



WMATA Board Audit and Performance Committee

**Board Information Item IV.A.
January 18, 2007**

**Auditor General Report to the Board for
July – December FY07 Reports**

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

<input type="checkbox"/> Action	MEAD Number:	Resolution:
<input checked="" type="checkbox"/> Information		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

PURPOSE

To present the Auditor General's report to the Board for July – December FY07 Audit Reports.

DESCRIPTION

Presentation of completed Internal and Investigative Audit Reports to include:

- Status of Recommendations FY06 and FY07

FUNDING IMPACT

N/A

RECOMMENDATION

N/A

Auditor General Report for FY07 to Date

Presented to the Board of Directors:

Audit and Performance Committee

January 18, 2007





Auditor General Report for FY07 through December 31, 2006

- Reports Completed:
 - 115 Contract Audit Reports and Memoranda
 - 8 Internal and Investigative Reports
- Recommended savings on the contract audit reports and memoranda \$9.0 million
- We made 184 recommendations for improvements in FY06 and 176 recommendations in FY07 to date that were included in the internal audits, investigative reports and control self assessment report.
- As of December 31, 2006, 110 of FY06 recommendations had been implemented and 28 of the FY07 recommendations have been implemented and others are in the process of being implemented.



Auditor General Report for FY07 through December 31, 2006

Total Audit Recommendations , Implemented

FY06	184	110
FY07	176	28

Outstanding Recommendations from FY06

	<u>Recommendations</u>	<u>Not Implemented</u>
Reserved Parking	10	10
Bus Security Review	47	22
Overtime	23	20
Parking Meter Collection Process	9	5
Restrooms at Rail Stations	4	2
Transition to MV Paratransit	7	2
Visa Debit Card Security	5	1
Health & Welfare Trust (2 Reports)	32	3
Preferential Treatment, Hiring Process	9	4
Medical Service Branch	4	1
Travel Reimbursement	6	0
Employee—COUN	2	0
Landover Garage	<u>26</u>	<u>4</u>
Total	184	74



Auditor General Report for FY07 through December 31, 2006

Outstanding Recommendations from FY06	74
Implementation in Process	52
Developing Policies/Procedures	5
Budget/Funding Issues	13
Labor Union Negotiation Issues	3
No Action Yet	1



Auditor General Report for FY07 through December 31, 2006

Outstanding Recommendations from FY07

	<u>Recommendations</u>	<u>Not Implemented</u>
Unpaid Traffic Citations	6	3
Review of Purchase Cards FY06	8	1
Payroll Internal Controls	86	81
Payroll Related Issues	7	7
WMATA Cell Phones for 2005-2006	3	3
Issues and Concerns on Alstom RailCar		
Contracts	42	42
Tuition Reimbursement	6	1
Car Washes	<u>18</u>	<u>10</u>
Total	176	148



Auditor General Report for FY07 through December 31, 2006

Outstanding Recommendations from FY07 **148**

Implementation in Process **72**

Developing Policies/Procedures **15**

No Action Yet **9**

Report Issued in Late December **52**



Auditor General Report for FY07 through December 31, 2006

- **Internal Audit Reports**
 - **Administration and Monitoring of Traffic Citation Violations**
 - **FY06 Purchase Card Program**
 - **Internal Controls Related to Payroll**
 - **Payroll Related Issues**
 - **WMATA Cell Phones for 2005-2006**
 - **Issues and Concerns on Alstom Railcar Contracts**
- **Investigative Reports**
 - **Improper Tuition Reimbursement**
 - **Improper Use of WMATA Contract Car Wash Services**

Appendix 1

Auditor General Report for July – December 2006

Auditor General Report for July-December 2006

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Auditor General Report for July–December 2006

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 - FY 2006 Purchase Card Program
 - Internal Controls Related to Payroll
 - Payroll Related Issues
 - WMATA Cell Phones for 2005-2006
 - Issues and Concerns on Alstom Rail Car Contracts

Administration and Monitoring of Unpaid Traffic Violation Citations AUD 07-002 dated August 15, 2005

- We have completed a review of the traffic citations received by WMATA employees from local jurisdictions which are sent to WMATA.
- We also reviewed the database used for monitoring of the unpaid citations for WMATA vehicles that is administered by the Office of Operations Planning and Administrative Support (OPAS).
- The Policy/Instruction states that vehicle operators are responsible for traffic and parking citations and for prompt reporting and payment of citations.
- Our objective was to determine whether the processes for controlling the payment of citations are adequately designed and operating effectively.
- We ascertained that the OPAS database was not being maintained for unpaid citations that were received prior to May 2005. The current unpaid citations are now being maintained and citations are being forwarded to the respective office/department for action.
- When we commenced the audit in March 2006, there was \$90,768 in unpaid citations, \$66,850 of which was prior to May 2005.
- As of May 1, 2006, there were \$63,403 in unpaid citations of which \$47,580 were prior to May 2005.
- We ascertained that managers have not been following up with their employees on resolving unpaid citations.
- We made six recommendations for improvement.

Current Status: Three of the recommendations have been implemented. OPAS will be implementing two other recommendations and is drafting a Policy/Instruction to incorporate the remaining audit recommendation. As of December 31, 2006, the unpaid citations were \$42,434 of which \$19,050 were prior to May 2005. \$17,960 of these old citations is in the process of being paid.

FY 2006 Purchase Card Program AUD 07-047 Issued November 17, 2006

- We performed a follow up review of WMATA's Purchase Card Program.
- During FY06 from July 1, 2005 to January 31, 2006, we ascertained that 187 cardholders spent \$5.9 million.
- We reviewed these transactions to determine if proper internal controls were in place, that there was a proper review and approval process, whether cardholders were allowed to make purchases beyond the scope of their authority, whether items were purchased that were inappropriate or unauthorized and whether the issues and recommendations raised in our prior audit report had been addressed and implemented.
- We ascertained that 15 of the 16 recommendations from our last audit report have been implemented. The remaining recommendation pertaining to establishing Blanket Purchase Orders for vendors where there are frequent purchases is being evaluated by the Office of Procurement and Materials.
- There has been improvement in the administration and enforcement of the program in that we only had internal control issues with \$102,811 out of the \$5.9 million in total purchases or only 1.7%.
- We found that several cardholders did not follow the purchase card policies and guidelines, which made the program vulnerable to abuse. Some of the observations made during the review included the following:
 - Some transactions did not have supporting documentation
 - 16 split purchases were made to avoid the small purchase policy
 - 34 transactions paid sales taxes totaling \$1,009. Of this amount, \$400 has been recovered.
- We made eight recommendations to improve the administration of the program.

Current Status: The office of Procurement and Materials has implemented seven of the recommendations by taking appropriate action against cardholders who did not comply with procedures. The remaining recommendation to evaluate feasibility of establishing Blanket Purchase Agreements with vendors is being reviewed by Office of Procurement and Materials.

Internal Controls Related to Payroll AUD 07-050 Dated November 27, 2006

- As part of our initiative to review financial internal controls within WMATA and a request from the Controller, we conducted a review of Internal Controls Related to Payroll.
- We reviewed the policies and procedures to ensure that they were effective and efficient. We documented procedures used, conducted a 'walk through' of operations and observed the payroll process. We also conducted interviews with personnel involved in the Payroll operations.
- The major issues of concern are:
 - Lack of documented policies and procedures for processing the payroll data in Details To Gross (DTG) Payroll System;
 - Several issues with the payroll process by Superintendents, Supervisors and employees in the field
 - Field employees are not properly trained on the DTG Payroll System;
 - Lack of communication between the Field Management Personnel and Payroll regarding access rights to the payroll systems;
 - Supervisory review of the payroll data prior to the submission to Payroll is not consistently performed;
 - Acting and Temporary Assignments are not terminating after six months;
 - Policies and procedures over Accounting and Financial Reporting are not current and are not adequately documented;
 - There is a lack of checks and balances within PeopleSoft when payroll checks are reissued.
- We have made 86 recommendations for improvement.
- We note that during our audit, the Office of Accounting (ACCT) hired a new Payroll Manager who has over 15 years of work experience with vast knowledge and management experience in the area of payroll, to include human resources, compensation and benefits.

Current Status: The Office of Information Technology, ACCT and Department of Workforce Development and Administration has responded to the audit report providing the current status of the recommendations. Five of the recommendations have been implemented and most of the others are in the process of being implemented.

Payroll Related Issues

AUD 07-062 Dated December 22, 2006

- At the request of the Chief of Staff, we have reviewed several payroll related issues in an effort to determine whether there are sufficient procedures and controls in place to effectively manage time and attendance for non-represented employees. We also reviewed retired employees who are presently working as consultants to WMATA and employees placed in acting positions to evaluate how these issues are being controlled and managed.
- Presently, there are essentially two methods with some minor variation of controlling time and attendance. The two methods are as follows:
 - The Executive Leadership Team (ELT) member uses Electronic Time Sheet Payroll System (ETS) to record their time and attendance, approve their direct reports' time and has their executive assistant/assistant keep track of time and attendance for the office/department as a control to ensure that it is properly managed.
 - The ELT member relies on their executive assistant/assistant to maintain their time and attendance, keep track of the ELT member's direct reports, as well as time and attendance for the office/department as the control to ensure that it is properly managed.
- We were provided the names of 15 individuals who have retired from WMATA and were currently working as consultants to WMATA on WMATA projects. Effective September 30, 2006, one of the subcontracts pertaining to Information Technology Renewal Program (ITRP) was ended which resulted in three of the retired employees' work as consultants to cease.
- The three former employees who retired in December 2005 (2) and March 2006 (1) respectively were working for a subcontractor to the ITRP contractor working in their former office doing some of the same work that they were doing prior to their retirement. The subcontract ended September 30, 2006.
- Therefore, effective October, 2006 there were 12 retired employees working as consultants to WMATA.

Payroll Related Issues
AUD 07-062 Dated December 22, 2006
(Continued)

- Based on information furnished to us by the ELT, there were 66 employees in acting positions in September 2006. As of mid December, 45 of these employees were still in acting positions. Of the 45 positions, 12 are presently under recruitment. Of the 33 positions not under recruitment, seven are in backfill positions and nine are still within the original six month period of assignment resulting in 17 being in the acting position more than six months and not presently under recruitment.
- WMATA Personnel Policy and Procedure Manual 5.2, Salary Administration (PPPM 5.2) states that acting assignments must be terminated after six months. It also states that only after a request for an extension from an Office Director and approved by the Director, Human Resources and Management Services (HRMS) may grant an extension beyond the original six months.
- We have made seven recommendations for improvement in the payroll related areas.

Current Status: Audit Report issued in late December. Offices are currently reviewing the report. No recommendations implemented at this time.

WMATA Cell Phones for 2005-2006

AUD 07-067 Dated December 26, 2006

- We have reviewed the usage pertaining to 1,781 cell phones that were in use during the 2005 evaluation period. As a result of our audit, and as of February 15, 2006, it was determined that 330 cell phones had been added since the prior audit rather than the recommended decrease of 183 cell phones. It was also determined that 38 cell phones were identified as "unassigned". Unassigned phones are phones that were not assigned to an individual or Department. The unassigned phones had plans that were charged monthly. These phones were discontinued as of February 15, 2006.
- As a result of our prior audit and actions by the Office of Administrative Programs and Services (APAS), cell phone users/Departments are now on cost effective phone plans. We noted that a few offices had not been efficient in managing the cell phone usage of the employees within their offices. This resulted in a few employees having either excessive minutes in personal usage or limited cell phone usage.
- We noted that there was minor abuse of company cell phones by employees, in that four employees had calls that resulted in additional charges. The additional charges covered the period January 1, 2005 through June 30, 2005. Two Departments were affected.
- APAS has prepared a budget to allocate the cell phone usage to each Office/Department during FY07 based on the FY07 budget. The amount budgeted for cell phone usage in FY07 is \$320,000, which is significantly lower than the FY05 actual expense of approximately \$813,000 and the actual FY06 expense of \$767,093, not including equipment charges of approximately \$78,145.
- Currently the monthly charge is approximately \$43 per cell phone. This does not include equipment charges. This would result in costs of \$72,111 per month based on the current number of 1,677 cell phones, which represents an estimated annual cost of \$865,332. This represents approximately \$545,332 over budget for FY07 for cell phone usage.

WMATA Cell Phones for 2005-2006
AUD 07-067 Dated December 26, 2006
(Continued)

- Our findings are as follows:
 - Practices relating to managing cell phones within the various Offices/Departments need to be improved
 - Policies and Procedures relating to personal usage need to be updated
 - The number of cell phones continues to increase resulting in additional costs to WMATA

- The Office of Administrative Programs and Services (APAS) hired a new manager to coordinate and monitor the assignment and usage of cell phones. They also revised the Policy/Instruction for Commercial Wireless Communications Technology in January 2006, incorporating our recommendations from our prior Audit Report AUD 04-061 to ensure tighter scrutiny, adherence to Authority policies and increase employee accountability.

- We have made three recommendations for improvement.

Current Status: Audit Report issued in late December. APAS has been taking action to implement the recommendations. However, no recommendations have been implemented at this time.

Issues and Concerns on Alstom Rail Car Contracts AUD 07-076 Dated December 29, 2006

- The objectives of our audit are to ascertain the contract issues and concerns that have arisen to evaluate what happened, why it happened, what the current status of the contracts are, what can be learned from these issues/concerns and make recommendations for improvement for current and future procurements.
- In reviewing these contracts, we reviewed the award of the contracts, contract administration, financial issues, and performance on the contracts. Overall project management, quality issues, current status (time and budget), issues/concerns identified on the contract pertaining to Contractor performance, Subcontractor's performance and Consultant performance as well as lessons learned from the contracts that can be used to improve performance/administration/oversight of the contracts.
- Our review of the issues and concerns on the Alstom Rail Car Contracts resulted in 48 issues of concern which we have summarized in our report.
- The major issues of concern are:
 - The 2000/3000 series rail car production schedule originally anticipated acceptance of the final car in November 2005. The current schedule estimates final car acceptance by WMATA in December 2007; 24 months behind schedule as a result of production being halted on several occasions over the course of the program.
 - The 6000 series rail car production schedule estimated a completion of May 2006 for the base order of 62 cars. The expected completion date for the option cars is September 2007. The scheduled completion date for the project remains September 2007. However, this is considered to be no longer attainable and the schedule is being reevaluated. The current projection by the Program Office is for the overall project to be completed three or four months late.
 - The Contractors, Subcontractors and WMATA Personnel do not appear to be working as a team. There is a lack of coordination within WMATA.
 - Identification of a problem with a rail car concerning quality or technical issues creates a lengthy process for resolution, resulting in delays to the production schedule.

Issues and Concerns on Alstom Rail Car Contracts AUD 07-076 Dated December 29, 2006 (Continued)

- There have been several design and engineering issues with the 2000/3000 Series Railcar Rehabilitation including the remanufacture of the trucks, air compressors, doors, automatic train control, propulsion and traction motors.
 - WMATA staff reports and Alstom representatives confirm that there have been significant issues regarding parts availability for warranty and repair work at WMATA.
 - Issues to date with the 6000 Series rail cars include the center pin, design of the HVAC system, car leveling valve and on-site warranty.
 - Repair parts are not onsite at WMATA and cars are not being accepted or progressing through testing as a result of the shortage.
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- We have made 42 recommendations for improvements for the current contracts and for future procurements.

Current Status: Audit Report issued in late December. Offices reviewing report. No recommendations implemented at this time. The Program Office, in coordination with the Chief Engineer Vehicles, provided a preliminary plan for action on each recommendation included in the report and has begun working towards implementation of the recommendations for these and future Railcar Procurement Contracts.

Auditor General Report for July – December 2006

- Investigative Reports
 - Allegations of Improper Tuition Reimbursement by an Employee in the Office Of Organizational Development
 - Allegations of Improper Use of WMATA Contract Car Wash Services

Allegations of Improper Tuition Reimbursement by an Employee in the Office of Organizational Development

AUD 07-001 Dated July 7, 2006

- We received a complaint that an employee in the Office of Organizational Development had allegedly falsified Tuition Reimbursement Request Forms.
- Our inquiry determined that an employee apparently falsified WMATA Tuition Reimbursement Request Forms and a college's invoices for reimbursement that resulted in a monetary loss to WMATA.
- Since our inquiry showed that the employee's actions were possibly of a criminal nature, our findings were referred to Metro Transit Police Department.
- The four allegations that we substantiated are:
 - An employee falsified Tuition Reimbursement Request Forms and College Invoices
 - Documents were falsified that showed that employees were enrolled at a college
 - Tuition reimbursement checks were issued and cashed based on false documents
 - Management personnel in the Office did not follow appropriate internal controls related to WMATA's Tuition Reimbursement Policy and Procedure
- The employee admitted to the theft from WMATA.
- The employee was dismissed. The case has been referred to the US Attorney's Office.
- We have made six recommendations for improvement.
- Due to the seriousness of these actions, we will be reviewing the internal controls and practices pertaining to the Tuition Reimbursement Program.

Current Status: Five of the six recommendations have been implemented at this time. The remaining recommendation is in process of being implemented.

Allegations of Improper Use of WMATA Contract Car Wash Services

AUD 07-036 Dated September 26, 2006

- We reviewed seven issues pertaining to Improper Use of WMATA Contract Car Wash Services.
- As a result of our inquiry, we substantiated the following:
 - A former employee inappropriately used WMATA contracted car wash services for his personal use
 - WMATA paid billing statements from the car wash that included false and questionable information
 - The Blanket Purchase Agreements for the car wash contracts are not managed effectively
 - The car wash vendors do not comply with all of the terms of the Blanket Purchase Orders
 - The Vehicle Control Officers do not maintain current lists of employees responsible for non-revenue vehicles as required by the Policy/ Instruction pertaining to Management and Utilization of WMATA Non-Revenue Vehicles
 - A few employees obtained car wash services that were outside of the scope of the Blanket Purchase Agreement
 - There is excessive use of contracted car wash services by a few employees
- We made 18 recommendations for improvement in the administration of the program.

Current Status: Eight of the recommendations have been implemented. The remaining recommendations are in the process of being implemented.

Status of Overtime Issues and Recommendations

- Review of the Administration of Overtime Hours and Costs in WMATA's Departments of Operations and Metro Transit Police issued February 28, 2006.
- 23 Audit Recommendations were made.
- RAIL, BUS and MTPD have implemented some procedures to monitor and reduce overtime.
- RAIL, BUS and Operations Planning and Administrative Support (OPAS) have provided updates to status of recommendations.
- Three of our recommendations have been implemented to date.
 - At the weekly COO RAIL direct reports meeting, a representative from OPAS is in attendance who reviews their vacancy report.
 - The RAIL directors report on their respective vacancies which are provided to OPAS for their reconciliation.
 - Starting in January 2007, HRMS has been invited to weekly staff meetings to become more aware of the vacancy issues and produce more timely resolution of RAIL human resource concerns.
 - OPAS vacancy reports are updated nightly with downloads from PeopleSoft. These reports are available online for offices in OPER to use.
 - RAIL staff meetings have devoted much time and discussion on the issue of the increasing assignment of overtime hours and the effect that overtime hours have on WMATA's budget and its workforce.
 - Reporting on overtime is now required of all Rail Management with justification for proposed overtime hours and pay.
 - Report is reviewed and approved by the COO/RAIL on a biweekly basis.
 - This new procedure has yielded reductions in overtime costs due to more intense monitoring and awareness of overtime cost impacts.
 - Bus Transportation requires all Superintendents to review the weekly overtime report and submit information for overtime for any employee at their division who has earned 40 or more hours of overtime in one pay period.

Status of Overtime Issues and Recommendations (Continued)

- RAIL reiterates and enforces the policy and/or union requirement that each police officer and/or "Operator" take a minimum of eight (8) hours of continuous off-duty time in each twenty four (24) hour work period.
- Chief of Police sent memo to staff enforcing this requirement.
- All Bus superintendents are required to explain in detail the reason for any employee not meeting the eight hour Federal Transit Administration (FTA) rule.

- Status on five other recommendations is as follows:
 - Rail department representatives meet with the Office of Operations Planning and Administrative Support (OPAS) and Office of Human Resource Management Services (HRMS) staff on an on-going basis as positions are being recruited and filled to identify inefficiencies in the process as they occur. They have identified ways to streamline the process and have made recommendations to modify contract language in recruitment/posting processes.
 - RAIL has also worked with HRMS to develop a list of qualified applicants for the interview and selection process in an effort to decrease the timeline for filling vacancies.

 - Some of the RAIL offices have instituted the monthly vacancy report prepared by OPAS, and the reports prepared by the personnel data clerks in each office in OPER are being revised to include (a) effective date of action that caused position to be vacant, (b) more detailed description of position status, (c) a vacancy aging column and (d) segregation of active vs. non-active recruitment of vacancies. The rest of the RAIL offices are working to institute these reports.

Status of Overtime Issues and Recommendations (Continued)

- Managers and supervisors should maintain detailed descriptions of the daily overtime work assignments performed by each worker.
 - This information is currently being captured in Trapeze and Details to Gross payroll systems.
 - All RAIL offices are planned to migrate over to the Trapeze system in the future.
 - OPAS states that the new MAXIMO system will provide an overtime management system for the tracking of work assignments detailing reasons for overtime, project name, etc.

- The senior-level managers in OPER should consider establishing a pilot program at a selected facility to implement certain management initiatives in regards to overtime hours.
 - RAIL instituted a new program requirement for Rail direct reports to COO/RAIL to submit on a biweekly look-ahead basis the overtime proposed along with appropriate justification for overtime requirement. This program has contributed to steady decline in overtime for unscheduled, non-event driven overtime costs.

- RAIL is working on a continuous basis with OPAS budget and personnel specialists to identify trends and in preparing projections for managerial analysis. Rail currently receives a detailed overtime report capturing budgetary funding, budget overruns, employee's absenteeism, staff vacancies and other requested detailed information in order to more closely monitor and control overtime. These reports are reviewed at the highest level within the rail organization and discussed on a weekly basis at staff meetings as required.

Status of Overtime Issues and Recommendations (Continued)

- RAIL, BUS, MTPD and OPAS are working on developing processes to implement the other recommendations in efforts to control overtime.
- Per the Office of Budget, overtime for FY07 through November 2006 is \$33,448,000.
- We are following up on current status of recommendations and overtime issues and will issue our report on results of our review by March 31, 2007.