



**DISTRICT OF COLUMBIA
Water and Sewer Authority
Board of Directors**

Audit Committee

**Wednesday, December 16, 2009
9:30 a.m.**

Meeting Minutes

Committee Members Present

Timothy Firestine, Chair
David J. Byrd
Brenda Richardson

Other Board Members

David J. Bardin
Paivi Spoon

SC& H Group, LLC

Joseph Freiburger

Staff Present

George S. Hawkins, General Manager
Christopher Carew, Chief of Staff
Barbara A. Grier, Ass't GM, Support Services
Olu Adebo, Chief Financial Officer
Avis M. Russell, General Counsel
John Madrid, Controller
Linda R. Manley, Board Secretary

Call to Order

Committee Chairman Timothy Firestine called the meeting to order at approximately 9:35 a.m.

Internal Audit Outsourcing

Barbara A. Grier, Assistant General Manager, introduced Joseph D. Frieburger, Principal, SC&H Group, LLC (SC&H). Ms. Grier stated that SC&H was selected through a competitive process to provide Internal Audit services. She noted that Mr. Frieburger is the principal for the engagement and would present to the Committee the results of the Risk Assessment and proposed FY 2010 Audit Plan. Ms. Grier stated that the Internal Audit function was temporarily assigned to her and would be transition to the General Manager's Office since the Chief of Staff, Christopher Carew, is now on board. Ms. Grier turned the meeting over to Mr. Frieburger.

Internal Audit Activities

Mr. Freiburger began his presentation by defining the role and responsibilities of Internal Audit within the organization. Mr. Freiburger presented an overview of the Risk Assessment including the methodology used to complete the activity. He indicated that information was gathered from interviews with management, as well as through a review of pertinent documents, such as the strategic plan, financial statements and budget.

Mr. Freiburger explained the process of identifying the internal audit universe, and how risks were assessed based upon likelihood and impact. He emphasized that the assignment of risk

was not based on actual audit findings. The Committee was provided with an overview the Risk Assessment results.

Mr. Freiburger noted that the Risk Assessment provided the basis for developing the proposed FY 2010 Internal Audit Plan and responded to questions pertaining to items included in the plan. Mr. Freiburger explained that in addition to the audit projects included on the schedule, time has been allocated to incorporate special requests or projects that may be identified by management or the Board. Mr. Freiburger stated that these items, when presented, will be vetted with both management and the Board prior to starting these to ensure they have been approved. Mr. Bardin expressed an interest in audits in several additional areas. Mr. Freiburger stated that those areas will be taken into consideration.

Mr. Firestine and Mr. Bardin also indicated that they need to have additional discussions about reporting relationships of the Internal Audit team. Mr. Firestine stated that in most cases, the Internal Audit activity reports to the Audit Committee of the Board of Directors to maintain independence. George Hawkins, General Manager, stated that Internal Audit reports to the General Manager with a dotted line reporting to the Board of Directors. He further stated that Christopher Carew, Chief of Staff, will provide administrative oversight. The Audit Committee approved the FY 2010 Audit Plan.

Annual Independent Audit Update

John Madrid, Controller, provided the Committee with an update on the activities of the External Auditor, TCBA, LLC. Mr. Madrid stated that the audit went smoothly this year, given the continuity of the audit team. He reported that the fiscal year 2009 financial audit is on track and that the field work was completed on December 15th.

On August 6, 2009 senior management along with key staff members commenced the audit planning. The audit plan was reviewed along with the proposed interim prepared by client list and timeframes were subsequently determined. Interim audit procedures commenced on August 24th with evaluation and testing of internal controls and IT reviews concluding on September 18, 2009. Mr. Madrid stated that TCBA presented to WASA a year-end document request list and his staff is diligently working to fulfill the request. The final audit report is expected within the next business day and the Management Letter comments are expected on or before December 18, 2009. Mr. Firestine inquired as to the timing of the Audit Committee's review of the financial statements. Olu Adebo, Chief Financial Officer, noted that the auditor's Management Letter Comments will be available by the February Audit Committee meeting for consideration at that time.

Executive Session

The Committee went into executive session with Mr. Freiburger.

Adjournment

The general session was reconvened at approximately 11:34. Hearing no other business, the meeting was adjourned at approximately 11:35.