



**DISTRICT OF COLUMBIA
Water and Sewer Authority**

Board of Directors

**Audit Committee
Wednesday, September 17, 2008**

9:30 a.m.

Meeting Minutes

COMMITTEE MEMBERS PRESENT

Timothy Firestine, Chairman

WASA STAFF PRESENT

Jerry N. Johnson, General Manager

Avis Russell, General Counsel

Michael Hunter, Director, Internal Audit

Olu Adebo, Acting Chief Financial
Officer

Linda R. Manley, Secretary to the Board

Call to Order

The Audit Committee meeting began at 9:45 am. The meeting was called to order by Mr. Firestine.

Internal Auditor's Report

The Internal Auditor presented his report of activity for the period June 18, 2008 through September 17, 2008.

Activity during this timeframe included the following audit engagement activity:

– **Audits Completed:**

- The Security Contract Review
 - Scope included reviewing the processes and procedures for guard services at the Blue Plains facility; Final determination of contract adjustments; and policies for onsite procedures.
 - Results, no significant findings. There were a couple of recommendations for which an Action Plan has been received and is in the process of being reviewed by Internal Audit.
- Management Request – Employee Complaint of Underpayment (Received by the Chairman of the Board and DC OIG, who sent the allegation to the General Manager)
 - Scope included the review of the Time and Attendance (T&A) process procedures and the employee's T&A records for the two year time frame in question (2007 and 2008).

- Results were that the employee was not paid for one hour during the scope period. The Final Report still needs to be discussed with the General Manager. The DC OIG's office felt the allegation should be handled internally and that they did not need to be involved in the review.

- **Audits In-progress:**
 - Accounts Payable (A/P) – Authority-wide
 - Reviewed the processes and procedures of A/P and in the field, for FY06 and FY07 transactions. We visited and worked with fourteen (14) Departments.
 - Our objective was to see how close we came to meeting our goal of 97% Vendor Payments and to identify recommendations to help improve the performance of that goal.
 - Preliminary results reflect overall controls are adequate.
 - Local and Small Business Enterprise Site Visits
 - Have compiled a stratified sample and will work in tandem with the newly created Compliance Unit in Procurement.
 - Reviews are currently being scheduled
 - Plan to visit seven sites
 - Purchase Card Program (PC) Review (Summer Intern Assignment-Coordinated with Accounts Payable Review)
 - Reviewed 56 Cardholders for the time frame April 2007 through June 2008, for approximately \$1.8 million.
 - Mr. Hunter provided a brief overview of the PC process, to include issuance, statement review and reconciliation and approval. He also indicated that it is a shared process conducted by the Cardholder's Approver and Accounts Payable. In addition, he mentioned the different layers of controls in place, e.g., daily and monthly spending limits.
 - The Review determined no Department had more than four cardholders under a Director's span of control.
 - Results reflect no major problems, unallowable and/or unauthorized purchases.

- **Remaining Audits:**
 - Construction Billings expected to meet October completion date.
 - Capital Equipment and Purchases – Started, expected completion by Year End.
 - Review of Local Area Network (s), Internal Controls Monitoring Program
 - Change Control Review

- **Recommendation Follow-up Program addition:**
 - Environmental Management System (EMS) Certification Audit Follow-up – Mr. Hunter explained Internal Audit's involvement with the Third Party Interim Review and stated we will be working with the WASA EMS Group to get their final responses to the Third Party Auditors recommendations.

- **Staffing:**
 - Summer Intern was on board for eight weeks of the summer.
 - One IA contractor was terminated.

- **Other Activities: Ethics and Compliance Work**
- Hotline follow-ups, we received one, but it was of no significance.

Mr. Firestine stated that he would like to see a summarization of the audit activity included in the report, more specifically, a document containing a summary of findings, recommendations, management's response to the recommendations and follow-ups along with the associated time frames. Mr. Hunter stated that this would be provided at the next Audit Committee Meeting.

Status of FY2008 Annual Financial Statement Audit

The Acting CFO gave a status on where we are today and stated that we are currently on schedule for the following deliverables:

- Issue First Draft of the Financial Statements by November 10, 2008
- Issue Final Financial Statements by December 15, 2008
- An Audit Opinion by December 24, 2008
- The first draft of the Management Letter by December 26, 2008.
- Comprehensive Annual Financial Report by January 30, 2009
- Complete A133 by January 31, 2009

There was a discussion regarding the External Auditor's review approach and if it would be different this year. Mr. Lucas-TCBA stated that it would be different. TCBA is taking a fresh look, having learned from last year. They will be taking a more detailed look at internal and external risks, and plan to engage in a more robust approach in their evaluation and assessment of risk and internal controls.

Mr. Firestine asked if we were working on the A123 type structure. Mr. Johnson responded that we have had internal discussions between the Internal Auditor, CFO and the Controller around this issue and will be prepared to talk about how we would approach that at the next Audit Committee Meeting in November. Per Mr. Johnson the bottom line as he understands it, is that it's the recognition of certain types of controls being in place and certain other management processes being in place--actually taking it down to a different level within the organization. We think we have a plan for accomplishing the intent as well as to be compliant.

Mr. Johnson stated that there was a review by the DC OIG's office, following up on open issues from 2003. They have met with Staff and we are working with them to provide the necessary information. The DC OIG's letter said there were eight open issues and seven of the eight had not been followed up on. We felt they had been and are working to provide the documentation. This should be completed by the next Audit Committee Meeting.

Adjournment

Hearing no other business Mr. Firestine adjourned the meeting at approximately 10:30 am.