



**MINUTES OF THE MEETING  
AUDIT AND RISK COMMITTEE  
APRIL 25, 2024  
(via Microsoft Teams)**

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**COMMITTEE MEMBERS PRESENT**

1. Floyd Holt, Chairperson
2. Jed Ross, Vice Chairperson
3. Howard Gibbs, Principal, District of Columbia
4. Anthony Giancola, Principal, District of Columbia

**DC WATER STAFF**

1. David L. Gadis, Chief Executive Officer and General Manager
2. Marc K. Battle, Chief Legal Officer and EVP, Government and Legal Affairs
3. Matthew T. Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance
4. Wayne Griffith, Chief Administrative Officer and EVP
5. Jeffrey Thompson, Chief Operating Officer and EVP
6. Joy Dorsey, Chief People Officer and EVP, People and Talent
7. Michelle Rhodd, Secretary to the Board

The Audit and Risk Committee meeting was called to order by Floyd Holt, Chairperson, at 11:02 AM. The meeting was held via Microsoft Teams. Board Secretary Michelle Rhodd called the roll.

**I. ENTERPRISE RISK MANAGEMENT BRIEFING**

Francis Cooper, Director Enterprise Program Management Office, presented the Enterprise Risk Management (ERM) Briefing. Mr. Cooper provided an overview of the ERM program to date. Specifically, he discussed the formation of a governance structure, top down- risk assessment approach, deep dives that were performed into two enterprise risks, and highlighted the implementation of a new risk module to provide timely risk identification and visibility into risk response activities, and a policy module to manage policy revisions and serve as a repository for board resolutions.

Helen Hagos, Manager, Enterprise Risk, Policy & Internal Audit, discussed the bottom-up process flow, which focuses on beginning risk management activities at the functional,

operational, or department level to engage stakeholders across the organization and provide them with the tools and processes to manage risk in their areas. Ms. Hagos explained that it was critical to have full context of the department prior to initiating the risk management process to enable a successful risk assessment. She provided additional context to the four-step risk process: 1. identify and assess 2. prioritize 3. treat and 4. monitor/report.

Mr. Cooper reviewed DC Water's Enterprise Risk Register and updates for the current year. The Washington Aqueduct Contract risk has been removed as a tracked risk item, while Artificial Intelligence (AI) has been added as an emerging risk. Two risk areas, Water Quality—Contaminants, and New and Changing Regulations, are impacted by the Environmental Protection Agency's (EPA) April 10, 2024 ruling on drinking water standards, limiting the levels of PFAS chemicals.

Ms. Hagos reviewed the emerging risk of artificial intelligence, highlighting the associated risks of biased data, privacy violations, security vulnerabilities, and the loss of human oversight. Of particular concern is that AI may lead to a loss of the ability to think critically and problem-solve. Ms. Hagos discussed the risk mitigation strategy underway to lessen the risks related to AI. The risk mitigation strategy focused on equipping employees with the knowledge, awareness, and guidance on how to responsibly leverage AI systems.

Mr. Cooper stated that the next steps for risk management include continuing to refine the bottom-up risk assessment approach using input from stakeholders, developing a survey and open-ended questions, crafting a communication strategy to socialize the approach, promoting education and dialogue, and completing the AI policy and user guide.

## **II. INTERNAL AUDIT UPDATE**

### **A. FY 2024 INTERNAL AUDIT PLAN STATUS UPDATE**

Dan Whelan, RSM, presented an audit update reviewing completed reports and pending work. He noted that the audit plan was on track and that any changes to the audit plan would be communicated to the Committee. For this quarter, there were four audits completed, which is the normal course.

### **B. STATUS UPDATE ON PRIOR AUDIT FINDINGS**

Stephanie McKee, RSM, reviewed the two open high risk audit findings, neither of which's target date had come due. Both items are tracking toward their milestones as the target date approaches. For the Department of Water Operations (DWO) Work Order Management item, Failure to Capture Work Order Labor and Materials Data, DWO has begun monitoring data integrity biweekly to monitor the effectiveness of new processes. As of March 2024, the percentages that were missing were approximately 30 to 40 percent which is a significant improvement

since the audit. The team is working towards reaching their KPI of keeping missing percentages for labor hours and material costs under 10 percent. For the Fleet Management item, Lack of Current Policies and Procedures, fifteen standard operating procedures have been drafted and submitted to the collaborating departments. The department is on track to have draft policies submitted and through Legal, Labor Relations, and People & Talent review by the target date.

Emily Lowien, RSM, provided a status update on prior audit findings, noting that there are no audit findings prior to FY23 that are still open. Four remain in the pending testing status, as the finding has been deemed closed by Authority management, but Internal Audit is allowing the process to function for a quarter prior to testing to confirm closure. For the Entity Level Review, policies have been completed and are undergoing final review. For Occupational Safety and Health, the comprehensive safety plan is ready for the legal department for review. The Contract Compliance Audit and Strategic Plan Monitoring Audit items are expected to be tested and closed in the next quarter. In relation to the FY23 Audits performed, there are seven open findings: two from the Payroll and Timekeeping Audit, two from the DWO Work Order Management Audit, and three from the Fleet Management Audit. Three items are in pending testing status. In total, 93 percent of all prior audit findings from FY17 to FY23 have been closed, Management's target closure rate is 95 percent.

#### C. CONTRACT COMPLIANCE AUDIT

Sophie Tomeo, RSM, reviewed the Contract Compliance Audit and the process for choosing the two contracts selected for comprehensive review. Ms. Tomeo stated that one high-risk finding was identified related to insufficient contract oversight. There were two issues identified under this finding, the first of the two related to a lack of evidence that daily field reports were reviewed and approved by a DC Water employee in a timely manner. Management will be revising the related SOP and training staff on the new requirement to conduct spot checks of daily field reports. It was noted that monthly reports were being reviewed and that a full-time staff member had assumed responsibility for reviewing the daily reports going forward. The second item related to a failure for reviewing contract required submittals within the required time frame. Management will be providing a refresher training for project managers to emphasize the importance of utilizing the Unifier system to track submissions.

Committee member Anthony Giancola asked if the Contracting Officer's Technical Representative (COTR) training is sufficient to ensure contract oversight. Ms. Tomeo confirmed that COTR training is provided, but due to its general nature of COTR responsibilities for the entirety of the Authority, it does not provide sufficient

details regarding the inspector role specifically and that the Engineering-specific training would be enhanced to address this.

One additional moderate risk and one low risk findings were identified and are included in the full report.

#### D. WORK ORDER MANAGEMENT AUDIT – PUMPING BRANCHES

Ms. Lowien presented the Department of Pumping and Sewer Operations (DPSO) pumping branches Work Order Management Audit, which was performed to validate effective operations in accordance with DC Water requirements for the calendar year 2023. The audit included interviews with key personnel and analysis of interview data to review key performance indicators in work order initiation and screening, work execution and data entry, work order closeout, and reporting and monitoring. The four pumping branches were reviewed: pumping operations, SCADA PCS, Maintenance, and Potomac Interceptor. The two sewer branches were reviewed in the DSO audit conducted in FY22. A work order mining process reviewed 6,064 work orders in the closed status. Two moderate-risk and one low-risk finding were identified. Overall, data entry and work hour tracking were found to be markedly improved since the last audit of work order management, and many gaps were addressed. Overall, excellent improvement was shown by the pumping branches throughout the audit.

#### E. PERMIT OPERATIONS MANAGEMENT ASSESSMENT

Ms. McKee reviewed the permit operations management assessment, noting that the assessment is not an audit and a full report is not included in the audit materials but was provided to relevant managers. The review was aimed to understand Permit Operations processes and provide recommendations for process improvements and internal control enhancements as the department moves toward implementation of the new permit information management system (PIMS). The assessment included walkthroughs with key personnel, documentation of process risks and control activities, flow charting of high-level processes, identification of process challenges and limitations, and a proposal for additional process and risk considerations as PIMS is implemented. The assessment concluded that appropriate control objectives have been defined to mitigate the significant risks within the future-state process. Ms. McKee commended the Permit Operations team which was great to work with and made great strides in improving their environment.

#### F. HOTLINE UPDATE

Samantha Bement, RSM, presented the Fraud, Waste, and Abuse Hotline Update. The update for this committee meeting included a presentation of fraud analytics on the 58 hotline calls that have been received from FY21 to April 18, 2024. Calls were analyzed and broken down according to the case type and department and case

type and outcome. Calls deemed non-fraud, waste, or abuse related are closed by internal audit and forwarded to the appropriate DC Water department heads for further review. Of the 58 hotline calls reviewed, five resulted in corrective action: one for misuse of DC Water vehicles, two for policy issues, one for a safety issue and sanitation, and one for theft of time. For FY24, 18 calls have been received, but most (15) were not fraud, waste, and abuse related. A large majority of these calls were related to policy issues. Ms. Bement noted that it is not possible to know how many are repeat calls as they are anonymous, but a majority of these policy issue calls are related to the company's telework policy. Ms. Tomeo noted that DC Water recently updated its telework policy and now requires all employees who telework to live within the DMV.

In response to a question by Mr. Giancola, Joy Dorsey, Chief People Officer, and Executive Vice-President, People and Talent stated that between 12 and 15 employees approved for telework do not live within the DMV.

### **III. EXECUTIVE SESSION**

The Committee moved into executive session to discuss a facility security matter under DC Official Code § 2-575(b)(8).

### **IV. ADJOURNMENT**

There being no other matters to come before the Committee, the meeting was adjourned at 12:04 PM.