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

COMMITTEE MEMBERS PRESENT

1. Floyd Holt, Chairperson, Prince George's County
2. Jed Ross, Vice Chairperson District of Columbia
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 Administration Officer and EVP
5. Michelle Rhodd, Secretary to the Board

The Audit and Risk Committee meeting was called to order by Floyd Holt, Chairperson, at 11:06 AM. The meeting was held via Microsoft Teams. Board Secretary Michelle Rhodd called the roll.

I.   ENTERPRISE RISK MANAGEMENT BRIEFING

Helen Hagos, Manager, Enterprise Risk, Policy Management and Internal Audit, presented the Enterprise Risk Management Briefing.

Ms. Hagos reviewed the Enterprise Risk Management (ERM) program and provided an update on the bottom-up risk assessment approach introduced in the prior meeting. Ms. Hagos reviewed the rationale and methodology for the assessment.

The bottom-up risk process was developed to capture information on any risks not identified through the top-down assessment. It also facilitates the flow of risk information to the ERM Committee, which will review the information and prioritize risks. The ERM Committee will then partner with departments to develop risk treatment plans that will be supported by

monitoring and reporting processes. Ms. Hagos noted an aim to keep governance groups engaged and informed, and to also encourage engagement in the workforce.

The ERM communication plan explains the purpose and value of ERM and includes several communication strategies. ERM roadshows include presentations to departments and deep risk conversations. Mandatory ERM training for staff will be embedded into the suite of compliance training. Lead and Learn sessions will offer opportunities for informal two-way communications. ERM Slick Sheets are similar to elevator speeches and provide an overview of ERM benefits and how ERM strategies can be used in everyday work.

Ms. Hagos reviewed the status of the communication plan. Regular touchpoints with senior leaders continue. Road shows were initiated in June and have to date been facilitated for five departments and thirty attendees. ERM training will be advanced in the last week of July and a Lead and Learn session will be facilitated in August.

Ms. Hagos reviewed the risk register as of July 2024, noting that artificial intelligence (AI) was previously flagged as a risk and has now been elevated to the senior executive team.

Committee member Anthony Giancola inquired about Tier 1 and Tier 2 risk designations, noting that Tier 1 risks are higher priority. He recalled that cybersecurity was in Tier 1 but is now in Tier 2. He asked how this changed was decided. Ms. Hagos stated that the ERM team initially did a survey of the Board and senior leaders as part of the top-down approach, then had a risk prioritization workshop where the ERM team came to a consensus on the tiers. Cybersecurity has always been identified as a risk that ERM continues to monitor.

Mr. Giancola noted his uncertainty about the current prioritization and asked for a new survey to incorporate input from all board members including new directors and senior executives. He inquired about the mention of COVID-19 as an ongoing issue. Ms. Hagos noted the intent is to work with the internal audit team to update the risk list and that this process will include a new survey and review of the risk tiers.

Mr. Giancola asked how the Board can assess the Authority's progress on risk management; and gain an understanding about emerging issues – whether they have been resolved or are ongoing. Ms. Hagos stated that ERM is looking at developing an annual enterprise risk report. Wayne Griffith, Chief Administration Officer and EVP noted that the team has been ramping up efforts to provide the Audit and Risk Committee with quarterly updates on emerging risks and changes to the risk landscape. It is in the process of building key risk indicators (KRIs) to provide further insight. The Origami dashboard tool will be used to frame and report information, often in real time.

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. New completed reports include the Genesys IT General Controls Assessment and the Internal and External Network Penetration Testing report, to be discussed further in the executive session. He stated that the audit team is working collaboratively with the ERM team and looking at many risks, including generative AI.

The audit is on schedule and at the next meeting the audit team will report on the results of the risk assessment and the audit plan for the next fiscal year.

B. STATUS UPDATE ON PRIOR AUDIT FINDINGS

Emily Lowien, RSM reviewed the open high risk prior audit findings, which include a Work Order item (Failure to Capture Work Order Labor and Materials Data) and a Fleet Management item (Lack of Current Policies and Procedures). These items are scheduled for completion by August 31, 2024, and September 1, 2024, respectively.

Mr. Giancola stated that he had hoped both items would be completed before the original target date and asked if the target dates will be met. Mr. Griffith stated that the team is on track to meet the deadlines and was currently interfacing with department management to ensure all interim milestones are met. Additionally, Ms. Hagos is working with the Fleet Management Department's director to assure that the dates are met. The relevant policies have been drafted and have been sent for legal review. For the Work Order item, regular touchpoints with the director have been maintained and the item is very close to being closed out.

Challenges to closing these two items have included efforts to establish sustainable processes that can be maintained. Ms. Hagos noted a recommendation to implement sustainable solutions, not band-aids. Mark Battle, Chief Legal Officer and EVP, Government and Legal Affairs confirmed that the legal review of the policy updates would be completed on time.

Mr. Giancola asked if labor relations negotiations would delay closure. Ms. Hagos confirmed that these are operational matters and do not have labor implications, so there will be no negotiations with the unions. She noted that the chart was incorrect in listing labor relations as a factor in completing the Fleet Management item.

Sophie Tomeo, RSM reviewed the Status Update on Prior Audit Findings. Currently, there are no open items and four items pending testing. One item, related to

occupational health and safety, was slightly delayed as some changes were requested in negotiations with the unions. She noted that the newly-hired Safety Director was working with ERM to close out the issue.

Of the 10 items identified in the last fiscal year audit, five are open. They include two high-risk items discussed earlier in the meeting. Two items moved from open to pending testing in July and are anticipated for closure before the next meeting.

In total, 94% of prior audit findings from FY17 to FY23 are closed out. Management's target closure rate is 95%.

C. HOTLINE UPDATE

Samantha Bement, RSM, presented the Fraud, Waste, and Abuse Hotline Update. The call volume was down significantly from the last quarter's 13 calls to four calls. One related to theft of time, one was a policy issue, one was on an employee relations issue, and one was a workplace violence threat. Only one related to fraud, waste and abuse. This was forwarded to labor relations.

For the rolling fiscal year, there have been 22 calls. This is higher than usual. Seven calls were related to the telework policy; People and Talent is working on additional controls and monitoring those issues. Three calls were wage hour issues, all related to the assignment of overtime within a single department. There were no overarching concerns.

Mr. Giancola inquired about the workplace violence and threat issue, if it was resolved, and if counselling was required for any staff. Ms. Bement explained that it was an isolated incident addressed in real time with the authorities and management to neutralize the issue on-site. She does not foresee a broader issue or concern.

III.   EXECUTIVE SESSION

The meeting moved to executive session to discuss a security issue.

IV.   ADJOURNMENT

There being no other matters to come before the Committee, the meeting was adjourned at 12:07 PM.