

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

Action  Information

MEAD Number:  
200831

Resolution:  
 Yes  No

**TITLE:**

Office of Inspector General's CY 2014 Work Plan

**PRESENTATION SUMMARY:**

The Office of Inspector General (OIG) CY2014 Work Plan sets the audit priorities based on risk for the calendar year. The Work Plan is submitted to the Board of Directors for approval.

**PURPOSE:**

The Audits and Investigations Committee will concur and forward to the Board the request to approve the Calendar Year 2014 Work Plan submitted by the Office Of Inspector General.

**DESCRIPTION:**

**Key Highlights:**

- OIG's CY2014 Work Plan is based on a high-level, judgmental Audit Risk Assessment.
- The Work Plan is tied to WMATA's mission and strategic goals.

**Background and History:**

Board Resolution 2006-18 established the Office of Inspector General to supervise and conduct independent and objective audits, evaluations, investigations, and other activities of the Washington Metropolitan Area Transit Authority's (WMATA) programs and operations to promote economy, efficiency, and effectiveness, as well as to prevent and detect fraud, waste, and abuse in such programs and operations. In accordance to the Inspector General's (IG) position description, an annual work plan is prepared by the IG for review and approval by the Board of Directors.

**Discussion:**

The Work Plan outlines the work OIG proposes to conduct/perform in its two components--Audit Services and Investigation Services--during the calendar year. One key purpose of the Work Plan is to set the audit priorities, based on an audit risk assessment of WMATA's programs, operations, and activities. A risk factor is an observable or measurable indicator of conditions or events that could adversely affect an organization. It can identify inherent risk, such as a complicated or large organizational structure or an organizational vulnerability, such as inadequate internal controls.

The CY2014 Work Plan contains 10 jobs. Three are carryovers from calendar year 2013, to be completed in 2014. The three pertain to WMATA's use of Federal grant funds, human capital management project, and access security controls. The seven new jobs cover a wide range of subject areas, such as the security of WMATA's Oracle database, local jurisdictional subsidies, the Disadvantage Business Enterprise Program, and the escalator rehabilitation, replacement and maintenance program. All seven jobs are tied to one or more of WMATA's strategic goals.

In addition to audits and evaluations, Audit Services performs contract pricing attestations, pre-awards, and Buy America Act requirement engagements; oversees the external audits on the financial statement/Single Audit; and evaluates the financial conditions of prospective WMATA contractors.

OIG's Investigation Services manages the OIG Hotline and investigates allegations of fraud, waste, abuse and other wrongdoing affecting WMATA operations, including investigations of whistleblower retaliation complaints.

**FUNDING IMPACT:**

The funding for the annual work plan is included in the Board-approved budget.	
Project Manager:	Helen Lew
Project Department/Office:	Office of Inspector General

**TIMELINE:**

<b>Anticipated actions after presentation</b>	<p>June 2014</p> <ul style="list-style-type: none"> <li>• Committee approval of the CY2014 Work Plan</li> <li>• Board vote on the approval of CY2014 Work Plan</li> </ul>
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**RECOMMENDATION:**

Audits and Investigations Committee concurrence and Board approval of the CY2014 Work Plan.

# DRAFT

## OFFICE OF INSPECTOR GENERAL



## CALENDAR YEAR 2014 WORK PLAN

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## **I Mission Statement**

The OIG supervises and conducts independent and objective audits, evaluations, investigations, and other activities of the Washington Metropolitan Area Transit Authority's (WMATA) programs and operations to promote economy, efficiency, and effectiveness, as well as to prevent and detect fraud, waste, and abuse in such programs and operations. OIG provides advice to the Board and General Manager/Chief Executive Officer to assist in achieving the highest levels of program and operational performance in WMATA.

## **II Purpose of Annual Work Plan**

The purpose of the Annual Work Plan is to set audit priorities based on risk for the calendar year. The Plan serves as a guide and is subject to change if higher priority projects emerge, or if circumstances change that reduce the priority of a planned audit.

## **III Sources of Proposed Audits**

For the OIG's 2014 Work Plan, OIG gathered potential audit topics from a variety of sources. These included complaints received through the OIG Hotline, suggestions and requests from the Board, WMATA's executive leadership team, past OIG audit and investigative reports, external agencies, OIG staff knowledge, and external audits reviews of WMATA's programs and projects.

### **A. Prioritization and Risk**

OIG prioritized and selected topics for the 2014 Work Plan based on a high-level judgmental audit risk assessment of the programs and operations and staff resources. A risk category is an observable or measurable indicator of conditions or events that could adversely affect an organization. It can identify inherent risk, such as a complicated or large organizational structure or an organizational vulnerability, such as inadequate internal controls.

OIG's assessment of audit topics and risk categories reflected the nature of WMATA's departments and projects, vendors and activities. OIG also considered the knowledge, skills, and abilities of its staff. OIG will not conduct work for which it does not have the required competencies, e.g. engineering, among its personnel. Some risk categories considered are outlined below:

- Results of prior audits (findings and recommendations)
- Mission criticality
- Complaints received
- Complexity of technology

Office of Inspector General's 2014 Work Plan in Support of Washington Metropolitan Area Transit Authority's Mission and Strategic Goals

- Disaster recovery & business continuity
- Logical security
- Physical security
- Time since last audit
- Financial risk
- Policies & procedures
- Staff qualification & experience
- Compliance with laws and regulations
- Branding (reputation)

OIG may have selected a project, because there is preliminary evidence of a specific program vulnerability. The OIG also may have selected a project where there is no evidence of vulnerability, but the public, Board, or WMATA executive leadership team would benefit from an independent evaluation and assurance that the program is working well/could be improved.

**IV AUDIT SERVICES**

**Major Ongoing Audits (From FY 2013) To Be Completed in FY 2014**

	<b>Title</b>	<b>Objective</b>
1.	Review of WMATA’s Labor Expenditures Charged to Federal Grant Awards	Determine whether WMATA has effective processes in place to ensure labor expenditures charged to federal grants funds were proper and in compliance with applicable federal regulations and circulars. (Risk-High)
2.	Audit of WMATA’s Metroconnect Human Capital Management (HCM) Project	Determine whether WMATA is effectively and efficiently managing the Metroconnect Project Implementation. (Risk – High)
3.	Review of WMATA’s Access Security Controls	Determine whether WMATA has adequate security controls in place to effectively and efficiently provide reasonable assurance that logical access controls will safeguard information, protect privacy, achieve WMATA’s goals and objectives; and physical access security controls will deter unauthorized access, alteration, theft or physical damage to WMATA systems and assets. (Risk – High)

**Audits Planned for Calendar Year 2014 in Support of Strategic Goals**

**Strategic Goal #1: Build and Maintain a Premier Safety Culture and System**

	<b>Title</b>	<b>Objective</b>
1.	Review of WMATA's Safety Management System (SMS)	Determine whether WMATA's SMS is meeting its goals, objectives and expectations. <b>(Risk-Med)</b>
2.	Review of Security of WMATA's Oracle Databases	Determine whether WMATA has effectively administered security controls over the Oracle Databases. <b>(Risk – Med)</b>
3.	Review of WMATA's Network Security Operations	Determine if WMATA has established expected standards for Network Security, and determine the consistency, quality, and reliability of meeting those established standards for Network Security. <b>(Risk – Med)</b>

**Strategic Goal #4: Ensure Financial Stability and invest in our People and Assets**

	<b>Title</b>	<b>Objective</b>
1.	Review of WMATA's local jurisdictional subsidies	Determine the adequacy of WMATA's controls to effectively and efficiently manage local jurisdictional subsidies. <b>(Risk – High)</b>
2.	Review of WMATA's Disadvantaged Business Enterprise (DBE) Program	Determine whether WMATA's DBE Program performance is producing results that are consistent with the program's goals and objectives and if the current DBE selection process is effectively serving our customers. <b>(Risk – Med)</b>
3.	Review of WMATA's Management of Cash and Investments	Determine whether WMATA is effectively and efficiently managing cash and investments. <b>(Risk – High)</b>
4.	Review of WMATA's Escalator Rehabilitation, Replacement and Maintenance Program	Determine whether WMATA's escalator rehabilitation, replacement and maintenance program is producing results that are consistent with the program's objective, goals and expectations, and is effectively serving our customers. (Combined two audits) * <b>(Risk – Med)</b>

\* This audit will also support Strategic Goal #3: Improve Regional Mobility and Connect Communities by enhancing access related to escalators, and Strategic Goal #2: Meet or Exceed Customer Expectations by Consistently Delivering Quality Service.

**Additional Audit Services Work**

	<b>Title</b>	<b>Objective</b>
1.	Non-contract performance audit activities, such as contract pricing attestations, pre-awards, and Buy America Act requirement engagements; oversight of external audits on financial statement/Single Audit Act audits; and evaluations of the financial conditions of prospective WMATA contractors. Approximately 50 percent or six full-time employees from our Contract Audit Team are devoted to the above generally mandated activities	These Non-contract performance audit objectives include determining whether the contractor’s proposal is based upon current, accurate, and complete pricing data; the contractor is in compliance with Buy America Act requirements; the contractor is performing the financial statement/Single Audit Act audits in accordance with the terms and conditions in the contract; and prospective contractors on major contracts are in sound financial condition and have sufficient resources to perform the contract.

**V INVESTIGATION SERVICES**

	<b>Title</b>	<b>Objective</b>
1.	Management of the Inspector General Hotline	Receive and review Hotline allegations and other complaints and determine action to be taken by OIG or whether referral to management or other action should be taken.
2.	Investigation of allegations of fraud, waste, abuse and other wrongdoing affecting WMATA operations, including investigations of whistleblower retaliation complaints pursuant to P/I 7.32/1	Develop evidence to substantiate or refute allegations and determine whether they warrant referral for criminal prosecution, administrative or disciplinary action or other OIG action.  Develop recommendations to WMATA management based upon investigative activity to remediate matters which provide the potential for fraud and wrongdoing and prevent same.
3.	Proactive efforts: Partner with other WMATA offices to investigate and address workers’ compensation fraud and abuse and to investigate selected contractors designated “disadvantage business enterprises” (DBE’s)	Take coordinated action to remove worker’s compensation recipients who are not eligible or are being over-compensated and refer for prosecution, civil and administrative action as warranted.  Determine whether selected DBE companies are eligible for this program and are operating in compliance with their representations to WMATA.

**VI OTHER OIG ACTIVITIES**

**Other OIG activities include liaison with other agencies, training, monitoring projects, audit risk assessment, yearly quality control and assurance reviews of audit products and technical assistance.**

	<b>Title</b>	<b>Objective</b>
1.	Facilitate reviews by other agencies of WMATA programs and operations	Act as a liaison between WMATA management and other agencies on external reviews.
2.	Provide training to WMATA personnel	Provide WMATA personnel awareness training in areas, such as internal controls and fraud awareness.
3.	Provide technical advice and assistance to WMATA by serving on task forces and work groups	Provide subject area assistance to WMATA based on OIG work.
4.	Use data analytical techniques to monitor selective high risk program areas to detect possible fraud, waste and abuse	Create a greater level of coverage across multiple business process areas.
5.	Complete a comprehensive audit risk assessment	Devote resources to complete a comprehensive audit risk assessment for prioritizing OIG audits based on risks.
6.	Complete required OIG annual Quality Control and Assurance review	Adhere to government auditing standards by completing a documented annual quality control and assurance review of audit operations to identify any systemic issues needing improvement, along with recommendations for corrective action.