



Office of Inspector General

Washington Metropolitan Area Transit Authority

Annual Audit Plan 2019

INSPECTOR GENERAL'S MESSAGE TO THE BOARD OF DIRECTORS



Geoffrey A. Cherrington

I am pleased to present my first Annual Audit Plan for the Washington Metropolitan Area Transit Authority (WMATA). The audits focus on high-risk and high-impact issues including safety, cybersecurity, financial excellence, and customer service. The audit plan also sets in - motion a series of attestations as well as quick turnaround inspections on station and railcar safety and cleanliness. Our planned audits are organized around four focus areas:

- Safety and Customer Service
- Financial Management
- Information Technology
- Human Capital and Asset Management

Moreover, the OIG team is closely working together to pro-actively root out fraud, waste and abuse. New and ongoing initiatives include detecting suspicious expenditures, data analytics, and forensic audit and investigative activities.

This audit plan aligns with WMATA's *Strategic Plan* for 2013 – 2025 which identifies WMATA's priorities and establishes a shared set of expectations. The OIG sought input in developing this annual plan from the WMATA Board of Directors (Board), the General Manager and Chief Executive Officer (GM/CEO), and senior WMATA officials. Although the audit plan is a projection of what the OIG would like to accomplish, other issues may rise in importance and require our resources. I look forward to continuing to work with the Board, the Authority, and other stakeholders in meeting our goals and fulfilling our mission.

A blue ink handwritten signature of Geoffrey A. Cherrington, consisting of a stylized 'G' followed by a long horizontal stroke.

Geoffrey A. Cherrington
Inspector General

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Summary of Planned Audits and Inspections for Fiscal Year 2019

This audit plan is linked with WMATA's *Strategic Plan 2013 – 2025*. The *Strategic Plan* identifies the major challenges and critical risk areas facing WMATA, allowing OIG resources to be directed in these areas in an optimum fashion.

The process we used to select and prioritize proposed audits was disciplined and risk based. We considered:

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 audit 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 audit resources

We 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. Audits that were proposed, prioritized, and ultimately selected were based on this assessment process.

After discussions within the OIG, we used this proposed work to inform discussions with the Board, GM/CEO, senior WMATA officials, and internal compliance groups.

Safety and Customer Service

Safety takes priority at WMATA. Ensuring the safety of WMATA's passengers, employees and infrastructure remains an ongoing challenge. We plan to initiate one audit and continuous inspections on safety and customer service.

1. **Controls Over Monitoring Employees' Driver's Licenses**

When operating WMATA vehicles, employees must comply with all jurisdictional motor vehicle laws, rules, and regulations. The safety of our customers and the public may be at risk when WMATA employees/contractors do not have valid driver's licenses while operating revenue vehicles. The audit objective is to assess controls over monitoring WMATA employees' driver's licenses to ensure that employees have a valid license.

2. **Inspections of Station Conditions – Safety and Cleanliness** (Continuous)

Quick turnaround station inspections will identify potential safety hazards and immediately bring them to WMATA's management for action. Customers want facilities to be clean, climate controlled, and to feel safe and secure throughout their journey. The objective is to assess whether WMATA's rail stations, parking lots and garages are maintained in a safe and clean condition.

3. **Inspections of Train/Railcar Conditions – Safety and Cleanliness** (Continuous)

Quick turnaround of railcar inspections will identify potential railcar safety hazards and immediately bring them to WMATA's management for action. Providing clean, safe and reliable transportation builds customer confidence in WMATA's service. The objective is to assess whether WMATA's trains/railcars are maintained in a safe and clean condition.

Financial Management

WMATA's expense and capital budgets for Fiscal Year 2019 are \$1.9 and \$1.3 billion, respectively. In order to improve controls to ensure expense and capital dollars are efficiently and effectively spent, we will continue to conduct contract audits in support of WMATA's contracting officers. In addition, we will conduct 5 performance audits in this area.

1. **Contract Audits** (Continuous)

OIG performs cost or pricing analysis at the request of contracting officers to assist the procurement department in contract negotiations.

The objective of these audits is to determine whether the contractor's proposal is based upon current, accurate, and complete pricing data, the contractor is in compliance with Buy America Act requirements, and/or prospective contractors on major contracts are in sound financial condition and have sufficient resources to perform the contract.

2. **Vendor Master File** (In process)

Vendor master file contains vital information about vendors and facilitates their engagement in transactions for the procurement of goods and services. The audit objective is to determine whether WMATA has controls in place for the prevention of unauthorized, erroneous, or duplicate payments.

3. Audit of Fiscal Year 2018 Financial Statements (In process)

The WMATA Compact, Section 70, states that an annual audit shall be made of the financial accounts of the Authority, 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, established the responsibility for the oversight of WMATA's annual independent audit of financial accounts by the Office of Inspector General. The objective of this audit is to:

- Express opinions on the authority'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 the agency's compliance with OMB Uniform Guidance

4. Audit of Fiscal Year 2019 Financial Statements

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5. Improper Payments

Broadly defined, improper payments are those made for the wrong amount, to the wrong entity, or for the wrong reason. The objective is to (1) identify improper payments in WMATA programs and activities, and (2) determine whether WMATA has developed a program to identify and review those programs and activities that are susceptible to improper payments.

6. Contracting Officer Technical Representative's (COTR) Function

The WMATA Chief Procurement Officer may delegate responsibilities to qualified Authority employees for the purpose of assisting the Contracting Officer with contract administration and day-to-day technical guidance to the contractor. The audit objective is to determine whether WMATA's COTRs are performing adequate oversight of contract activities.

7. Contract Award Process

WMATA, with a Fiscal Year 2019 operating budget of \$1.9 billion and a capital budget of \$1.3 billion, is a significant purchaser of goods and services. The audit objective is to determine if (1) contracts were appropriately and effectively executed and administered in accordance with policy, processes and practices, and (2) issued contracts were in compliance with applicable laws and regulations.

8. **Construction Change Order Process**

WMATA has budgeted approximately \$293.3 million for Fiscal Year 2019, and \$2.5 billion for Fiscal Years 2019-2024, for major construction projects. The audit objective is to determine whether WMATA has effective and efficient internal controls over the identification, pricing, and approval of construction change orders.

Information Technology

Cyberattacks have become more numerous, damaging, and disruptive with new types of incidents emerging frequently. The average cost of a data breach in the United States was \$7.35 million in 2017, and the average size of the data breaches was over 24,000 records. We plan to conduct six audits covering preventive controls to stop attacks and breaches, and corrective controls if a breach occurs.

1. **Security over Publicly Accessible Web Applications** (In process)

WMATA manages numerous publicly accessible Web applications to share information with stakeholders and the public. Two of the best known Web applications are the Metrorail and Metrobus Schedule and the SmarTrip Card. Security controls over publicly accessible Web applications are to prevent intrusions and safeguard the confidentiality, integrity, and availability of WMATA's information. The audit objective is to determine the effectiveness of WMATA's security controls over its publicly accessible Web applications.

2. **Software Asset Management Program** (In process)

Software Asset Management (SAM) Program is defined as "...all of the infrastructure and processes necessary for the effective management, control and protection of the software assets...throughout all stages of their lifecycle." Our scope would include hardware running unsupported operating systems that do not and cannot receive patches and updates from the software provider in response to security threats from newly discovered vulnerabilities. The audit objective is to determine whether WMATA has adequate controls and accountability over software.

3. **Enterprise Architecture**

Enterprise Architecture (EA) is a blueprint that describes (in both business and technology terms) an entity's current or "as is" environment, an entity's future or "to be" environment, and a plan for transitioning from the current to the future environment. EA principles are designed to ensure that business strategies and IT investments are aligned with, and support, an organization's strategic plan. The audit objective is to assess the effectiveness of WMATA's enterprise architecture program.

4. **Mass Data Compromise Response Plan**

Cyber intrusion response is an important part of an Information Technology (IT) program. While mitigating factors based on the results of risk assessments can lower the number of incidents, not all incidents can be prevented. Organizations can reduce the impact of a cyber intrusion by having an incident response plan. The audit objective is to determine the effectiveness of WMATA's mass data compromise response plan.

5. **Cybersecurity over Rail Industrial Control Systems**

Metrorail uses many systems to ensure the safe and efficient operation of the rail transit system. Critical activities operated through the rail systems include: control of trains, power, station ventilation, voice and data communications, and monitoring of gas and fire sensors. The audit objective is to determine the effectiveness of WMATA's cybersecurity measures designed to protect the rail industrial control systems used by Metrorail.

6. **IT Personal Services Contracts**

As needed, WMATA contracts for IT personal services to augment WMATA employees. WMATA established a Basic Order Agreement to acquire IT contractors. The contractors perform the required IT services under the supervision of WMATA employees. The audit objective is to determine whether WMATA is effectively and efficiently managing the use of IT personal services contracts, and to determine if current WMATA employees should be performing the work instead of contractors to ensure WMATA is not wasting taxpayer dollars.

Human Capital and Asset Management

WMATA's expense budget for Fiscal Year 2019 is \$1.9 billion of which over 70 percent covers labor. One goal is to improve controls to reduce employee and benefit costs, and ensure programs run efficiently and effectively. We will conduct two audits in this area as follows:

1. **Controls over the Employee Separation Clearance Process** (In process)

Over 4,000 employees and contractors separate from WMATA annually. Based on previous audit work, OIG found Human Resources does not have an Authority-wide employee separation checkout sheet. Without a formal process, WMATA is subject to monetary losses as well as losses of sensitive data and equipment. The audit objective is to assess controls over the employee separation clearance process.

2. **Controls and Accountability over Fuel**

WMATA manages over 1,370 vehicles and spends about \$919,000 on fuel each year. The audit will examine fuel purchases to ensure fuel for WMATA vehicles is being properly used and accounted for. Topics will include the cost of fuel and whether bulk discounts are being provided. Because this is a high value asset susceptible to theft, control and accountability is essential. The audit objective is to determine whether WMATA has adequate controls and accountability of fuel.

Authority, Mission, and Contact Information

The WMATA OIG was authorized by Board of Directors Resolution 2006-18, approved April 20, 2006. 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 informs agency officials about deficiencies in agency activities as well as the necessity for and progress of corrective action.

Hotline

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

E-mail: wmata-oig-hotline@verizon.net

Telephone: 1-888-234-2374

Address: WMATA
Office of Inspector General
Hotline Program
600 5th Street, NW – 3A
Washington, DC 20001