



Inspector General's Semiannual Report to the Board of Directors, No. 20 January 1, 2017 – June 30, 2017



INSPECTOR GENERAL'S MESSAGE TO THE BOARD OF DIRECTORS



Geoffrey Cherrington

I am pleased to provide my first *Semiannual Report* on the activities and accomplishments of the Washington Metropolitan Area Transit Authority (WMATA) Office of Inspector General (OIG) from January 1, 2017, through June 30, 2017. Our work, highlighted in this report, demonstrates our commitment to promoting accountability, efficiency, and effectiveness in WMATA's programs and operations and keeping the Board of Directors (Board) fully and currently informed about deficiencies in WMATA's activities, as well as the necessity for and progress of corrective action.

Since reporting for duty on April 17, 2017, I focused on assessing OIG's strengths, weaknesses, challenges, and opportunities, meeting frequently with staff in OIG and constituencies throughout WMATA, in Congress, and in the wider oversight community. OIG has dedicated auditors and special agents charged with oversight of WMATA's activities. Our goal is clear – to act as a catalyst for effective management, accountability, and positive change. The investigations and audits highlighted in this report demonstrate to the riders and taxpayers from the region that we are committed to stamping out fraud, waste, abuse, and corruption.

During the 6 months covered by this report, OIG issued 14 Reports of Investigations (ROIs) and received 169 complaints. The 14 ROIs included two whistleblower retaliations, fraud, complaints regarding unauthorized procurement, and certain misconduct investigations involving several WMATA departments/offices. One of the investigations resulted in a WMATA employee being terminated. OIG also issued two Management Alert Reports (MAR), one regarding a conflict of interest and the other regarding the purchase card program. Several cases are pending criminal prosecution.

The work highlighted in this report includes two audit reports that identified significant weaknesses in the Workers' Compensation Program and the Buy America Program. To its credit, management has on-going corrective actions that should correct the issues identified. OIG also issued 22 contract audit reports, two of which reviewed pricing information in contractors' proposals with a value of \$321,695 and suggested \$35,185 in net adjustments.

Since reporting for duty I have established sound working relationships with senior management at WMATA and with the Board. OIG will continue to work closely with our stakeholders to promote economy, efficiency, and effectiveness.

It is an honor to lead this talented OIG team. I thank our dedicated and hardworking professionals for their commitment to serving the public and acting with the highest standards of integrity.

/S/

Geoffrey Cherrington
Inspector General

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OVERVIEW OF OIG

On August 19, 2009, the WMATA Compact was amended to recognize the OIG. Board Resolution 2006-18, approved April 20, 2006, established the OIG to conduct and supervise audits, program evaluations, and investigations relating to agency activities; promote economy, efficiency, and effectiveness in WMATA activities; detect and prevent fraud and abuse in WMATA activities; and inform WMATA officials and the Board of Directors (Board) about deficiencies in WMATA activities, as well as the necessity for and progress of corrective action. The OIG follows generally accepted government auditing standards for all audits and oversees WMATA's annual independent audit of financial reporting. The Inspector General (IG) reports to the Board through its Audits and Investigations Committee. The IG prepares a Quarterly Report to the Audits and Investigations Committee and a Semiannual Report to the Board.

Mission Statement

The OIG supervises and conducts independent and objective audits, evaluations, investigations, and other activities of WMATA's 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. We provide advice to the Board and General Manager/Chief Executive Officer (GM/CEO) to assist in achieving the highest levels of program and operational performance in WMATA.

Our Core Values

Excellence - We have a commitment to excellence in our people, our processes, our products, our impact and in the performance of our mission.

- We value a diverse, educated, and highly trained workforce that reflects independence, initiative, and mutual respect.
- We value operating within an objective code of standards, yet remain open to new innovations.
- We support WMATA's mission to provide safe, equitable, reliable and cost-effective public transit.

Accountability - We insist on high standards of professional conduct from employees at all levels and compliance with professional standards to ensure the Board and management can rely on our products.

- We have confidence in the accuracy of our work and that our results hold up to professional scrutiny.
- We encourage an environment of risk-free communication and promote an open, honest, and respectful exchange of ideas and information.

Integrity - We strive to maintain the highest level of trust and integrity in all of our activities, and the approach we take in accomplishing our mission must reflect fairness, balance, and credibility.

- The personal and professional qualities of our employees include honesty, respect for others, and freedom from bias.
- We value and protect our access to information recognizing that reputations, public confidence, and lives can be affected by our actions.

OIG STAFF

OIG is made up of two components - the Offices of Investigations and Audits:

The Investigations component of OIG conducts criminal, civil, and administrative investigations of fraud, waste, and abuse related to WMATA programs and operations. OIG investigations can lead to criminal prosecution, civil penalties, disciplinary action, and/or administrative action. The Investigations component handles the OIG Hotline, including intake of complaints and determining the appropriate handling of those complaints. Complaints may be investigated by OIG or referred to management, the Audits component for audit consideration, or another agency, as appropriate. Investigations also tracks and oversees the investigation of Whistleblower retaliation cases. Whistleblower retaliation reports are submitted to the WMATA Whistleblower Panel (Panel) for review and determination. This office is also committed to aggressively pursuing proactive investigations through analytical analysis, recruiting confidential informants, and mining financial data for fraud detection.

The Audits component is comprised of two teams: the financial and contract audit team and the information technology and administration audit team. OIG audits examine the performance of WMATA programs and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of WMATA programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout WMATA. OIG audits are performed with OIG's own resources. OIG also oversees audit work done by outside audit firms on behalf of OIG.

Each December, OIG issues an *Annual Plan* that summarizes the audits planned for the coming year. OIG plans to solicit management challenges from the GM/CEO and his staff as part of the planning phase. Unanticipated high-priority issues may arise that generate audits not listed in the *Annual Plan*.

INVESTIGATIONS

During the past 6 months, Investigations conducted both criminal and administrative investigations involving allegations of fraud, waste, and abuse. OIG investigations often involve highly sensitive information pertaining to personnel and business operations. To ensure the confidentiality and integrity of sensitive information, a sampling of the wide variety of inquiries and investigations conducted is provided below.

Table 1: Investigative Activity Statistical Profile

Statistic	No.
Total Complaints Received	169
<ul style="list-style-type: none"> • Investigations Initiated From Complaints • Whistleblower Cases (included above) • Pending Assignment for Investigation¹ • Whistleblower Cases (included above) • Referred to Management or Other Entity² • No Action Taken³ 	11 3 22 0 98 17
Investigations Closed ⁴	14

OIG issued two Management Alert Reports, alerting the GM/CEO to a potential conflict of interest and concerns about WMATA’s purchase card program. OIG investigations involved employees from Metro Access, BUS, RAIL, the Office of the Chief Financial Officer, and Internal Business Operations. Three employees have been terminated as a result of investigations. Other investigations resulted in less severe disciplinary actions, administered at the discretion of managers in their respective departments/offices.

Whistleblower Retaliation

WMATA Policy Instruction (P/I) 7.8.1/1 delegates full authority to the OIG with respect to preventing whistleblower retaliation. It also requires the OIG to maintain records regarding prohibited personnel practices and investigations and proceedings. The policy requires OIG to report to the Board (in executive session, as appropriate) information on the following: a) Investigations and proceedings, including trends and outcomes; b) Panel actions on OIG Reports of Investigations (as provided by the Panel); c) Reports of training of employees and supervisors (as provided by the Department of Human Resources (HR)); and d) Reports on regulatory proceedings or litigation that relate or refer to any protected activity or prohibited personnel practices (as provided by the Office of General Counsel (COUN)). The OIG presented this information to the Board, in executive session, in March 2017.

During this period, OIG received 10 complaints of whistleblower retaliation. Of the 14 ROIs issued during this period, two were whistleblower retaliation investigations. OIG has four active investigations of whistleblower retaliation.

In addition to investigating allegations of whistleblower retaliation, OIG, in collaboration with HR and COUN, facilitated training sessions for supervisory and management personnel on preventing whistleblower retaliation. During this period, WMATA facilitated 15 “Preventing Whistleblower Retaliation” training sessions and trained 245 supervisors/managers.

¹Does not include pending assignments from previous reporting periods.

²Includes referrals that require management response.

³Complaint did not fit criteria for investigation or referral to management or other entity.

⁴Includes investigations initiated in previous reporting periods.

Investigations Summaries

Summaries of significant OIG investigations

Overtime Abuse Concerns – Interim Report

OIG received a complaint alleging possible abuse of overtime earnings among various WMATA employees. OIG's investigation determined that a number of personnel have engaged in systematic violations of WMATA P/I provisions, with the apparent goal of gaining access to very significant amounts of overtime. Although the extent of actual fraudulent activity remains a focus of an ongoing investigation, the number of employees earning excessive overtime hours indicates the abuse could be pervasive. OIG issued an interim report to notify senior WMATA management of the serious nature of this situation in order to limit continued abuse as the OIG investigation proceeds, and to provide recommendations toward immediate corrective action.

Conflict of Interest

OIG received an allegation regarding a conflict of interest in the administration of a contract between a WMATA employee and a vendor. Per the allegation, the employee was actively advocating for the vendor to be awarded a contract. The employee concurrently serves as a Contracting Officer's Technical Representative (COTR) on an existing WMATA contract awarded to the same vendor. OIG determined the employee violated procurement rules by inappropriately using his COTR authority to communicate with the vendor regarding a potential solicitation. Management suspended the employee, along with one other employee also found to have violated procurement rules in connection with the same vendor. OIG also recommended management review the employee's participation in the evaluation of the new contract. Accordingly, management removed two employees from the evaluation team.

Worker's Compensation Fraud

OIG was contacted by the U.S. Postal Service (USPS) OIG regarding a WMATA employee who was alleged to be receiving workers' compensation payments from USPS. OIG's investigation determined the employee applied for a job with WMATA while still employed with USPS. The subject was offered the WMATA position on January 6, 2017, but did not inform USPS. On January 11, 2017, he claimed to have sustained a back injury while working for USPS, for which he received workers' compensation payments. The subject began WMATA employment on January 23, 2017, but did not resign from USPS until February 27, 2017. The employee received \$7,581 in workers' compensation payments from USPS between the time of his injury and resignation. The employee was terminated from WMATA on March 24, 2017. This case is being presented for prosecution.

Metro Access Data Manipulation

OIG received allegations that a contractor was manipulating data to avoid liquidated damages. The contractor provided paratransit services for the Department of Access Services (ACCS). It was alleged that data in the Trapeze Scheduling and Dispatch System was manipulated to avoid liquidated damages associated with failing to meet on-time performance requirements. It was alleged ACCS management was aware of this activity and did nothing to hold the contractor accountable. OIG questioned the 115,681 arrival times changed from late to on time since June 2009. However, there was insufficient evidence for OIG to conclude these changes were all inappropriate, as circumstances exist in which

changing arrival time data may be valid. This case was presented for prosecution; however, it was declined because of the amount of time that had elapsed. To prevent future occurrences, ACCS responded by created a working group to implement OIG recommendations, restricted access to the Trapeze system and implemented quality assurance protocols to identify inappropriate time changes and review patterns of data manipulations.

Purchase Card Abuse

OIG was notified of a questionable purchase card transaction made by a WMATA manager. The transaction in question involved an \$858.04 purchase at a Home Goods store located in Michigan. A review of the manager's purchase card transaction history from January 2014 to present time identified \$24,961 in questionable expenditures. OIG's investigation determined there was insufficient evidence to conclude the manager was responsible for the \$858.04 purchase. However, OIG found numerous transactions that were either a violation/circumvention of procurement policy, frivolous/wasteful, or otherwise inappropriate. The manager's purchase card has been revoked. Management also placed the employee on suspension.

Training Curriculum Complaint

OIG received an allegation from an employee that changes were made to the Roadway Workers Protection (RWP) Level 4 training curriculum that may have misled Federal Transit Administration (FTA) personnel. As a result, more students failed the program and management potentially allowed students who failed the program to continue working on the roadway. The investigation could not substantiate the allegation that the training curriculum was altered to mislead FTA investigators. However, the investigation did reveal proper procedures were not followed to implement the changes made to accommodate additional students in the RWP course. OIG also determined that while there were conflicting directives given to the RWP instructors, and inconsistent enforcement of the Standard Operating Procedures (SOP) concerning student failures of a Requalification or Computer Based Training exam, these issues have been addressed by the most recent RWP SOPs.

Whistleblower Cases

Employee Retaliation

An employee alleged his supervisor placed him on paid administrative leave and subjected him to drug and alcohol screening because of speed restrictions he placed on a section of track on two different dates. The investigation found that the evidence did not support a finding of whistleblower retaliation. There was no evidence to prove or suggest management's actions were retaliatory.

Employee Retaliation

OIG received an allegation from a WMATA employee in which he alleged whistleblower retaliation. More specifically, the employee alleged his supervisor placed him on paid administrative leave after he submitted a series of letters to the GM/CEO regarding his observations of inappropriate activity. The employee further alleged he was required to submit to third-party counseling and other medical requirements prior to returning to work. OIG found that the evidence did not support a finding of whistleblower retaliation. There was no evidence to prove or suggest management's actions were retaliatory.

AUDITS

Audit work focuses on areas of concern such as financial and IT security and management; contracts; human capital, administrative issues; and high-risk programs that impact the safe operation of the transit system. During this reporting period OIG issued two audit reports and an additional eight audits were in progress at June 30, 2017. Auditors also reviewed pricing information in contractors' proposals with a value of \$321,695 and suggested \$35,185 in net adjustments. An additional five audits with a contract value of \$19,009,096 were in process at June 30, 2017.

Audit Summaries

Audit of WMATA's Workers' Compensation Program

WMATA Strategic Goal: Build and Maintain a Premier Safety Culture and System



In fiscal year (FY) 2015, WMATA spent \$26,283,781 on workers' compensation. Of that amount, \$4,536,457 was expended on new claims. WMATA contracts with a Third Party Administrator (TPA) to process workers' compensation claims. After the TPA completes its investigation to determine whether the case is compensable or non-compensable, WMATA reviews the case and approves their decision.

The audit objective was to determine the effectiveness and efficiency of the Workers' Compensation Program.

Audit Results:

WMATA has a workers' compensation program in place to provide a form of protection to employees who are injured while on the job. OIG identified two opportunities for improving the efficiency and effectiveness of WMATA's Workers' Compensation Program. Specifically, OIG found:

- no viable, continuous fraud detection program; and
- a lack of monitoring and oversight of the TPA.

The lack of a viable fraud detection program increases the risk of fraud, fraud not being detected, and the associated savings not being realized. Additional savings can be realized with better monitoring and oversight of the TPA contract.

The report makes recommendations to develop an effective fraud detection program and to improve the controls over the TPA. The Chief Financial Officer (CFO) accepted the recommendations and provided actions being taken to correct the issues noted in the report. Corrective actions should be completed in calendar year 2017.

Audit of WMATA's Buy America Act Activities



WMATA Strategic Goal: Ensure Financial Stability and Invest in our People and Assets

The 1982 Surface Transportation Assistance Act's Buy America provisions (Buy America) are designed to support United States (U.S.) jobs and the U.S. manufacturing industry. Buy America requires that federally funded rolling stock procurements contain at least 60 percent domestic content by cost and that final assembly take place in the U.S. rolling stock includes transit vehicles such as buses, railcars, locomotives, trolley cars, trolley buses, vans, ferryboats, vehicles used for support services, train control, communications, and traction power equipment. WMATA's federally funded rolling stock procurements from July 1, 2010 to June 30, 2016 totaled \$1.40 billion. As a condition to receiving Federal Transit Administration (FTA) grants, WMATA must certify compliance with Buy America. Non-compliance can potentially effect federal funding.

The audit objective was to determine whether WMATA has adequate internal controls and oversight over its Buy America procurements for rolling stock.

Audit Results:

Internal controls and oversight over Buy America procurements for rolling stock require improvement. While WMATA has Buy America contract award and oversight processes for rolling stock procurements, compliance with the Buy America Act is at risk due to (1) a lack of Buy America oversight, (2) Buy America pre-award and post-delivery audits not being performed for several contracts, and (3) evidence of required Buy America certifications not being maintained for several contracts.

As a result, procurements totaling \$68 million are not compliant with Buy America regulations and procurements totaling \$517 million are not aligned with the FTA's best practice guidance for Buy America compliance. Non-compliance can result in immediate suspension, withholding, or repayment of Federal financial assistance from FTA or other appropriate actions. WMATA's lack of strong oversight of Buy America purchases also increases the risk of potential manufacturer non-compliance with Buy America domestic content and assembly requirements. This can lead to vehicle disassembly and refurbishment to bring the vehicles into compliance with Buy America content provisions, delivery delays and increased costs.

Management concurred, substantially concurred, or partly concurred with our findings and has agreed to implement all of our recommendations. Corrective actions will be completed in FY 2018.

Table 2: OIG Audit Reports

Report Number	Report Title	Date Issued
OIG-17-06	Audit of WMATA's Workers' Compensation Program	1/26/17
OIG-17-07	Audit of WMATA's Buy America Contract Award and Oversight Process	5/22/17

Audits in Progress

At the close of this reporting period, the Office of Audits was continuing to focus on financial and IT management programs as well as programs that affect the safety of the transit system. Most notably, it was conducting audits of the control and accountability of firearms, the structures inspection program, payroll operations, IT incident response, and security of publicly accessible web applications.

Audit of Control and Accountability of Firearms and Ammunition

WMATA Strategic Goal: Build and Maintain a Premier Safety Culture and System



On June 4, 1976, President Ford signed into law a bill passed by Congress authorizing the establishment of the Metro Transit Police Department (MTPD). MTPD officers are armed and have tristate jurisdiction with responsibility for a variety of law enforcement and public safety functions in transit facilities throughout the Washington, D.C. metropolitan area. MTPD has an authorized strength of 401 sworn police officers, 140 security special police, and 70 civilian personnel. MTPD purchases and distributes firearms and ammunition to its officers and disposes of firearms when no longer needed.

The objective of this audit is to determine whether WMATA has adequate control and accountability of firearms and ammunition.

Audit of Blanket Purchase Agreements (BPAs)

WMATA Strategic Goal: Ensure Financial Stability and Invest in our People and Assets

According to WMATA's procurement manual, a Blanket Purchase Agreement (BPA) may be used as a simplified method of filling anticipated repetitive needs for supplies, services, or other items. A contracting officer may establish a BPA if:

- There is a wide variety of items in a broad class of goods that are generally purchased, but the quantities, and delivery requirements by item are not known in advance and may vary considerably;
- There is a need to provide commercial sources of supply for one or more offices in the Authority that do not otherwise have or need direct authority to purchase.

The audit objective is to determine whether the BPA/Basic Order Agreement Method is being administered in accordance with WMATA procurement practices and whether such procurement is effective, efficient and economical to WMATA.

Audit of Payroll Operations

WMATA Strategic Goal: Ensure Financial Stability and Invest in our People and Assets

Metro employs approximately 13,000 union and non-union workers. Labor expenses in FY 2016 were approximately \$752 million, which accounted for 28.6 percent of operating expenses.⁵ The Payroll Branch within the CFOs organization has the responsibility to ensure pay checks are processed and distributed in a timely manner by accurately calculating gross wages, tax and garnishment withholdings and other deductions. The Payroll Branch is also responsible for collecting, reviewing, processing, and reporting of all documentation required to support payroll for all WMATA employees. In order to perform this process, the Payroll Branch is divided into two sections, Salaried Payroll and Hourly Payroll.



The objective of this audit is to determine whether WMATA's internal controls over payroll are effective and efficient.

Audit of Fiscal Year 2017 Financial Statements

WMATA Strategic Goal: Ensure Financial Stability and Invest in our People and Assets



The WMATA Compact, Section 70, states that an 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 supervision of WMATA's annual independent audit of financial accounts by OIG. The report on the audit of WMATA's financial statements is due 120 days after the end of the Authority's fiscal year. In addition, OIG will oversee the issuance of the following reports:

- Single Audit,
- National Transit Database Report - agreed-upon procedure,
- Audit of Reconciliation of Expenses of RCSC and RSMA, and
- Calendar year report of payments for determinations of assessment under the Longshore and Harbor Workers' Compensation Act and Extensions – US DOL Form LS-513, if applicable.

The objectives of these audits are 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.

Audit of WMATA's Structure Inspection Program

⁵Washington Metropolitan Area Transit Authority Financial Report – June 30, 2016

WMATA Strategic Goal: Meet or Exceed Expectations by Consistently Delivering Quality Service



On August 31, 2016, a piece of metal and concrete debris fell from the ceiling of the Rhode Island Avenue Metro Station, causing delays and trains to bypass the station. On September 1, 2016, Rhode Island Avenue Station officials reported pieces of concrete were falling about 40 feet away from the location of the August 31, 2016 debris repairs.

The audit objective is to assess the adequacy of the inspection, repairs, and subsequent risk mitigation related to the Rhode Island Avenue Station incidents of August 31 and September 1, 2016.

Audit of Information Technology (IT) Incident Response Process



WMATA Strategic Goal: Build and Maintain a Premier Safety Culture and System

Incident response is an important component of WMATA's IT programs. The nature of security-related threats potentially can become harmful and disruptive to WMATA's IT environment. Risk management can lower the number of incidents, but not all incidents can be prevented. Continuous monitoring is necessary for rapidly detecting and analyzing incidents. The incident response process is necessary for minimizing loss and destruction, mitigating the weaknesses that were exploited, and restoring computing services. New threats and vulnerabilities are continuous and occurring more frequently, which requires constant updating of security software – sometimes on a daily basis.

As seen by the Sony Pictures, the Office of Personnel Management, and the Democratic National Committee hacks, intrusions into IT systems can have a tremendous monetary and public relations impact. The Chief of Internal Business Operations recently stated there are hundreds of attempts to penetrate WMATA every day. Consequently, this is a high risk area that has not been previously audited.

The audit objective is to determine the effectiveness of WMATA's incident response process.

Audit of Security over Publicly Accessible Web Applications

WMATA Strategic Goal: Meet or Exceed Customer Expectations by Consistently Delivering Quality Service



WMATA manages numerous publicly accessible Web applications to share information with stakeholders and the public. WMATA publicly accessible Web applications consist mainly of Web sites, but also include Web-based login portals and administrative systems that provide authorized personnel remote access to Authority information technology resources. Two of the best known Web applications are the Metrorail and Metrobus Schedule and the SmarTrip Card. WMATA is a regular target of cyber-attacks because it maintains financial information highly sought by criminals and sensitive security information sought by terrorist groups. Security controls over publicly accessible web applications are implemented to prevent intrusions and safeguard the confidentiality, integrity, and availability of WMATA information.

The audit objective is to determine the effectiveness of WMATA's security controls over its publicly accessible Web applications.

Corrective Actions on Audit Recommendations

OIG tracks and documents the status of audit recommendations and WMATA corrective action plans.

Positive change results from the process in which management takes action to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. Listed on the next page are recommendations issued more than 6 months ago that are still outstanding. In every case listed, management's ongoing actions will correct the deficiency identified during the audit.

Table 3: Recommendations Described in Previous SARs on Which Corrective Action Has Not Been Completed

Report Number	Report Title	Date Issued	Number of Recommendations		Latest Target Date (Per WMATA Corrective Action Plan)
			Open	Complete	
IO 16-001	Follow-up Review of Findings and Recommendations from 2014 Evaluation of WMATA's Disadvantaged Business Enterprise Program	12/22/15	2	0	12/31/17
IT 16-002	Review of WMATA's Maximo Asset Management System	12/22/15	1	2	03/31/18
CA 16-001	Audit of WMATA's Office of Procurement and Materials Noncompetitive Contract Actions	12/17/15	3	4	07/31/17*
OIG-17-02	Evaluation of WMATA's Rail Fare Activities	11/10/16	2	0	06/30/17
OIG-17-03	Degaussing/Wiping of Electronic and Magnetic Media	11/21/16	2	0	11/01/17
OIG-17-04	Audit of WMATA's Mobile Computing Security Program	11/21/16	14	0	11/01/17
OIG-17-05	Evaluation of WMATA's Safety Measurement System	12/29/16	2	1	12/31/17

*Expected Completion Date Changed from Previous Report

Summary of Contract Audits

From January 1, 2017, through June 30, 2017, OIG issued 22 contract audit reports. An additional five audits with a contract value of \$19,009,096 were in process at June 30, 2017.

Contract audits are performed within their stated scope and objective(s) as agreed with management and can cover a broad range of financial and non-financial subjects. Because these reports generally involve contractor proprietary information, the reports are not posted on the OIG website and are not publicly distributed. During this reporting period OIG issued four types of contract audit reports: pre-negotiation, billing rate, pre-award, and rate review.

- **Pre-negotiation Reports** (two reports)

This type of report generally relates to a review and analysis of a contractor's proposal to determine if the pricing information is current, accurate, and complete and ties back to the contractor's accounting systems. During the reporting period January 1, 2017, through June 30, 2017, we reviewed pricing information with a proposed value of \$321,695 and suggested \$35,185 in net adjustments. Some of the suggested adjustments involved unallowable costs, inflated costs, unsupported costs, etc.

- **Billing Rate Reports** (16 reports)

At the request of WMATA's PRMT, we review the billing rates submitted by contractors and subcontractors to PRMT for approval. The primary objective of this review is to verify the basis of the billing rates and the support for the cost elements (base wage rates and overheads) included in the contractor's proposal and to ensure the pricing information is current, accurate, and complete. The results of our review are sent to PRMT for use in the negotiation process.

- **Pre-award Reports** (three reports)

Prior to the final determination of a contract award, the Contracting Officer sends financial data (Income Statements, Balance Sheets, Retained Earnings Statements, Source and Application of Funds and related notes), submitted by the prospective contractor to the OIG for evaluation. We conduct an agreed-upon procedure review to determine if the contractor has adequate financial resources (going concern) and whether the contractor meets the applicable standards for a responsible prospective contractor.

- **Other Attestation Reports** (one report)

We also performed other attestation services as requested by PRMT, which included one rate review of general and administrative, overhead, payroll burden, fringe benefit rates, etc.

Table 4: OIG Contract Audit Reports

Report Number	Report Title	Date Issued
CAM 17-025	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	1/12/2017
CAM 17-026	Independent Review of Pre-Award Financial Data for Contract CQ17004, “Allison Dual Power Inverter Module (DPIM) Maintenance”	1/18/2017
CAM 17-027	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	3/1/2017
CAM 17-028	Independent Review of Rate and Mark-up Information for Contract CQ13017, Tank System Inspection and Testing	3/3/2017
CAA 17-003	Independent Review of Sole Source Proposal for Contract FQ11204-M029, RSM Enhancement Pack/APC Database	3/7/2017
CAM 17-029	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	3/7/2017
CAM 17-030	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	3/10/2017
CAM 17-031	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	3/10/2017
CAM 17-032	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	3/27/2017
CAM 17-033	Independent Review of Proposed Rates for Contract FQ13087, Andrews Federal Center Bus Garage	3/27/2017
CAM 17-034	Independent Review of Proposed Rates for Contract RFP FQ15192, On-Call Architectural and Engineering Consultant Services	4/6/2017
CAM 17-035	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	4/25/2017
CAM 17-036	Independent Review of Pre-Award Financial Data for Contract FQ17021, “Electrical and Data Cable Installation, Phase II”	4/25/2017
CAM 17-037	Independent Review of Pre-Award Financial Data for Contract FQ17094, “Roof Replacement WMATA Seven Locations”	4/26/2017
CAM 17-038	Independent Review of Proposed Rates for Contract FQ15192, On-Call General Architectural and Engineering Consultant Services	5/11/2017
CAM 17-039	Independent Review of Proposed Rates for Contract FQ15192, On-Call General Architectural and Engineering Consultant Services	5/11/2017
CAM 17-040	Independent Review of Proposed Rates for Contract FQ15192, On-Call General Architectural and Engineering Consultant Services	5/24/2017
CAM 17-041	Independent Review of Proposed Rates for Contract FQ15191, General Architectural and Engineering Consultant Services – Facilities IDIQ	6/2/2017
CAA 17-004	Independent Review of Request for Equitable Adjustment for Contract FQ14103, System Wide Crossties, Fasteners & Insulator Renewals	6/9/2017
CAM 17-042	Independent Review of Proposed Rates for Contract FQ15192, On-Call General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	6/12/2017
CAM 17-043	Independent Review of Proposed Rates for Contract FQ15192, On-Call General Architectural and Engineering Consultant Services	6/19/2017
CAM 17-042R	Independent Review of the Revised Proposed Rates for Contract FQ15192, General Architectural and Engineering Consultant Services – Facilities Indefinite Delivery Indefinite Quantity	6/26/2017