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PARP Administrator
Washington Metropolitan Area Transit Authority
600 Fifth Street, NW
Washington, D.C. 20001

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March 28, 2011

Re: PARP Request No. 10-0450

This completes our response to your request for copies of OIG Reports. Your request is being processed pursuant to the Public Access to Records Policy (PARP), which can be viewed on our website at http://www.wmata.com/about_metro/public_rr.cfm. The following is our response to each item of your request:

1) OIG 08-001 Bus Security Issues - 08/17/07:

This report has been withheld in its entirety pursuant to PARP exemption 6.1.1 (safety and security).

2) OIG 08-003 Quality Assurance Program - 12/28/07:

See enclosed records. In accordance with PARP exemption 6.1.6 (personal privacy), we have redacted employee signatures.

3) Management Letter prepared by KPMG LLP - 9/28/07:

Enclosed is a copy of the above-referenced record.

4) OIG 09-01 Voiding Metrochek - 7/29/08:

Enclosed is a copy of the above-referenced record. In accordance with PARP exemption 6.1.6 (personal privacy), we have redacted personal information regarding employees.

5) OIG 09-02 Salary Increase Error - 11/26/08:

Enclosed is a copy of the above-referenced record. Pursuant to PARP exemption 6.1.6 (personal privacy), we have redacted information that would reveal the identity of Metro employees referenced in the report.

**Washington
Metropolitan Area
Transit Authority**

600 Fifth Street, NW
Washington, DC 20001
202/962-1234

www.metroopensdoors.com

*A District of Columbia,
Maryland and Virginia
Transit Partnership*

- 6) OIG 09-05 Distribution of Obama SmartTrip No Value (OBN) and Obama SmartTrip \$10 value (OBS) - 1/28/09:

See enclosed records. We have redacted portions of the report in accordance with PARP exemption 6.1.1, (safety and security) and 6.1.6 (personal privacy).

- 7) IT 004-09 Availability of Private Information - 2/11/09:

The above-referenced Report has been withheld in accordance with PARP exemptions 6.1.1, (safety and security) and 6.1.6 (personal privacy).

- 8) CAM 10-005 Advisory Memorandum Implementation of Energy Conservation Measures in WMATA Facilities 07/31/09:

In accordance with PARP exemption 6.1.6 (personal privacy), we have withheld the employee names and an employee identification number.

- 9) Management Alert Report: Inadequate Oversight of Contract Employees Having Access to WMATA Facilities, dated February 9, 2010:

We have withheld the above-referenced record pursuant to PARP exemption 6.1.1 (safety and security) and 6.1.2 (internal personnel rules and practices).

- 10) CAM 10-032 Advisory Memorandum, Contract 3Z800B, Development Related Ridership study 05/20/10:

Enclosed are the above-referenced records. Pursuant to PARP exemption 6.1.6 (personal privacy), we have withheld the names of WMATA and the contractor's employees.

- 11) CAM 10-120 Alert Memorandum - Project Oversight over ERG Transit Systems Inc. and Northrop Grumman Information Technology, Inc 3/10/10:

Enclosed is a copy of the above-referenced record. In accordance with PARP exemption 6.1.6 (personal privacy), we have redacted personal information regarding employees.

If you wish to appeal WMATA's decision, in accordance with WMATA's PARP § 9.1, you may file a written appeal of the action with the Chief of Staff within 30 business days of the date of this denial letter. The appeal panel will inform you of its determination concerning the appeal within 30 business days of receipt of the appeal. Further details about our appeals process can be found on our website.

The total cost for processing your request is \$106.16. This covers 1.75 (3.75 hours – the first two hours that are free of charge) hours of staff time to locate and review the records for exempt material. There is no charge for copies because the first 100 pages are provided free of charge. Please remit a certified check or money order in the amount of \$106.16, made payable to the Washington Metropolitan Area Transit Authority to my attention, by April 11, 2011. Should you fail to timely remit payment by April 11, 2011, no future requests will be acted upon, unless you pay a deposit covering the outstanding balance and future costs.

Future correspondence regarding your request should be directed to my attention and should reference the PARP request number above. You may also contact me at 202-962-2058 or kthom@wmata.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Keysia Thom".

Keysia A. Thom
PARP/Privacy Policy Administrator

Enclosures

M E M O R A N D U M



FINAL ALERT MEMORANDUM Internal Operations No. 08-003

SUBJECT: Quality Assurance Program **DATE:** December 28, 2007
FROM: OIG – Helen Lew [REDACTED]
TO: GMGR – John B. Catoe

The purpose of this alert memorandum is to bring to your attention potentially serious compliance and safety issues at the Washington Metropolitan Area Transit Authority (WMATA). Specifically, the Quality Assurance (QA) Program for the offices of Elevator & Escalator (ELES), Plant Maintenance (PLNT), Track Structure System Maintenance (TSSM), and Procurement and Material (PRMT) was eliminated when the July 2007 reorganization, was implemented at WMATA. The elimination of the Office of Quality Assurance¹ increases WMATA's risk for the safe operation of the transit system and circumvents established policies, procedures, goals, and objectives of WMATA's QA Program.

According to the Office of Quality Assurance Policy and Procedures Manual, WMATA's QA Program was established to provide quality assurance for the Operations Departments, the Office of Procurement and Materials, and to provide quality oversight for projects and contracts by conducting audits, tests, and inspections of WMATA's operating activities. The QA Program also supports WMATA's Mission and System Safety Program Plan (SSPP) by providing independent and objective quality assurance designed to improve transit operations and procurement services through the continued development of a Quality Management System² at WMATA.

Sections 4.2.4 - 4.2.8, of WMATA's SSPP states that the quality assurance activities of the Office of Quality Assurance performs maintenance and operational quality assurance audits and inspections of all WMATA facilities, equipment, and operating functions, evaluate new materials and equipment for compatibility with existing

¹ Bus Services and Rail Car Maintenance, subsequently, re-established their own QA functions to replace those formerly conducted by the Office of Quality Assurance. We express no opinion herein, nor have we determined how those separate QA Programs are functioning.

² A Quality Management System is comprised of a written quality policy, a written plan and procedures, a management that supports and takes responsibility for quality, and personnel who undertake quality assurance and quality control activities.

equipment and systems to ensure that defective parts are not introduced into the system.

Chapter 1, Section 1.1, of the Federal Transit Administration (FTA) Quality Assurance and Quality Control Guidelines states that for grantees undertaking multiple projects the development of a Quality Plan³ should be an outgrowth of a functioning quality management system. WMATA has over forty (40) ongoing FTA-funded projects and is considered by the FTA to be a multiple-project grantee. The FTA also requires grantees undertaking major capital programs to prepare a Project Management Plan that includes a Quality Plan.

The FTA's Project Management Oversight Contractor (PMOC) assigned to consult with WMATA on major projects has expressed concerns to the OIG about the reorganization of WMATA's QA program. Specifically, the PMOC stated that, WMATA needs to clarify the program's goals and objectives, understand the difference between Quality Assurance and Quality Control, and reaffirm the importance of Quality Assurance within the organization.

We suggest that the issue of a QA Program for ELES, PLNT, TSSM, and PRMT be given the highest priority and appropriate consideration to mitigate any potential safety and compliance risk to WMATA's transit riders, employees, the general public, and the environment.

Management Comments

In the General Manager's (GMGR's) December 20, 2007, response to a draft of this report, he generally concurred with our concerns regarding the lack of a QA Program for the offices of ELES, PLNT, TSSM, and PRMT. He further stated that the current QA office in RAIL will be responsible for providing all QA related activities for Track, Structures, and System Maintenance; that management is currently in the process of establishing a similar QA office structure in Operations Services (OPSV) to provide QA related activities for ELES and PLNT; that the office of PRMT will rely on the expertise of client offices at WMATA to provide QA related activities for products purchased; and that the goals and objectives of QA Program will be outlined in a future staff notice. Management comments are included in their entirety as an attachment to the final alert memorandum.

³ A written description of intended actions to control and assure quality and that defines applicable quality policy and procedures for the project.

We will monitor and track the corrective action proposed and implemented by your office. For further information, please contact me at 202-962-2515.

Attachment

cc: DGMGR - Gerald Francis
AGM/BUS - Milo Victoria
AGM/OPRS - Jack Requa
AGM/RAIL - Dave Kubicek
CHOS - Shiva Pant
COUN - Carol O'Keeffe
CFO - H. Charles Woodruff
AGM/SSEM - Polly Hanson

M E M O R A N D U M



SUBJECT: Quality Assurance Program

DATE: December 20, 2007

FROM: GMGR - John B. Catoe, Jr.

TO: OIG - Helen Lew

This memo is in response to your memo dated December 6, 2007 regarding the Quality Assurance (QA) Program. On December 19, 2007, Gerald Francis sent you a memo providing a partial response to the audit findings. However, this memo serves as the consolidated and final response on the QA Program audit.

- As part of the reorganization of the Department of Operations, a QA office has been established in both RAIL and BUS with the Director reporting to the Assistant General Manager with a dotted line to the Deputy General Manager. The QA office in RAIL will be responsible for providing all QA related activities for Track, Structures, and System Maintenance (resides in RAIL).
- We are currently in the process of establishing the same QA office structure in Operations Services (OPSV) which will provide all QA related activities for Elevator and Escalator and Plant Maintenance, which both reside in OPSV. Posting for the Director of QA will be done in January 2008.
- The Office of Procurement and Material (PRMT) does not maintain or operate a separate QA Program. PRMT relies on the expertise of its client offices to set quality standards for the products PRMT purchases based on the Qualified Products List (QPL) set by the operating departments or simply the concurrence of customers for purchase of those items not on QPL. Any QA checks are performed by client offices through their engineering functions.
- The QA Program's goals, objectives, reporting relations and the differences between QA and Quality Control will be outlined in a staff notice that reaffirms the mission, functions and importance of QA within Metro.

Please let me know if you require any additional information.

cc: DGM/COO - Gerald C. Francis
CHOS - Shiva Pant
BUS - Milo Victoria
CFO - Chuck Woodruff
COUN - Carol O'Keeffe
OPSV - Jack Requa
RAIL - Dave Kubicek
SSEM - Polly Hanson



KPMG LLP
2001 M Street, NW
Washington, DC 20036

The Members of the Board of Directors
Washington Metropolitan Area Transit Authority:

We have audited the financial statements of the Washington Metropolitan Area Transit Authority (the Authority), for the year ended June 30, 2007, and have issued our report thereon dated September 28, 2007. In planning and performing our audit of the financial statements of the Authority, we considered internal control in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are presented in Appendix A. Appendix B presents the current status of the prior year's management letter comments.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Authority gained during our fiscal year 2007 audit to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Authority's board of directors, the Authority's Office of Inspector General, and the Authority's management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 28, 2007

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-01 Updated Mortality Table should be used for the Transit Employees' Retirement Plan.

Observation

During our review of the retirement plans sponsored by WMATA, we noted that the 1983 Group Annuity Mortality Table (GAMT), which is now two generations old, continues to be used for the Transit Employees' Retirement Plan.

Criteria

GASBS27, Par. 10

Actuarial assumptions—The selection of all actuarial assumptions should be guided by Actuarial Standard of Practice No. 4, Measuring Pension Obligations,⁷ as revised from time to time by the Actuarial Standards Board. Accordingly, actuarial assumptions should be based on the actual experience of the covered group, to the extent that credible experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Cause

The 1983 GAMT table was used by WMATA's actuaries.

Effect

While not necessary unreasonable, the 1983 GAMT table has become out of date for most benefit plan participant population.

Recommendation

KPMG recommends that WMATA use the RP-2000 Mortality Table for the actuarial valuation of the transit Employees' Retirement Plan.

Management Response

The Actuary anticipates updating their detail study and analysis of the assumptions for the plan during 2008. At that time, they will compare the actual past experience and projected experience to both the 1983 GAM and the RP-2000 tables and report on which set of tables more closely matches actual and anticipated experience.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-02 Improvements Are Needed in Capitalizing Interest.

Observation

During our test work, we noted that interests related to Series 2003B Gross Revenue Transit Bonds and Commercial Paper Notes Payable Series A which were used to fund various capital projects were not capitalized.

Criteria

GASB 34, Paragraph 18

Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use.

FASB 34

Paragraph 6: The historical cost of acquiring an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures for the asset is a part of the historical cost of acquiring the asset.

Paragraph 17: Interest should be capitalized when the following criteria are met: 1) Expenditures for asset have been made, 2) Activities that are necessary to get assets ready for its intended use are in progress, and 3) Interest cost is being incurred

Paragraph 18: The capitalization period shall end when the asset is substantially complete and ready for its intended use.

Cause

WMATA stopped capitalizing interest when the Metro system was completed as required under Generally Accepted Accounting Principle (GAAP). However, WMATA did not consider capitalizing interest for bonds issued in 2003 and commercial paper issued in 2007.

Effect

The maximum misstatements are Capital Assets and beginning net assets is understated by \$8.1 million and \$4.2 million, respectively. Interest expense for fiscal year 2007 is overstated by \$3.9 million. A portion of these misstatements are offset by the related interest income and depreciation expense.

Recommendation

KPMG recommends that WMATA capitalize interest costs related to the acquisition of capital assets.

Management Response

With the issuance of the escalator bonds (2003) and the commercial paper new bonds in 2008, interest will become material and we will implement a process for capitalizing interest.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-03 Improvements are Needed for Controls over the Review of Timesheets.

Observation

During our test work over approval of timesheets, we noted that one out of 60 timesheets tested incorrectly reported overtime hours in the Electronic Timesheet System (ETS). There were 12 hours of overtime paid which was not supported on the detail overtime record for that pay period.

Criteria

GAO's Standards for Internal Control in the Federal Government defines internal control as "an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations." Standards for Internal Control in the Federal Government examples of control activities include reviews be performed by management at the functional or activity level and appropriate documentation of transactions and internal control.

Cause

Time for certain employees are entered into ETS by the division supervisor without an independent review for errors. In addition, the supervisor's signature code is used by the subordinate supervisor and the manager because, according to the department staff, their signature is not accepted by the time reporting system.

Effect

An employee was overpaid by \$598.

Recommendations

We recommend that WMATA implement a policy to ensure that an independent review of time entered into ETS is performed. In addition, WMATA should ensure that the signature code is not shared between employees.

Management Response

The new time and labor system will assist in the proper approval of time entry. We will also be certifying timekeepers and implementing a policy to reinforce the proper review of time.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-04 Improvements are Needed over Program Changes.

Observation

During our revenue generation test work over MetroBus daily reconciliations, we noted that starting in January 2007 through September 2007, the final AS-400 Revenue report was incorrectly reporting the value of a regular adult token as \$1.20 instead of the correct value of \$1.25.

Criteria

The NIST SP 800-64, Security Considerations in the Information System Development Life Cycle, states that "Configuration management and configuration control procedures are critical to establishing an initial baseline of hardware, software, and firmware components for the information system and subsequently controlling and maintaining an accurate inventory of any changes to the system."

The GAO "Evaluating Internal Controls In Computer Based Systems" (Black Book) states that "Effective program change controls help maintain the integrity of applications and can be used to develop a list of changes which provide an audit trail of the computer-based system's evolution. Even though these controls may frustrate programmers and sometimes cause delays in fixing applications, they are beneficial because they encourage data processing personnel to exercise more caution over changes to accepted production systems."

Cause

While correcting the AS-400 MetroBus reports, the adult token value was accidentally changed. There was no evidence that program changes were approved and tested.

Effect

The maximum under-reporting of MetroBus Adult Token Revenue is estimated at \$50,000 for the period of January 2007 to June 2007.

Recommendations

KPMG recommends that all program changes should be properly approved and tested.

Management Response

The Office of Treasury will include a requirement for users to sign-off on the approval and testing of program changes in the future.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-05 Improvements Are Needed Relating to Controls over the Bank's Automated Payment System (ACH).

Observation

During our test work, we noted that one of the bank's automated payment system (ACH) file with a total payment of \$8,633,505 did not contain any authorizing signature for processing the ACH disbursements.

Criteria

WMATA established a policy during FY 2007 which states that all ACH payment files must be signed off by either the Treasurer, Assistant Treasurer, or Manager of Cash Technologies before the pay file is sent to the bank for processing.

Cause

Management overlooked providing the signature documenting its review of the processing of the ACH disbursements.

Effect

The failure to properly document controls performed over ACH payments limits WMATA's ability to show that internal controls are in place and operating effectively throughout the entire fiscal year.

Recommendations

We recommend that WMATA consistently review and sign all ACH disbursements before the pay file is sent for processing.

Management Response

Management concurs with the finding and recommendation. Treasury managers will continue to review and sign all ACH requests. The Assistant Manager of Cash Technologies will match payment request email to the signed payment request documents. A spreadsheet may be developed for these requests. Requests and documentation will be assembled on a weekly basis and records will be retained in Treasury's main office rather than in the disbursing office.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-06 Improvements are Needed Related to the Reconciliation of Work-in-Process.

Observation

WMATA's Line Item Construction-in-progress (CIP) Schedule and Old Company I CIP Schedule for Federal Transit Administration (FTA) funded capital expenditures was not in agreement with the amount reflected in PeopleSoft. The amount in PeopleSoft is the correct amount. The total cost of \$131.8 million in the CIP Line Item number 20018 was overstated by \$9.9 million and the total cost in the Old Company I CIP in the amount of \$106 million understated by \$9.9 million.

Criteria

OMB Circular A-110, Part C, Section 21 (b)(iii) requires that recipients of federal funds maintain financial management systems providing effective control over accountability for all funds, property, and other assets.

Cause

The reconciliation between subsidiary ledger and general ledger at the line item level was not properly performed.

Effect

There is an error within classification of CIP. There is no impact to total CIP balance.

Recommendations

We recommend that WMATA ensure that reconciliation are properly reviewed at the line item level.

Management Response

We will implement a process for determination of work-in-process on the general ledger line item amounts.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-07 Improvements are Needed Related to Segregation of Duties. (Repeat Comment)

Observations

WMATA does not have documented policies for outlining controls to properly segregate duties within IT-related positions.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that senior management implement a division of roles and responsibilities that should exclude the possibility for a single individual to subvert a critical process. Management should also make sure that personnel are performing only those duties stipulated for their respective job positions.

Cause

WMATA has not developed segregation of duties policies and procedures. WMATA uses job descriptions and organizational charts to define how jobs and duties are segregated.

Effect

Without a segregation of duties policy in place, there is an increased risk that employees will perform functions beyond their job responsibility.

Recommendation

We recommend that WMATA management create a formal segregation of duties policy and mandate that all personnel follow the guidelines.

Management Response

The Metro Information Security policy does exist in draft form. It outlines the segregation of duties and mandates that all affected employees adopt the policy. The final policy will be ready for approval on February 1, 2008.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-08 Improvements are Needed Related to Security Program. (Repeat Comment)

Observation

- WMATA's Information Security Policy is still in draft form.
- WMATA does not conduct periodic risk assessments for the general support system or the major applications.

Criteria

Control Objectives for Information and Related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that an IT Security awareness program communicate the IT Security Policy to each IT user and assure a complete understanding of the importance of IT Security.

Additionally, it states, "management should establish a systematic risk assessment framework. Such a framework should incorporate a regular assessment of the relevant information risks to the achievement of the business objectives, forming a basis for determining how the risks should be managed to an acceptable level. The process should provide for risk assessments at both the global level and system specific level, for new projects as well as on a recurring basis, and with cross-disciplinary participation. Management should ensure that reassessments occur and that risk assessment information is updated with results of audits, inspections, and identified incidents."

Cause

The WMATA Information Security Policy has not been approved and implemented due to the recent change in management.

Effect

Without an Information Security Program, WMATA may not have the proper security controls in place to protect the integrity of its systems.

If risk assessments are not performed, then it is likely that threats and vulnerabilities are not being identified. This increases the risk that appropriate controls may not be implemented to address the risks to the PeopleSoft applications.

Recommendations

We recommend that WMATA management implement or address the following:

- Finalize the WMATA Information Security Policy.
- Develop procedures to periodically perform formal and comprehensive risk assessments for the PeopleSoft applications.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

Management Response

- The WMATA Information Security Policy exists in draft form. It requires management approval and adoption so that it can be enforced WMATA-wide. We hope to have this adopted, incorporating recent additions, by February 1, 2008.
- The PeopleSoft application will be examined as part of our annual review of application security components.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-09 Improvements are Needed Related to the Disaster Recovery Plan.

Observation

WMATA's Existing Disaster Recovery Plan does not assign responsibilities for recovery and has not been updated to include current conditions. The Disaster Recovery Plan was last updated on July 29, 2005.

Criteria

Control Objectives for Information and Related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, states that "IT management should ensure that a written plan is developed containing the following:

- Guidelines on how to use the continuity plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Response procedures meant to bring the business back to the state it was in before the incident or disaster;
- Procedures to safeguard and reconstruct the home site;
- Coordination procedures with public authorities;
- Communication procedures with stakeholders, employees, key customers, critical suppliers, stockholders, and management;
- Critical information on continuity teams, affected staff, customers, suppliers, public authorities, and media

Cause

Management is in the process of reworking the Disaster Recovery Plan.

Effect

Without a plan to quickly recover business and network processes that reside on the non-mainframe technologies, WMATA's business operations could be significantly limited if a prolonged business disruption or disaster affected non-mainframe technologies.

Recommendations

We recommend that WMATA management update the Disaster Recovery Plan to assign responsibilities for recovery.

Management Response

The Office of Information Technology (OIT) is in the process of building all next generation technology that will concur with the notification of finding and recommendation. OIT is currently in Phase I of designing a state-of-the-art redundant data center located at the Carmen Turner Facility. The data center's key and critical systems will be fully redundant across multiple hardware platforms and critical software applications. Both centers will operate under the Data Center Operation Policy and Procedure Guide. OIT will further explore a third site as a Data Center Hosting for Disaster Recovery. The design, development, and implementation will be complete by October 1, 2008.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-10 Improvements are Needed Related to Service Continuity. (Repeat Comment)

Observation

- WMATA's Continuity of Operations Plan (COOP) should be expanded to include more detailed information on emergency procedures where general evacuation is not feasible and updated to reflect current conditions.
- Currently, no intercom system is in place, requiring that in non-emergencies, instructions are delivered by telephone tree to supervisors or by word of mouth on each floor.
- A plant irrigation system is located above the Jackson Graham Building (JGB) computer room.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, requires that an organization make sure IT services are available as required and ensure a minimum business impact in the event of a major disruption. This includes proper development of emergency evacuation procedures.

Cause

Emergency and non-emergency response procedures are continually being developed and considered though not fully implemented.

The location of the plant irrigation system to the JGB computer room was not considered when the system was implemented.

Effect

By not updating the COOP on a regular basis, WMATA could face critical losses in the event of a disaster. Additionally, without an intercom system in place, WMATA may not be able to contact all employees in an emergency situation.

Also, the plant irrigation system has the potential to rupture and cause damage to the JGB computer room since it is the level beneath it.

Recommendations

We recommend that WMATA management implement or address the following:

- Update the COOP to include detailed information on emergency procedures where general evacuation is not feasible and updated to reflect current conditions;
- Update the COOP on a regular basis;

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

- Install an intercom system throughout WMATA headquarters. If this is not financially feasible, WMATA should implement a backup plan to address this issue.
- Regularly monitor and maintain the plant irrigation system to limit any potential leakage.

Management Response

WMATA is in the process of updating its COOP plan to address these and other issues identified as either outdated or deficient. The COOP is living document that will be constantly reviewed, updated, and modified as appropriate. The next major update will be published by February 1, 2008.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-11 Improvements are Needed Related to Change Management.

Observation

- WMATA has established a formal change management process; however, it is not currently being followed.
- WMATA has not established a formal policy regarding emergency change requests.
- WMATA has not developed a Software Development Life Cycle (SDLC) methodology.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, states that "IT management should ensure that change management and software control and distribution are properly integrated with a comprehensive configuration management system. The system used to monitor changes to application systems should be automated to support the recording and tracking of changes made to large, complex information systems.

Cause

Although management has created a formal change management policy, it has not required the staff to follow it.

Effect

Without a formal change management process, there is an increased risk of system interruption. Additionally, emergency changes that are not documented could impair the ability to provide maintenance on the system software.

Recommendations

We recommend that WMATA management implement or address the following:

- Require employees to follow the formal change management process in order to minimize the impact of changes on operations and users. The process should include advance notification to users, change request forms, testing, and emergency change procedures.
- Update the change management policy to include emergency change requests and to incorporate the SDLC methodology.

Management Response

The Office of Information Technology is in the process of developing a Data Center Operations Policies and Procedures Guide to include change management, change control, configuration management, incident response, disaster recovery, and contingency plans. The Data Center Operations Guide is currently in the development stage and will be completed by February 29, 2008. The SDLC will be incorporated into the operations guide.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-12 Improvements are Needed Related to Computer Operations.

Observation

- Currently, there are no formal backup policies or procedures in place for AIX servers that house PeopleSoft applications.
- The GRM purchase order was not renewed until August 27, 2007. The previous purchase order expired June 30, 2006. GRM is the company that WMATA uses to rotate backup tapes offsite.
- The backup tape retention policy is in draft form.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, states that "procedures should be in place to ensure backups are taken in accordance with the defined backup strategy and the usability of backups is regularly verified."

Cause

Management has not implemented a formal policy that documents backup procedures for AIX servers. The backup tape retention policy has been submitted to the executive team and is awaiting approval.

Effect

The lack of documented backup policies and procedures could negatively impact the WMATA environment in cases where emergency backups are required, or if and when, regular staff (responsible for data tapes) is not available in cases of an emergency condition.

Additionally, not having a finalized policy for the retention of backup tapes could result in an inconsistent process for the rotation of backup tapes.

Recommendations

We recommend that WMATA management implement or address the following:

- Develop, document, and enforce backup policies and procedures for the AIX servers.
- Finalize the backup tape retention policy.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

Management Response

The AIX policy and procedure document is currently completed and will be incorporated into the overall Data Center Operations Policy and Procedure Guide. The guide will include all back-up procedures for supporting multiple technology platforms housed in the Data Center environment. The guide will also include change control, incident response, disaster recovery, server intake, configuration management, emergency procedures, and production control policies and procedures. The tape retention policy will be approved by November 1, 2007. The GRM contract was reinstated to support tape management services that includes pick-up/delivery, storage services, and destruction.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-13 Improvements are Needed Related to Incident Response.

Observation

WMATA currently does not have a policy or procedures in place for incident response.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, states that “management should establish a computer security incident handling capability to address security incidents by providing a centralized platform with sufficient expertise and equipped with rapid and secure communication facilities. Incident management responsibilities and procedures should be established to ensure an appropriate, effective and timely response to security incidents.”

Cause

Management has not developed an incident response policy.

Effect

Employees may be unclear about the specific process to follow when an incident security violation occurs.

Recommendations

We recommend that WMATA management develop, document, and enforce incident handling response procedures.

Management Response

The Office of Information Technology will develop best practice incident response policies that meet the hardware and software security objectives and supports and protects the integrity of data information stored on multiple technology platforms. This will be accomplished through a state-of-the-art fiber network infrastructure. The Data Center Operations Policies and Procedures Guide is currently in the development stage and will be complete by February 29, 2008. The guide will include next generation technology procedures and policies for managing the day-to-day operations in a Data Center environment.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2007-14 Improvements are Needed Related to Access to Data Centers.

Observation

- WMATA has given access to the data center to all employees in Information Technology Services. Additionally, personnel may still gain access to the data center through cipher locks.
- WMATA does not have a documented visitor policy for the data center.

Criteria

Control Objectives for Information and related Technology (COBIT), released by the COBIT Steering Committee and the IT Governance Institute, states that "appropriate physical security and access control measures should be established for IT facilities, including off-site use of information devices in conformance with the general security policy. Physical security and access controls should address not only the area containing system hardware, but also locations of wiring used to connect elements of the system, supporting services (such as electric power), backup media and any other elements required for the system's operation. Access should be restricted to individuals who have been authorized to gain such access. Where IT resources are located in public areas, they should be appropriately protected to prevent or deter loss or damage from theft or vandalism."

Cause

- WMATA has given access to the data center to all employees in the ITSV Department.
- WMATA has not developed a visitor policy to access the data center.
- Proxy readers have been installed to limit access to the data center. However, cipher locks still remain active on the doors.

Effect

By giving all ITSV employees access to the data center, WMATA is giving access to individuals that do not require it. Additionally, without policies in place for visitors, WMATA risks unauthorized access to the data center.

By not removing the cipher locks, WMATA risks unauthorized access to the data center since any individual with the code can enter the area.

Recommendations

We recommend that WMATA management implement or address the following:

- Allow proxy reader access only to those employees whose job functions require them to access sensitive areas.
- Remove or deactivate cipher locks from data center.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

- Develop a data center visitor policy that only allows supervised personnel in the data center.

Management Response

The cipher locks are used as back-up to proxy card readers in case of power or system failure in the building. The cipher locks will be removed during the implementation of the Network Operation Center (NOC). The NOC will have the capability and control of monitoring surveillance cameras in designated areas and a switch release device to door access. The NOC will be fully implemented by July 1, 2008. Access to the NOC and the Data Center will be limited to outside personnel based on policy and procedures governed by the operations. The cipher locks will remain as an emergency back-up to the proxy card reader.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Management Letter Comments

2006-01 Improvements are Needed in the Documentation of the Review Performed over Check Payments in Excess of \$2 Million	Resolved.
2006-02 Improvements are Needed in Inventory Cycle Counts.	Resolved.
2006-03 Improvements are Needed for Formal Documentation of Policies, Procedures, and Internal Controls Related to Disbursements of Funds Using the Bank's Automated Payment System.	Repeated. See comment 2007-05.
2006-04 More Updated Table should be used for the Local 922 Retirement Plan.	Resolved.
2006-05 Improvements are Needed Relating to Documentation over Year-End Journal Entries.	Resolved.
2006-06 Improvements are Needed Related to Segregation of Duties.	Repeated. See comment 2007-07.
2006-07 Improvements are Needed Related to Program Changes.	Repeated. See comment 2007-04.
2006-08 Improvements are Needed Related to Access Control.	Resolved.
2006-09 Improvements are Needed Related to Service Continuity.	Repeated. See comment 2007-10.
2006-10 Improvements are Needed Related to Security Program.	Repeated. See comment 2007-08.

M E M O R A N D U M



FINAL INTERIM AUDIT MEMORANDUM Internal Operations No. 09-01

SUBJECT: Voiding Metrocheks

DATE: August 8, 2008

FROM: OIG – Helen Lew /s/

TO: GMGR – John B. Catoe

The purpose of this Interim Alert Memorandum is to bring to your attention potentially serious internal control weaknesses in the Washington Metropolitan Area Transit Authority's (WMATA) Metrochek program. Specifically, Customer Service Sales Centers, Corporate Sales Program, and Bus Transportation are not properly voiding redeemed Metrocheks.

During our internal control review of fare media sales, we noted the Metrochek Program Redemption Guide for Transit Service Providers and Transit Stores, dated March 7, 2005, provides information that is insufficient to properly void Metrocheks. The Guide (page 5) states that a Metrochek can be stamped "VOID"; however, to properly invalidate a Metrochek, the registration hole in the upper left corner must be cut off to prevent reuse. On July 22, 2008, at the Fare Media Services Office, we observed that redeemed Metrocheks had not been previously voided with the corners being cut off. In a recent criminal scheme, a former Metro employee used Metrocheks to cover up her theft of cash at Metro Sales Offices. While we do not know exactly how she obtained the Metrocheks used in that particular scheme, it demonstrates the importance of ensuring proper disposition of used fare media.

We suggest that ensuring use of an effective mechanism to invalidate redeemed Metrocheks be given the highest priority and appropriate consideration to mitigate any potential financial risks.

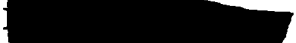

Management Comments

The General Manager concurred with our concerns regarding the need to have an effective mechanism to invalidate redeemed Metrocheks. Management comments are included in their entirety as an Attachment to the Final Alert Memorandum.

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We will monitor and track the corrective action proposed and implemented by your office. For further information please contact me at 202-962-2515.

cc: GMGR - Gerald Francis
BUS - Milo Victoria
CHOS - Shiva Pant
CSAC - Sara Wilson

OPRS - Jack Requa
CFO - 
TRES - 

ATTACHMENT

M E M O R A N D U M



SUBJECT: Voiding Metrocheks

DATE: August 5, 2008

FROM: GM - John B. Catoe

TO: OIG - Helen Lew

This memo is in response to your Draft Alert Memorandum (Internal Operations No. 09-01) dated July 29, 2008. Your memo asks that Metro discuss actions it plans to take regarding internal controls on the Metrochek program.

Your memo suggests that "ensuring use of an effective mechanism to invalidate redeemed Metrocheks be given the highest priority and appropriate consideration to mitigate any potential financial risks." We concur with your recommendation and have implemented the following actions:

1. Effective immediately, Metrochek invalidation can only occur by cutting off the registration hole in the upper left corner. An option for stamping "void" on Metrocheks is now eliminated. Page 5 of the Metrochek Program Redemption Guide for Transit Service Providers and Transit Stores was revised accordingly to reflect these changes.
2. Metro's Treasury Office will strictly enforce the revised invalidation requirement. Redemption requests will not be processed unless all of the Metrocheks submitted are in compliance. Treasury will promptly notify non-compliant customers to follow the required procedures before redemptions are honored.

I would like to thank you and your staff for alerting us of potential financial risks that could occur from improperly voiding Metrocheks. Metro believes that its recent actions will strengthen the redemption process and prevent the organization from future financial risks associated with Metrocheks.

Washington
Metropolitan Area
Transit Authority

cc: DGM/COO - Gerald C. Francis
CHOS - Shiva Pant
BUS - Milo Victoria
CFO - [REDACTED]
CSAC - Sara Wilson
OPSV - Jack Requa
TRES - [REDACTED]

Enclosure

Metrochek Program Redemption Guide
for
Transit Service Providers and Transit Stores

Washington Metropolitan Area Transit Authority
Sales Programs Branch
Office of SmarTrip® Operations
600 Fifth St., NW - Room 6G
Washington, DC 20001
202-962-1326

Revised: 07/30/08

Metrochek Program Redemption Guide

The Washington Metropolitan Area Transit Authority (Metro) aggressively promotes the SmartBenefits® program to employers in the public and private sectors throughout the Washington Metropolitan region to promote commuting by means other than single occupancy vehicles. Once called Metrochek, it's now known as SmartBenefits®, the versatile and valuable benefit that gives employees up to \$1,260 a year for commuting expenses.

SmartBenefits® allows you to move beyond the original paper Metrochek to a SmarTrip® card – Metro's reusable, rechargeable farecard for use on Metrorail, Metrobus, at Metro-operated parking facilities or in a registered van pool.

More than 228,000 employees receive SmartBenefits® or Metrocheks from over 4,000 area employers. These employees use their SmarTrip® card for SmartBenefits® to pay toward the cost of their commute on Metrorail, Metrobus, and qualified van pool services and Metrocheks to pay for county and commuter buses, MARC, and VRE services.

How does SmarTrip® and SmartBenefits® work for van pools?

The employer loads the van pool passenger's transit benefit onto the passenger's registered SmarTrip® card each month through the SmartBenefits® program. The passenger can then allocate that benefit value from his or her SmarTrip® account directly to your SmartBenefits® Van pool Operators account. All of this is accomplished via the Internet. Van pool passengers enter their allocation instructions just one time on Metro's Website. On the first day of each month after that, their monthly transit benefit is automatically paid to your SmartBenefits® Van pool Operator account. The passenger and the van pool operator will receive an email from Metro on the first day of each month confirming that the transit benefit has been allocated. This means that van pool operators can reduce or even eliminate the need to handle paper Metrocheks.

What are Metrocheks?

- < Metrocheks are specially identified Metrorail farecards printed with a multi-color design, and marked with the "Metrochek" logo (Exhibit 1).
- < Metrochek denominations: \$1, \$5, \$10, \$20, \$30. Metrocheks with face values of \$22 and \$33 were discontinued in June, 2003. You may encounter these "old" cards occasionally. They will only be redeemed for \$20 or \$30. See back of those cards for details on how to handle exchanges.

Metrochek: Farecard or Voucher

- < Use Metrocheks as a regular Metrorail farecard.

- < Use UNUSED Metrocheks (Metrocheks that have not been used as Metrorail farecards) as a voucher to exchange toward the purchase of passes and fares for Metrobus, county and commuter buses, MARC, VRE, and qualified van pool operators serving the Washington metropolitan region.
- < Metrocheks cannot be exchanged for cash.
- < No cash or change can be returned to the customer when they exchange Metrocheks for passes, tokens or other fares and commuting services.

Metrochek: Transportation Service Partners

- < County buses: DASH, Ride On, Fairfax Connector, TheBus, ART and City of Fairfax
- < Commuter buses: Eyre, Dillon, Keller, PRTC, etc.
- < Commuter trains: MARC and VRE
- < Van pools: VPSI, ABS, RADCO, and many other independent van pool operators
- < Transit stores: Montgomery, Fairfax and Arlington county locations
- < More than 250 Metrochek transit partners

Commuter Highway Vehicle

- < A commuter highway vehicle is any highway vehicle with a seating capacity of at least six adults (excluding the driver) and with respect to which at least 80 percent of the vehicle's mileage for a year is reasonably expected to be: a) for transporting employees in connection with travel between their residence and their place of employment; and b) on trips during which the number of employees transported for commuting is at least one-half of the adult seating capacity of the vehicle (excluding the driver). *Reference: Section 132(f) of the Internal Revenue Code*
- < If the provider of public transportation service meets the requirements of Internal Revenue Code 26 USC Section 132(f)(5), the provider of public transportation service can enter into a formal agreement with Metro to accept Metrocheks from their customers toward the purchase of their passes and fares. The transit provider will redeem those Metrocheks with Metro for the cash value of the Metrocheks (excluding any Metrochek bonus value).
- < *Questions about IRS qualification requirements for providers of public transportation service should be directed to the provider's own tax or legal counsel.*

Getting Started as a Metrochek/SmartBenefits® Service Partner

- < If you are a van pool service provider who currently accepts Metrocheks from your passengers and those passengers work for employers that offer SmartBenefits® - in addition to Metrochek, register your van pool in Metro's Metrochek/SmartBenefits® program at MetroOpensDoors.com. You'll be sent by email special codes to access your SmartBenefits® Internet account within a week of our receipt of your online enrollment.

- < Qualified providers of public transportation service must sign the *Metrochek Voucher Program Agreement (Exhibit 2)*.
- < Return completed Agreement to Metro addressed as follows: WMATA, Metrochek Program, 600 Fifth St., NW, Washington, D.C. 20001 ATTN: D. Siskind or fax to 202-962-6103.

Accepting Metrocheks

- < The provider of public transportation service will accept UNUSED Metrocheks (Metrocheks that have not been used as Metrorail farecards) from their customers as partial or full payment credit for the purchase of their pass or fare. Customers should pay the difference in the Metrochek value and the cost of the fare media with an acceptable form of payment.
- < Some employers provide the Metrochek benefit quarterly – do not accept three month's worth of Metrocheks for redemption. Accept the Metrocheks on a monthly basis only.
- < Metrocheks with face values of \$22 and \$33 were discontinued in June, 2003. You may encounter these "old" cards occasionally. The exchange value will be \$20 or \$30 for these cards, not face value. See information on the back of these cards if you receive one from your customer.
- < It is the responsibility of the transportation service provider and transit store to visually inspect all Metrocheks to confirm that they haven't been used as farecards to ride Metrorail. This can be determined by looking at the front of the Metrochek in the space under the red arrow marked "Metrochek Value". If there is no dollar value printed in that space, it means that the card has not been used as a farecard to ride Metrorail (Exhibit 4).
- < Do NOT accept Metrocheks from customers if there are any printed dollar value(s) in the space under the red arrow marked "Metrochek Value" (Exhibit 5).
- < Only UNUSED Metrocheks will be accepted by Metro for redemption. Used Metrocheks sent to Metro will be returned to the transportation service provider or transit store unredeemed.

Metrochek Handling

- < Metrocheks should be treated like cash. Upon receipt of Metrocheks from customers, secure the cards in a safe place. Metrocheks are negotiable instruments. Metro will not reimburse a transportation service provider for Metrocheks that have been lost, stolen, damaged or destroyed.
- < Metro will only reimburse the transportation service provider for the unused Metrochek par value. This includes the par value of \$20 and \$30 on the bonus value Metrocheks that were discontinued June, 2003.

- < Metrocheks should be sent to Metro by the public transportation services provider monthly, along with a completed Metrochek Voucher Reconciliation Form (Exhibit 6). Metro will mail a check or use electronic funds transfer to reimburse the provider for valid reconciliation requests, within 30 days of receipt of the request.
- < Electronic funds transfer is strongly encouraged to expedite reconciliation payments.

Metrochek Redemption Process

- < When preparing to return Metrocheks to Metro for redemption, do the following:
 - < Invalidate the Metrochek by cutting off the registration hole in the upper left corner, as you look at the front of the card (Exhibit 7)
 - < **DO NOT CUT THE MAGNETIC STRIP**
 - < **DO NOT TEAR THE METROCHEK**
 - < Non Compliance with this procedure will prompt a notification from Metro's Fare Distribution and Sales Office, requesting arrangements for the immediate pick-up of the entire Metrochek order. **Non-compliant Metrocheks will not be processed.**
- < Use a rubber band to bundle like-value Metrocheks into separate stacks of \$1's, \$5's, \$10's, \$20's, \$30's.
- < Total the quantity of Metrocheks in each bundle and enter this information in Column A of the three-part Metrochek Voucher Reconciliation Form.

VERY IMPORTANT

When returning Metrocheks to Metro, send them in a secure mailing envelope or package. Metrocheks are like cash. **Do NOT send them to Metro via ordinary mail.** Send them by certified mail (with return receipt) or a secure/rapid delivery service such as FedEx, UPS Blue Label, Emery, Airborne, etc. We suggest that you insure the package for the total Metrochek value. Metro is NOT responsible for redeeming Metrocheks that have been "lost in the mail", or otherwise not received by Metro.

Transit Stores and Fare Media Sales Locations ONLY:

- Write the name of the exchanged fare product on the back of each Metrochek.
- Complete Table II on the Metrochek Voucher Reconciliation form for fare media sales locations.
- Bundle like-value Metrocheks into separate stacks.

<

Complete the rest of the form. Be sure to indicate your name, address and other information.

Keep the last copy (pink copy) of the reconciliation form for your records and return the other two copies and the Metrocheks to:

WMATA - RCF
Fare Distribution and Sales
3301 Eisenhower Avenue
Alexandria, VA 22314-9425
Phone: 202-962-5700 or 5722

Contacts

- < For questions about your account, including reimbursements and disposition of reconciliations, contact Metro's Fare Distribution and Sales Department at 202-962-5700 or 5722.
- < For any other questions, contact your Metro account representative at 202-962-1326 or fax question(s) to 202-962-6103.

VERY IMPORTANT

When returning Metrocheks to Metro, send them in a secure mailing envelope or package. Metrocheks are like cash. Do NOT send them to Metro via ordinary mail. Send them by certified mail (with return receipt) or a secure/rapid delivery service such as FedEx, UPS Blue Label, Emery, Airborne, etc. We suggest that you insure the package for the total

Metrochek value. Metro is NOT responsible for redeeming Metrocheks that have been "lost in the mail", or otherwise not received by Metro.

M E M O R A N D U M



FINAL ALERT MEMORANDUM Internal Operations No. 09-02

SUBJECT: Salary Increase Error, [REDACTED] **DATE:** November 26, 2008
FROM: OIG – Helen Lew [REDACTED]
TO: WORX – [REDACTED]

The purpose of this Final Alert Memorandum is to bring to your attention a serious internal control weakness in the Washington Metropolitan Area Transit Authority's (WMATA) Salary Increase Process.

The WMATA Compensation and Benefits policy, Procedure No. 5.2, Section VI, Paragraph C, states the following:

When an employee's salary increase is limited by the maximum of the salary range for the job (capped), the employee may receive the difference between the full amount of the proposed increase and the amount of the "capped" increase in the form of a lump sum payment. The lump sum payment will not be added to the base salary. The combination of salary increase and lump sum payment will give employees the full pay-for-performance increase.

Two employees in the Office of Inspector General (OIG) were promoted from Pay Group [REDACTED] to [REDACTED] in June 2008 and were not capped in that pay group. In applying the non-represented employees' October 10, 2008 salary increase of 3 percent, the two employees received a check that included a lump sum payment. According to the Acting Payroll Manager, Office of Accounting, this occurred because the payroll records indicated that the two employees were capped in the [REDACTED] pay group. As a result, the two employees received a lump sum overpayment of \$3000 each, instead of having their 3 percent salary increase spread out over 26 pay periods and added to their base salary.

We notified the Acting Payroll Manager on October 10, 2008, and he notified the Office of Compensation and Benefits about the error. The Acting Payroll Manager told us that the Department of Work Force Services (WORX) and the Payroll Office took the appropriate steps to adjust the pay and pay group for our two employees on October 17, 2008.

However, we reviewed the Electronic Time Sheet (ETS) system on October 21, 2008 and noted that the two OIG employees' job titles were incorrectly listed as [REDACTED] instead of [REDACTED]

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We consider the above errors to be internal control weaknesses in WMATA's salary increase process that should have been detected and corrected. Effective internal controls serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

We suggest that:

1. WORX establishes effective procedures and methods to assure that employees who receive salary increases are paid correctly.
2. WORX in conjunction with the Payroll Office research the records of other employees, who received lump sum payments, to determine if their title, pay rate, and pay group are correct, and make appropriate changes to correct errors identified.

Management Comment

Management indicated concurrence with our suggestions. New procedures will be implemented effective January 2009. The implementation will be effected with the People Soft Manager Self-Service software. The People Soft Manager Self-Service software will also allow WORX to review salary changes for all employees, which will ensure pay increases and other personnel data are correct.

Administrative Matters

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected Departments/Offices will be monitored and tracked through the Office of Inspector General's Audit Accountability and Resolution Tracking System. Department policy requires that you develop a final Corrective Action Plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this report.

We appreciate the cooperation and assistance extended to us during the audit. If you have any questions, please contact [REDACTED], Assistant Inspector General-Audit, on [REDACTED], or me on [REDACTED].

Helen Lew
Inspector General

cc: CFO Carol D. Kissal
CAO Emeka Moneme

CHOS Shiva Pant
COUN Carol O'Keeffe

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M E M O R A N D U M



SUBJECT: Distribution of OBN/OBS¹
SmarTrip Cards

DATE: January 27, 2009

FROM: GMGR – John B. Catoe, Jr. *for*

TO: OIG – Helen Lew

This is in response to your memorandum dated January 9, 2009, regarding the distribution of SmarTrip cards. The memorandum pointed out certain internal control weaknesses associated with fare media sales.

As you know, we were in preparation for the Inaugural events for the past several weeks. One of our priorities was to ensure that we had enough Obama SmarTrip cards to meet the demand of our customers prior to the Inaugural events. Due to an unexpected urgent need on January 5, 2009, the Office of Customer of Service (CSVC) requested additional cards from the Office of Treasury (TRES).

[REDACTED] they were dropped off at the Jackson Graham Building (JGB) [REDACTED]

[REDACTED] The drop off at JGB enabled same or next day replenishment of the fast selling inauguration cards, thus avoiding the impact on customers and stakeholders of sales offices being without cards.

I would like to offer my specific explanation to each of the three weaknesses cited in your memorandum.

1. Security at CSVC's administrative office is not sufficient to safely secure the cards.

Explanation: When the cards were delivered to JGB, a CSVC employee received and verified the number of boxes received. The cards were then locked in two separate offices for two nights. The only movement between offices at JGB occurred on 1/7/2009, when the cards were transferred to TRES's secure storage area on the [REDACTED]

2. CSVC deliveries of the cards to the Sales Offices are not being safeguarded.

Explanation: The current practice [REDACTED]

¹ Obama SmarTrip No Value (OBN), and Obama SmarTrip \$10 Value (OBS)

Distribution of OBN/OBS SmarTrip Cards

Page 2



3. Initial distribution and receipt of the cards to the Sales Offices were not properly accounted for.

Explanation: When the cards were delivered, CSVC personnel were extremely busy serving customers and unable to enter the cards into the system prior to selling them. However, the staff completed them as soon as practical after that.

Please let me make it perfectly clear to you that I totally agree with your findings. My responses are only intended to explain what happened and why. Given the extraordinary circumstances, I believe the CSVC staff were trying to do their best to balance the demands of good customer service and proper procedures. This is a one time occurrence that will not be repeated under normal conditions.

I would like to thank you and your staff for bringing the matter to my attention.

cc: DGM/COO – Gerald Francis
CFO – Carol Kissal
CHOS – Shiva Pant
COUN – Carol O’Keeffe
CSAC – Sara Wilson
MTPD – Michael Taborn
OPSV – Jack Requa

M E M O R A N D U M



FINAL ALERT MEMORANDUM Internal Operations No. 09-05

SUBJECT: Distribution of OBN/OBS¹
SmarTrip Cards

DATE: January 28, 2009

FROM: OIG – Helen Lew /s/

TO: GMGR – John B. Catoe

The purpose of this Final Alert Memorandum is to bring to your attention serious internal control weaknesses in the Washington Metropolitan Area Transit Authority's (WMATA) fare media sales.

On January 5, 2009, the Office of Treasury (TRES) distributed 20 boxes of the OBN/OBS SmarTrip cards to the Office of Customer Service (CSVC). The cards, with a retail value of \$243,000, were delivered to a CSVC administrative office at the Jackson Graham Building (JGB). The boxes of cards are being stored in JGB offices, and they have been moved between offices within JGB.

[REDACTED]

We also found that when CSVC distributes the OBN/OBS SmarTrip cards to the Sales Offices, the Sales Offices did not count, sign for, and enter the cards into the fare-media-sales accounting system (the Point-of-Sales system) immediately upon receipt.

As a result of these changes in practice for the OBN/OBS SmarTrip cards, we noted the following internal control weaknesses: (1) security at CSVC's administrative office is not sufficient to safely secure the cards; (2) CSVC deliveries of the cards to the Sales Offices are not being safeguarded; and (3) initial distribution and receipt of the cards to the Sales Offices were not properly accounted for.

The lack of accountability and security has greatly increased WMATA's exposure to fraud, theft, and abuse of these assets. We recommend that the issue of

¹ Obama SmarTrip No Value (OBN), and Obama SmarTrip \$10 Value (OBS).

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accountability and security regarding the OBN/OBS SmarTrip cards be given the highest priority to mitigate any risk of loss of assets to WMATA.

Management Comments

Management concurred with our findings. Management stated that distribution of the OBN/OBS SmarTrip cards was a one time occurrence that will not be repeated under normal conditions.

We appreciate the cooperation and assistance extended to us during this audit. If you have any questions, please contact [REDACTED] Assistant Inspector General-Audit, at [REDACTED] or me at [REDACTED]

/s/

Helen Lew
Inspection General

cc:	DGMR	Gerald C. Francis	CSAC	Sara Wilson
	CFO	Carol D. Kissal	MTPD	Michael Taborn
	CHOS	Shiva K. Pant	AGM	Jack Requa
	COUN	Carol O'Keeffe		

M E M O R A N D U M



SUBJECT: Prenegotiation Examination of
Proposal submitted by PEPCO ES
Contract SF7016/PTB
Implementation of Energy Conservation
Measures in WMATA Facilities

DATE: July 31, 2009

FROM: OIG – Helen Lew [REDACTED]

IN REPLY: [REDACTED]

REFER TO: OIG Memo CAM 10-005

TO: PRMT – [REDACTED]

Pursuant to a request from the Office of Procurement and Materials Management (PRMT), OIG agreed to review the sole source proposal submitted by PEPCO Energy Services (PEPCO ES) to implement various energy conservation measures in WMATA facilities. The objective of OIG's review was to determine the reasonableness of PEPCO ES' proposed implementation cost.

PEPCO ES responded to Request for Proposal (RFP) No. SF7016/PTB. The RFP was issued to implement Energy Conservation Measures (ECMs) in WMATA facilities. PEPCO ES submitted a proposal to implement 16 (sixteen) ECMs in 7 (seven) WMATA facilities. To date PEPCO ES has submitted three different cost proposals. Initially the proposed implementation cost was for \$16 million, which PEPCO ES subsequently increased to \$22 million. PEPCO ES later reduced its proposed implementation cost to \$5 million after being notified of our pending audit.

Due to the fluctuation of PEPCO ES' proposed cost from \$16 million to \$22 million and then to \$5 million, and also PEPCO ES' failure to provide sufficient support, we have withdrawn from the engagement.

If PRMT decides to continue with this project, we suggest that the PRMT representatives obtain a properly developed proposal from PEPCO ES that is supported with sufficient and appropriate documentation.

Washington
Metropolitan Area
Transit Authority

M E M O R A N D U M



SUBJECT: Prenegotiation Examination of
Proposal submitted by PEPCO ES
Contract SF7016/PTB
Implementation of Energy Conservation
Measures in WMATA Facilities

DATE: July 31, 2009

FROM: OIG – Helen Lew [REDACTED]

IN REPLY: [REDACTED]

TO: PRMT – [REDACTED]

REFER TO: OIG Memo CAM 10-005

Pursuant to a request from the Office of Procurement and Materials Management (PRMT), OIG agreed to review the sole source proposal submitted by PEPCO Energy Services (PEPCO ES) to implement various energy conservation measures in WMATA facilities. The objective of OIG's review was to determine the reasonableness of PEPCO ES' proposed implementation cost.

PEPCO ES responded to Request for Proposal (RFP) No. SF7016/PTB. The RFP was issued to implement Energy Conservation Measures (ECMs) in WMATA facilities. PEPCO ES submitted a proposal to implement 16 (sixteen) ECMs in 7 (seven) WMATA facilities. To date PEPCO ES has submitted three different cost proposals. Initially the proposed implementation cost was for \$16 million, which PEPCO ES subsequently increased to \$22 million. PEPCO ES later reduced its proposed implementation cost to \$5 million after being notified of our pending audit.

Due to the fluctuation of PEPCO ES' proposed cost from \$16 million to \$22 million and then to \$5 million, and also PEPCO ES' failure to provide sufficient support, we have withdrawn from the engagement.

If PRMT decides to continue with this project, we suggest that the PRMT representatives obtain a properly developed proposal from PEPCO ES that is supported with sufficient and appropriate documentation.

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M E M O R A N D U M



FINAL ALERT MEMORANDUM Contract Audit No. CAM 10-120

SUBJECT: Project Oversight over
ERG Transit Systems, Inc. (ERG)
And Northrop Grumman Information
Technology, Inc. (NGIT)

DATE: March 10, 2010

FROM: IG/OIG – Helen Lew /s/

TO: DGMA/CFO – Carol D. Kissal

The purpose of this Final Alert Memorandum is to bring to your attention serious internal control weaknesses in the Washington Metropolitan Area Transit Authority's (WMATA) oversight over the ERG Transit Systems, Inc. (ERG) and Northrop Grumman Information Technology, Inc. (NGIT) project.

On May 30, 2003, contract CO5034 was awarded to ERG for the operation of the Regional Customer Service Center (RCSC). The contract was part of the effort to embark on a regional fare collection program for transit agencies in the greater Washington/Baltimore region. Since the inception of contract CO5034, there have been over ten (10) modifications awarded to ERG for additional and/or supplemental labor. NGIT is a subcontractor of ERG for the purpose of providing staffing to operate the RCSC.

The Office of Inspector General (OIG) issued an audit report (OIG-08-025) entitled *Review of Issues and Concerns on ERG Contract* dated April 29, 2008, that outlined the causes of project delays and the status of the ERG project. Also, in December 2008, the Director of the Office of SmarTrip brought to OIG's attention some concerns and findings about the ERG contract and invoicing process. She requested that OIG investigate the findings.

The OIG is currently reviewing modifications for additional and supplemental labor under contract CO5034. During this review, auditors identified serious irregularities. Both ERG and the Contracting Officer's Technical Representative (COTR) for contract CO5034 are not in compliance with the contract. Per the terms of the contract, "Detailed cost accounting records, time sheets[,] must be completed and maintained for each of the 'up-to' seven agents by name, date, and activity. Such time sheets must be completed daily and submitted to the Principal COTR ... on a weekly basis." On several occasions, ERG personnel submitted lump sum invoices for labor hours that did not include a breakdown of the individual names, hours, and amounts. ERG did not submit the required supporting documentation; nor was the COTR for WMATA requesting this data. As a result, these amounts cannot be properly cross-referenced to NGIT timesheets. This brings into question whether a proper invoice review was performed.

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Also, ERG exceeded the "not to exceed" amounts on some modifications. On some occasions, ERG would re-submit the exceeded amount under a different invoice, which was later paid by WMATA under a subsequent modification.

Despite the above improper actions by ERG, we found the COTR authorized the payments for labor without properly verifying those hours and allowed ERG to re-submit a new invoice for amounts exceeding the "not to exceed" amounts in the modification. Specifically, the COTR would authorize payments under old modifications that had exceeded the authorized limits, using a subsequent modification's funding that was not within the scope to pay for invoices and services provided by ERG. These payments were not only all outside of the authorized period and scope; they also did not have documented justifications. In some instances, new modifications overlapped with the prior modification in terms of dollars and time period without any indication whether the new modification superseded the prior one. In another situation, WMATA's COTR did not close out the original modification when the performing period was over or de-obligate unused funds. Instead of de-obligating the funds at the end of the performing period as required, the COTR subsequently authorized payments beyond the "not to exceed" amount of the modification.

Although nothing came to our attention to suggest customer service needs were not met, the lack of proper project management and oversight increased WMATA's risk of exposure to fraud, theft, and abuse of its assets. We suggest that the issue of proper project management and oversight regarding the ERG contract be given the highest priority to mitigate any risk of loss of assets to WMATA. We suggest that appropriate action be taken concerning billing invoices that cannot be properly cross-referenced and supported. We also suggest you develop and implement proper internal controls for the ERG contract, as well as other contractors doing business with WMATA to ensure they are performing in accordance with contract terms and that payments to them are proper.

Management Comment

In the Deputy General Manager for Administration/Chief Financial Officer's March 4, 2010, response to a draft of this Alert Memorandum, she indicated concurrence with our findings and suggestions. She further stated that while a majority of the inadequacies we identified occurred prior to the end of June 2008, management recognized their internal processes and controls could be improved. Management outlined some steps they have implemented or are in the process of implementing to address our suggestions. The complete text of management's response is included as attachment 1 of this report.

OIG comments

We wish to point out that while a majority of the inadequacies identified in our Alert Memorandum occurred prior to the end of June 2008, these control issues currently exist. Management's plan, if properly implemented, should address our concerns.

Administrative Matters

Corrective actions proposed (resolution phase) and implemented (closure phase) by the affected Departments/Offices will be monitored and tracked through the Office of Inspector General's Audit Accountability and Resolution Tracking System. Department policy requires that you develop a final Corrective Action Plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and suggestions contained in this report.

If you have any questions, please contact [REDACTED], Assistant Inspector General Audit, at [REDACTED] or me at [REDACTED]

/s/
Helen Lew
Inspector General

Attachment

cc: Chief Procurement Officer – [REDACTED]
CHOS - Shiva K. Pant
COUN - Carol O'Keeffe

ATTACHMENT 1

M E M O R A N D U M



SUBJECT: Draft Alert Memorandum
Contract Audit No. CAM 10-120

DATE: March 4, 2010

FROM: DGMA/CFO – Carol D. Kissal 

TO: OIG – Helen Lew

The Office of SmarTrip® (SMRT) has reviewed the Office of Inspector General's (OIG) draft Alert Memorandum, titled Project Oversight over ERG Transit Systems, Inc. (ERG) and Northrop Grumman Information Technology, Inc. (NGIT) dated February 19th, 2010. We appreciate the opportunity to provide comments on the memorandum and suggestions to improve contract oversight.

SMRT concurs with the OIG's findings for this contract. While a majority of the inadequacies identified in your memorandum occurred through June 2008, SMRT recognizes that we can improve upon our internal processes and controls. The Contracting Officer's Technical Representative (COTR) responsible for oversight of this contract in the past during that timeframe is no longer with Washington Metropolitan Area Transit Authority (Metro or Authority). In fact, the new COTR, in conjunction with the office engineer, discovered some of the same irregularities and discrepancies you outlined during the process of familiarizing themselves with the contract and invoicing details. Identified concerns and findings were elevated in early December 2008 to the then recently appointed Director of SmarTrip®. The Director then formally requested the OIG to further investigate staff's findings.

The current SMRT COTRs have initiated and implemented the following general steps in order to avoid the recurrence of these types of issues, including, but not limited to:

- Only authorizing payment of invoices for goods and services that are in the performing period and within the authorized scope of services identified in the associated contract modification.
- Monitoring authorized modification dollar amounts during the performance period so that associated payments do not exceed the amount authorized in the modification.
- Close coordination of contract changes and modifications with the Procurement Office.

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SMRT also concurs with the OIG's concern regarding ERG invoices for additional and supplemental labor, specifically relating to supporting time records associated with their subcontractor (NGIT) who is managing the Regional Customer Service Center. With regard to this issue, the COTR has taken the following immediate steps in order to resolve management of additional and supplemental labor:

- Request timesheets (or approved payroll time records) from ERG as stated in the respective contract modification.
- Coordinate with the Procurement Office such that all newly issued modifications do not overlap with prior modifications in dollar and time period.

Additionally, SMRT is in the process of implementing the following steps:

- Coordinate with the Procurement and Accounting Offices regarding the de-obligation of remaining unused funds on modifications
- Close the budget line item out at the end of the performance period associated with the modifications.

While we await the OIG's Final Alert Memorandum, SMRT will continue to be diligent in managing Metro's assets associated with management of assigned contracts to minimize WMATA's exposure to fraud, theft or abuse.

If you have any questions regarding this memorandum, please contact [REDACTED] at [REDACTED], or you may contact me directly at [REDACTED]

cc: ACCT - [REDACTED]
PRMT - [REDACTED]
SMRT - [REDACTED]