are allowable, allocable, and reasonable. WMATA's procurement staff relies on OIG's audit findings and suggested adjustments to negotiate better prices and settlements with major WMATA contractors. OIG also assesses the pre-award and post-delivery certification of rolling stock vehicle compliance with the Federal Transit Administration's Buy America Act regulations by reviewing supplier certifications, invoices, and final assembly costs. In FY 2026, OIG completed 34 contract audits and currently has 22 additional audits in progress, with new assignments added each month.

2. Fiscal Year 2026 Financial Statements Audit (In Process)

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

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

3. Fiscal Year 2026 Single Audit (In Process)

The Single Audit Act, as amended, requires an independent external auditor to annually audit WMATA's federal awards in accordance with applicable standards. The objective of the audit is to ensure that a recipient of federal funds is following the federal program's requirements. OIG is responsible for overseeing WMATA's Single Audit.

4. Fiscal Year 2026 SmarTrip Regional Partners Billing Statements Audit

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

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

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

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

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

6. 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. OIG is responsible for overseeing this review.

7. Limited Review of CIP 0342 – Information Technology Hardware State of Good Repair

The purpose of the IT Equipment and State of Good Repair (CIP 0342) program is to upgrade or replace outdated hardware assets, perform network maintenance to support operational needs, and continue ongoing replacements of computing equipment. This is accomplished through three projects: Computer Infrastructure Inventory and Replacement of Network Equipment, the sustainment of Metro's Facility Communications System (MetroNet), and the replacement program for computers and laptops. This limited review will assess the appropriateness of expenditures and the adequacy of internal controls associated with the CIP 0342 program.

8. Evaluation of Overtime Management and Timekeeping Controls

Overtime is an increasing driver of WMATA's labor costs. In FY 2025, overtime spending rose to more than 8% of the operating budget, and from FY 2023 to FY 2025, actual overtime costs exceeded budgeted levels by over 50% annually. Overtime

assignments require accurate timekeeping, proper supervisory oversight, and reliable system controls to ensure hours paid reflect hours actually worked.

This audit will evaluate the effectiveness of WMATA's overtime controls by determining whether management has established sufficient oversight mechanisms to ensure that overtime is properly authorized, accurately recorded, and paid only for work performed. The audit will examine how well existing systems, supervisory approvals, and timekeeper processes support reliable timekeeping and reduce opportunities for misuse.

9. Audit of Contract Closeout Process

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

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

10. Audit of Sole Source Procurements & Ratifications

Sole source procurements are contracts awarded without competitive bidding and are allowed only in limited situations. They require strong safeguards to protect fairness and ensure good value for taxpayers. Similarly, ratifications, which retroactively approve unauthorized commitments, pose significant compliance and governance risks if not properly controlled. Together, these practices can influence pricing, competition, vendor performance, and stakeholder confidence in WMATA's procurement integrity.

This audit will assess whether sole source awards and ratifications are properly justified, well-documented, compliant with policies and regulations, and supported by adequate approval controls. The objective is to determine whether these actions are transparent, deliver fair value, and occur only when necessary, and to identify

opportunities to strengthen procurement oversight and reduce the risk of improper procurements.

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

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

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

Talented Teams and Asset Management

Delivering excellent service depends on the people who make it possible. WMATA is committed to attracting, developing, and retaining a strong workforce dedicated to powering the region's transit system every day. Personnel costs, such as wages and benefits, are among WMATA's largest operating expenses. Likewise, effective management of physical assets is critical to ensuring programs and operations run efficiently and reliably. WMATA must maintain strong controls over both human capital and assets to support effective and efficient program performance. We have three reviews in these areas.

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

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

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

2. Audit of Transit Asset Inventory and Conditional Assessment (In 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 audit objective is to determine whether WMATA has effective internal controls for managing the transit asset inventory and conditions assessment.

3. Evaluation of Warranty Management

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

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

Authority, Mission, and Contact Information

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

Hotline

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

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