

Executive Summary

Proposal for an Office of Inspector General

Proposal: Establish an Office of the Inspector General (OIG), headed by an Inspector General (IG) reporting directly to the WMATA Board of Directors (Board). The OIG will replace the existing Office of Auditor General.

Background: In recent months, the Board, elected officials and the public have voiced a concern that WMATA become more transparent and accountable for its actions. The Board has taken numerous actions over the past year to increase organizational transparency.

It is not necessary to enact legislation to establish an OIG. With Board concurrence, the OIG can be established immediately, whereas amending the WMATA Compact, which requires coordinated legislative action, could take several years. The staff proposal generally follows the models of how Inspectors General Offices are set up by federal agencies.

The proposal empowers the new OIG to conduct investigations and audits, including program evaluations, to review policy, and to recommend corrective action. It is envisioned that the General Manager and IG will maintain open lines of communication and that the General Manager may ask OIG to perform investigations and audits.

Mission Statement: The Office of Inspector General is an independent and objective unit committed to making WMATA transparent and accountable. The Office scrutinizes WMATA's activities, guards the integrity of WMATA's programs and promotes the economic use of WMATA's resources, thus contributing to safe, efficient, clean and reliable transportation for WMATA's customers.

OIG Responsibilities: Responsibilities of a new OIG, similar to those at other transit systems and federal agencies, are to: (1) conduct and supervise audits, program evaluations, and investigations relating to Authority activities; (2) promote economy, efficiency and effectiveness in Authority activities; (3) detect and prevent fraud and abuse in Authority activities; and (4) keep the Board fully and currently informed about deficiencies in Authority activities as well as the necessity for and progress of corrective action.

Major Components of the OIG Proposal

- **Selecting an IG:** The Board will recruit and select an IG, and determine the IG's compensation, as well as the overall OIG office budget for fiscal 2007. In subsequent years, the IG will recommend an OIG budget. Recruitment will be based on demonstrated management and analytic ability and a thorough appreciation of the aims of

auditing, program evaluation, criminal and civil investigations, the need for adherence to legal requirements, and the special nature of working in the public sector.

- **Term of Service:** 5-year term. May be reappointed for no more than 2 additional terms.
- **Termination:** Removal of an IG prior to the expiration of a term in office will be in accordance with Board authority under the Compact and upon criteria to be developed by the Board and made publicly available. The criteria will be similar to standards of performance and conduct that apply to Inspectors General of other entities.
- **Reporting:** The IG will report on a periodic basis to the Board Audit Committee, as the Committee may require, and at least semi-annually to the Board, including the presentation of an annual work plan. The IG will submit annual reports summarizing activities to the Board, applicable Governors, Mayor, Chief Elected Officers of Fairfax County, Fairfax City, Falls Church, Arlington County, City of Alexandria, Loudoun County, Montgomery County and Prince George's County, the Federal Transit Administration, and Members of Congress from this region.
- **Personnel:** The IG will appoint an Assistant IG for Audits and an Assistant IG for Investigations. The IG will have independent hiring authority in accordance with the OIG approved budget and WMATA personnel policies and procedures. The OIG shall provide first consideration to the WMATA Office of Auditor General personnel when making hiring decisions. WMATA will set up a separate compensation family for OIG to allow for a separate pay system.
- **Internal Procedures:** Within three months of appointment, the first IG will recommend a number of internal procedures and other matters to the Board, including: (1) authority over required contracting support; (2) scope of audit authority over contractors; (3) operating procedures for the conduct of investigations of safety and criminal matters; (4) protection of confidentiality and whistleblowers; (5) the content of periodic reports, recipients of audit and investigative reports and the public availability of all OIG reports; and (6) a fiscal 2008 budget, work plan, and an organizational staffing plan.
- **Subpoena Power and Independence:** The OIG shall have the authority to subpoena witnesses, papers, records, and documents and shall enjoy the greatest possible independence and freedom from interference, consistent with the WMATA Compact.
- **Financial Audits:** The Board will continue to select the external contract auditors for the annual Audit of Financial Statements taking into consideration the Inspector General's recommendation. The Inspector General will supervise and perform a quality assurance review of the audit.
- **Authority Records:** The OIG shall have access to all Authority records and the full cooperation of WMATA staff.

- **Communication and Cooperation:** The Board, specifically the Chair of the Audit Committee, should communicate regularly with the IG on issues. The IG and General Manager shall maintain open lines of communication, including direct and prompt access to each other when necessary. Management should work with the OIG in a cooperative manner with a goal of continuous organizational improvement.

Budget and Personnel Impact

Establishing an OIG is estimated to have additional costs of \$314,000 during FY 2007. These costs are associated with compensation for one new position, costs associated with re-classifying two vacant positions, related fringe benefits, non-personnel costs, and start-up expenses.

- Under this proposal, 27 current positions in the Office of Auditor General will transfer to the new OIG. WMATA will subsequently eliminate the Office of Auditor General from its organizational structure.
- In addition to the 27 transferred positions, the new OIG will require one position to be added to WMATA's fiscal 2007 budget: Inspector General. With this new position, the OIG will have 28 total positions.
- The WMATA Office of Auditor General currently has four vacant positions. This proposal assumes re-classifying two of the vacant positions to: Assistant IG for Audits and Assistant IG for Investigations. The cost associated with this action includes the difference between average salaries of two vacant positions and salary estimates for two Assistant IG positions.
- This proposal assumes that the Inspector General will be selected by October 2006 and the Assistant Inspector Generals by January 2007. Therefore, the IG position, start-up costs, and other non-personnel costs are budgeted for nine months of fiscal 2007 (October 1, 2006 through June 30, 2007). The Assistant IG positions are budgeted for six months of fiscal 2007 (January 1, 2007 through June 30, 2007). **Exhibit 1** provides more detail on the budget impact.

**Exhibit 1
Budget Impact**

Current Structure: Office of Auditor General

(\$ in Thousands)

<u>Current Auditor General</u>	
Personnel	27 positions
Personnel Costs	\$2,842
Non-Personnel Costs	<u>43</u>
TOTAL FOR FY 07 (full year)	\$2,885

Proposed Structure: Office of Inspector General

(\$ in Thousands)

	<u>Transferred from Auditor General</u>	<u>New Positions</u>	<u>TOTAL</u>
Personnel	27 positions	1 position	28 positions
Personnel Costs	\$2,842	*\$305	\$3,147
Non-Personnel Costs	<u>43</u>	<u>**150</u>	<u>193</u>
TOTAL FOR FY 07 (full year)	\$2,885	\$455	\$3,340

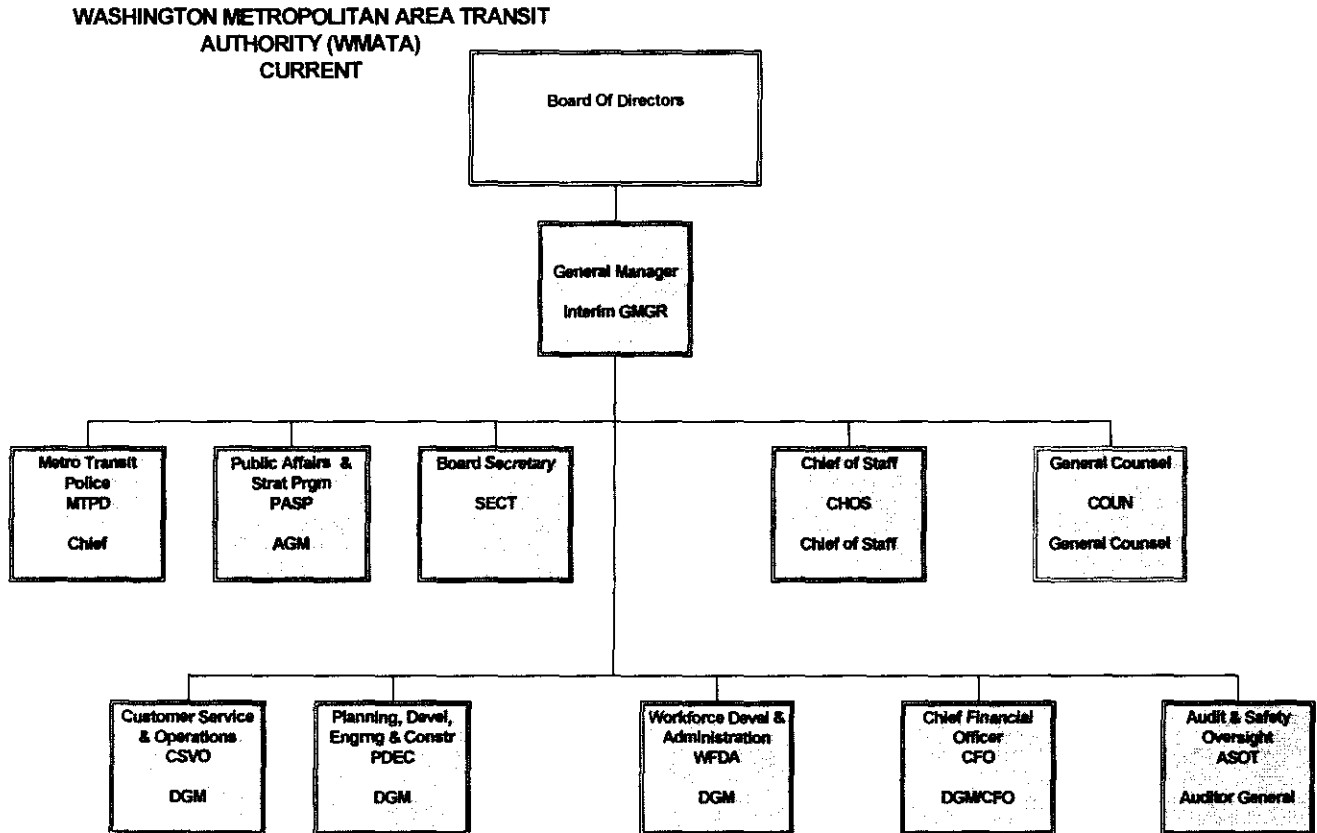
* Personnel costs for one new position is based on average salaries for Inspector Generals in the region and nationally. Personnel costs also include costs associated with re-classifying two vacant positions to: Assistant IG for Audits and Assistant IG for Investigations.

** Funds include start-up costs for the office and routine non-personnel costs.

WMATA estimates that this proposal will require adding \$314,000 to the FY 07 budget, based on the following assumptions: (1) the Inspector General position, start-up costs, and non-personnel costs are budgeted from October 1, 2006 through June 30, 2007; (2) the two Assistant IG positions are budgeted from January 1, 2007 through June 30, 2007; and (3) two vacant positions in the Office of Auditor General are re-classified to: Assistant IG for Audits and Assistant IG for Investigations.

Appendix 1

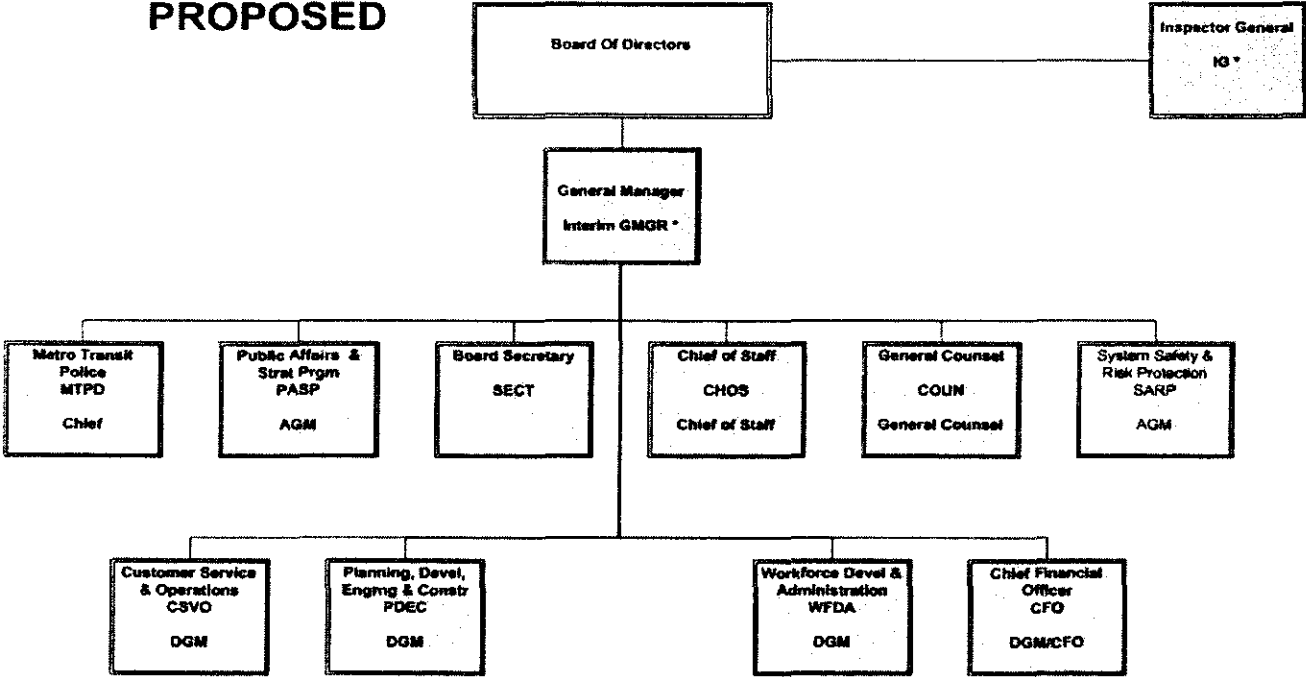
Current WMATA Structure Organizational Chart



Appendix 2

Proposed WMATA Structure Organizational Chart WMATA-Wide

WASHINGTON METROPOLITAN AREA TRANSIT
AUTHORITY (WMATA)
IG ORGANIZATION
DRAFT
PROPOSED

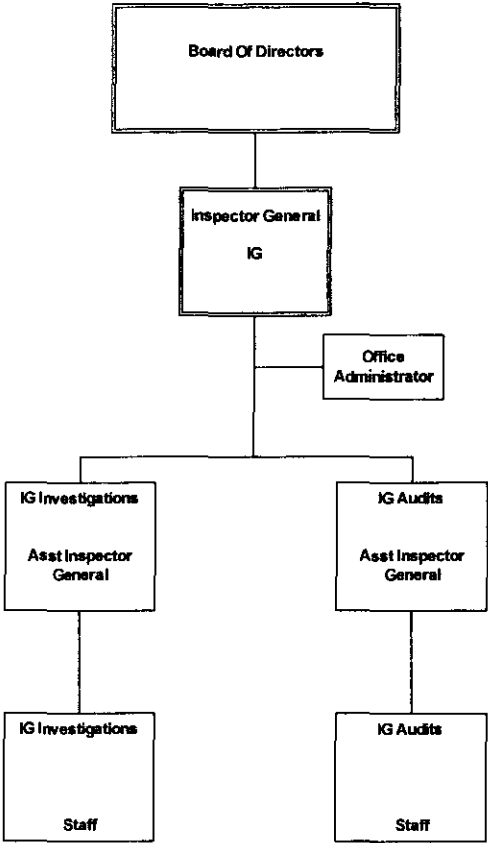


* Direct and prompt access and communication between the IG and the Interim GMGR

Appendix 3

Proposed WMATA Structure Organizational Chart Office of Inspector General

WASHINGTON METROPOLITAN AREA TRANSIT
 AUTHORITY (WMATA)
 IG ORGANIZATION
DRAFT
PROPOSED



New Positions	1
Transferred Positions	27
Total	28

Appendix 4
Salary Range for Inspector Generals

	<u>Salary</u>
WMATA Auditor General	\$140,769
District of Columbia IG	\$140,000

	<u>National Estimate</u>
Watson Wyatt Consulting	\$146,100
Mercer Human Resource Consulting	\$151,700

PRESENTED & ADOPTED:

SUBJECT: Establish an Office of Inspector General, Headed by an Inspector General, and Repeal Resolution 82-44, which Established the Office of Audits and Inspections

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, The Board adopted Resolution 82-44 establishing within the organizational structure of the Authority an Office of Audit and Inspections ["Office of Audit"] headed by an Auditor General appointed by the General Manager (with Board approval) and reporting directly to the General Manager, in order to increase inspection responsibilities for the detection of fraud, fraud vulnerability and employee, consultant employee or contractor misconduct; and

WHEREAS, Many organizations, including federal government agencies and transit properties, employ an Office of Inspector General as an independent and objective unit to conduct and supervise audits, program evaluations and investigations relating to agency activities; promote economy, efficiency and effectiveness in agency activities; detect and prevent fraud and abuse in agency activities; and inform agency officials about deficiencies in agency activities as well as the necessity for and progress of corrective action; and

WHEREAS, In order to perform these functions, the Office of Inspector General would need full access to Authority records and the full cooperation of staff; and

WHEREAS, WMATA, its customers, its funding partners, signatories and oversight agencies would all benefit if WMATA had an Office of Inspector General modeled on the federal Offices of Inspector General to enhance the Authority's goals of accountability and transparency; and

WHEREAS, The Office of Inspector General would assume all functions previously performed by the Office of Audit and would perform other functions included in the duties of a federal Office of Inspector General; now, therefore, be it

RESOLVED, That there is hereby established an Office of Inspector General to conduct and supervise audits, program evaluations and investigations relating to Authority activities; promote economy, efficiency and effectiveness in Authority activities; detect and prevent fraud and abuse in Authority activities; and keep the Board fully and currently informed about deficiencies in Authority activities as well as the necessity for and progress of corrective action; and be it further

RESOLVED, That in performing these functions, the Office of Inspector General shall have access to all Authority records and the full cooperation of staff when necessary for performing the functions and responsibilities of the Office of Inspector General, shall have the authority to subpoena witnesses, papers, records and documents and shall enjoy the greatest possible independence and freedom from interference, consistent with the WMATA Compact, including initiating, carrying out and completing any audit or investigation and issuing any subpoena in the course of an audit or investigation; and be it further

RESOLVED, That the Office of Inspector General shall follow generally accepted audit practices for all audits, and shall supervise the Authority's annual independent audit of financial accounts and perform a quality assurance review of the audit; and be it further

RESOLVED, That to the extent that any of the functions of the Office of Inspector General are currently performed by another office in the Authority, those functions shall be transferred to the Office of Inspector General; and be it further

RESOLVED, That there is hereby established the position of Inspector General who shall be an Officer of the Authority and who shall head the Office of Inspector General; and be it further

RESOLVED, That the Board of Directors shall recruit, appoint and set the compensation of the Inspector General without regard to political affiliation and solely on the basis of integrity and demonstrated management and analytic ability and a thorough appreciation of the aims of auditing, program evaluation, criminal and civil investigations, the need for adherence to legal requirements and the special nature of working in the public sector; and be it further

RESOLVED, That the Inspector General shall serve a term of five years and may be reappointed by the Board for no more than two additional terms; a removal from office prior to the end of a term shall be in accordance with the Board's authority under the Compact, based upon criteria to be developed by the Board; and be it further

RESOLVED, That the Inspector General shall annually recommend to the Board a budget for the Office of Inspector General; and be it further

RESOLVED, That the Inspector General shall make a report periodically to a committee of the Board designated by the Board (currently the Audit Committee) as the committee may require, and semi-annually to the Board of Directors, and shall submit an annual summary report to the Mayor of the District of Columbia; the Governor of Maryland; the Governor of Virginia; the chief elected official in each of the following: Montgomery and Prince George's counties in Maryland, Arlington, Fairfax and Loudoun counties in Virginia and the cities of Alexandria, Fairfax and Falls Church in Virginia; members of Congress representing jurisdictions in WMATA's Transit Zone; and the Federal Transit Administration; and be it further

RESOLVED, That the Inspector General and General Manager shall maintain open lines of communication, including direct and prompt access to each other when necessary for the performance of the functions and responsibilities of the Office of Inspector General, and the General Manager may request the Inspector General to perform investigations and audits, consistent with the independence of the Inspector General set forth in this Resolution; and be it further

RESOLVED, That the Inspector General shall appoint an Assistant Inspector General for Audits and an Assistant Inspector General for Investigations; and be it further

RESOLVED, That when appointing staff, the Inspector General shall give first consideration to staff in the Office of the Auditor General; and be it further


RESOLVED, That all Office of Inspector General personnel shall be subject to existing WMATA personnel policies and procedures, and for the purpose of adhering to WMATA personnel policies and procedures the Office of Inspector General shall have departmental status; and be it further

RESOLVED, That within three months of appointment, the first Inspector General shall recommend to the Board an Office of Inspector General budget and work plan for fiscal year 2008 and an organizational staffing plan; policies and procedures to address the functioning of the Office of Inspector General, including required contracting support and authority, the scope of audit authority over contractors, operating procedures for the conduct of investigations of safety and criminal matters, the protection of confidentiality, the content of periodic reporting herein required, the recipients of investigative and audit reports and the public availability of reports issued by the Office of Inspector General; and whatever revisions or supplements to existing Authority policies he or she deems necessary to encourage the reporting of malfeasance and waste and to protect "whistleblowers" from reprisal; and be it further

RESOLVED, That, Resolution 82-44 is hereby repealed, effective upon appointment of the first Inspector General; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel