



# DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

## Board of Directors

*Audit Committee*

*Thursday, January 28, 2021*

*9:30 a.m.*

**Microsoft Teams meeting**

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Phone Conference ID: 524 220 415#

- 1. **Call to Order**..... Floyd Holt, Chairperson
- 2. **Roll Call**.....Linda Manley, Board Secretary
- 3. **FY 2020 Financial Statements**..... Genes Malasy, Controller
- 4. **External Audit Results**.....KPMG
- 5. **Internal Audit Update**..... Dan Whelan, RSM, Auditor General
  - A. FY 2021 Internal Audit Plan Status Update
  - B. Status Update on Prior Audit Findings
  - C. [Work Order Management Internal Audit – Department of Maintenance Services](#)
  - D. Hotline Update
- 6. **Executive Session\*** ..... Floyd Holt, Chairperson
- 7. **Adjournment**..... Floyd Holt, Chairperson

\* The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



# **Audit Committee Briefing on FY 2020 Financial Statements**

**January 28, 2021**



# Purpose

**Review DC Water's fiscal year 2020  
audited financial statement performance  
and results of operations**



# Financial Overview

## **The Authority's financial position remains strong and is growing**

- 💧 Net position increased to \$2.5 billion - increase of \$223.0 million, or 9.9%, over 2019
- 💧 Operating revenues increased to \$736.8 million – increase of \$31.7 million, or 4.5%, over 2019
- 💧 Operating expenses decreased to \$453.7 million – decrease of \$7.2 million, or 1.6%, over 2019



## Other Highlights

- The Authority received an unmodified (“clean”) audit opinion from our external auditors, KPMG
- Also received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the 23rd consecutive year for our 2019 Comprehensive Annual Financial Report



# Net Position

- 💧 The difference between Assets and Liabilities constitutes Net Position
- 💧 Net position is broken down into three categories as follows:

	2020	2019
Net investments in capital assets	2,129,340	1,935,786
Restricted for debt service	35,222	43,762
Unrestricted	308,871	270,907
Total net position	\$ 2,473,433	\$ 2,250,455

- 💧 The largest increase came from infrastructure investments



# Debt Administration

- At the end of fiscal year 2020, the Authority had a total of \$3.8 billion in long term debt outstanding, an increase of \$285.8 million, or 8.2%, over fiscal year 2019
- In October 2019 the Authority issued \$600 million of four separate bond series, including \$343.2 debt refunding resulting in Present Value (PV) of \$50.8 million economic savings

Description	Balance			Balance 9/30/2020
	9/30/2019	Increases	Decreases	
Outstanding bonds and notes	\$ 3,237,089	\$ 604,995	\$ (343,019)	\$ 3,499,065
Unamortized bond premiums	246,460	38,950	(15,293)	270,117
Unamortized bond discounts	(1,835)	-	129	(1,706)
<b>Total bonds and notes</b>	<b>\$ 3,481,714</b>	<b>\$ 643,945</b>	<b>\$ (358,183)</b>	<b>\$ 3,767,476</b>



# Change in Net Position

The Authority's net position increased by \$223.0 million (or 9.9%) to \$2.5 billion

	2020	2019
Operating revenues	\$ 736,828	\$ 705,147
Operating expenses	453,699	460,883
Net non-operating revenues (expenses)	(82,878)	(95,323)
Change in net position before capital	200,251	148,941
Capital contributions	22,727	16,313
Change in net position	222,978	165,254
Net position - beginning of year	2,250,455	2,085,201
Net position - end of year	\$ 2,473,433	\$ 2,250,455





# Operating Revenues

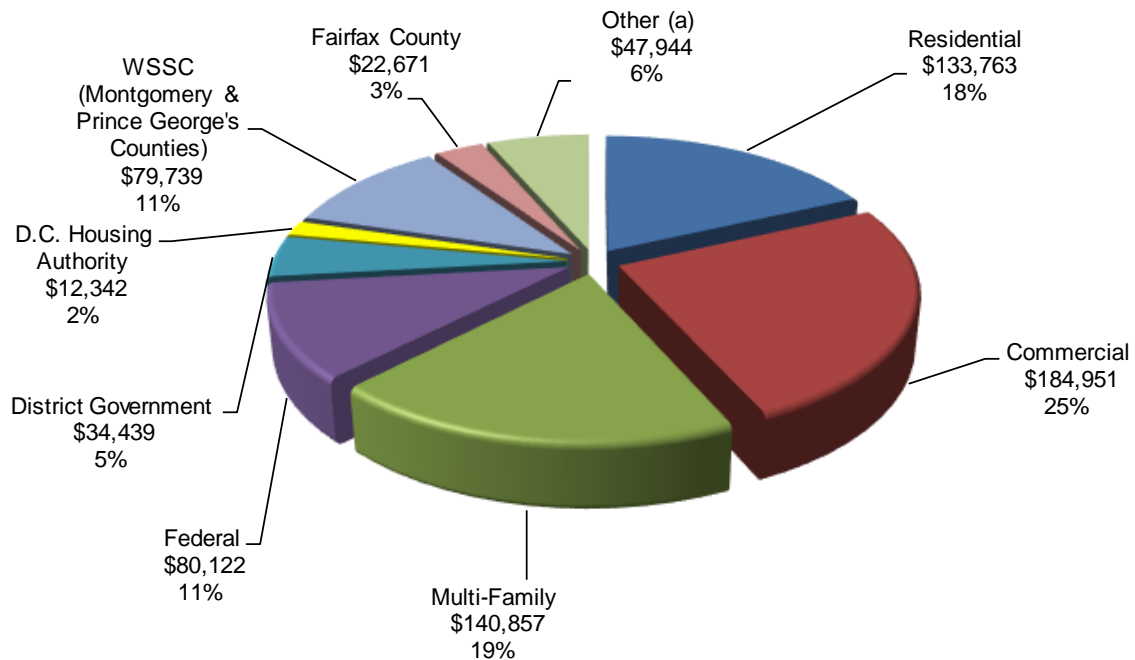
The Authority's operating revenues increased by \$31.7 million (4.5%) to \$736.8 million, the largest increase was in the residential, commercial and multi-family category

			Variance	
	2020	2019	\$	%
Residential, commercial and multi-family customers	\$ 459,572	\$ 443,481	\$ 16,091	3.6%
Federal government	80,122	73,393	6,729	9.2%
District government and D.C. Housing Authority	46,781	45,816	965	2.1%
Charges for wholesale wastewater treatment	117,166	114,766	2,400	2.1%
Other	33,187	27,691	5,496	19.8%
<b>Total operating revenues</b>	<b>\$ 736,828</b>	<b>\$ 705,147</b>	<b>\$ 31,681</b>	<b>4.5%</b>



# Operating Revenues

The Authority's operating revenues remain well diversified and stable



(a) Other revenues include \$11.7 million from Loudoun County and \$3.1 million from Potomac Interceptor



# Operating Expenses

The Authority's operating expenses decreased by \$7.2 million (1.6%) to \$453.7 million

			Variance	
	2020	2019	\$	%
Personnel services	\$ 135,005	\$ 141,040	\$ (6,035)	-4.3%
Contractual services	74,064	75,818	(1,754)	-2.3%
Chemicals, supplies and small equipment	30,602	36,579	(5,977)	-16.3%
Utilities and rent	24,708	25,813	(1,105)	-4.2%
Depreciation and amortization	135,590	127,501	8,089	6.3%
Water purchases	31,696	32,430	(734)	-2.3%
Payment in lieu of taxes and right of way fee	22,034	21,702	332	1.5%
<b>Total operating expenses</b>	<b>\$ 453,699</b>	<b>\$ 460,883</b>	<b>\$ (7,184)</b>	<b>-1.6%</b>

Biggest drivers are personnel services and chemicals



# Cash Overview

## 💧 Unrestricted cash & investments

- 💧 Can be used for routine operations and have no external restrictions
- 💧 Increased to \$303.8 million vs. \$256.7 million in FY19
- 💧 Includes cash reserves, the Rate Stabilization Fund, and funds for expanded customer programs

## 💧 Restricted cash & investments

- 💧 Use is externally restricted by debt covenants, federal mandates, etc.
- 💧 Increased to \$443.5 million vs. \$228.6 million in FY19
- 💧 Mainly bond proceeds that will be drawn down to fund capital projects



# Net Capital Assets

The Authority's net capital assets, including construction in progress and less depreciation, increased by \$250.4 million, or 3.5%, to \$7.5 billion

	As of September 30,		
	2020	2019	2018
Wastewater treatment plant	\$ 3,275,198	\$ 3,233,698	\$ 3,213,907
Wastewater collection facilities	1,087,554	937,315	858,060
Water distribution system	1,183,800	1,138,598	1,125,358
Deep tunnel system	1,268,779	1,027,954	1,171,226
Purchased capacity	385,133	375,164	364,211
Capital equipment	368,796	314,667	296,295
Construction in progress	1,830,830	1,966,037	1,574,081
Less accumulated depreciation	(1,925,529)	(1,769,310)	(1,643,270)
Net capital assets	<u>\$ 7,474,561</u>	<u>\$ 7,224,123</u>	<u>\$ 6,959,868</u>



# Conclusion

- 💧 Clean audit opinion for the 23<sup>rd</sup> year in a row
- 💧 Net position is increasing – DC Water is growing and investing in its infrastructure
- 💧 Series 2019D refunding generated significant debt service savings for DC Water ratepayers



# DC Water and Sewer Authority

## Audit results

**Financial Statement and Uniform Guidance audits for the year ended September 30, 2020**

January 28, 2021

# Agenda

- 1. Financial statement audit results**
- 2. Significant accounting policies**
- 3. New accounting standards**
- 4. Audit misstatements**
- 5. Internal control related matters**
- 6. Required communications and other matters**
- 7. Independence**
- 8. Uniform Guidance Compliance Audit**
- 9. Appendix**



# Financial statement audit results

## Scope of Financial Statement Audit

- Perform an audit of the Authority’s financial statements as of and for the year ended September 30, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*
- Form and express an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are prepared, in all material respects, in accordance with U.S. GAAP

## Opinion on the Basic Financial Statements

- Unmodified opinion

## Report on Internal Control Over Financial Reporting and on Compliance with Laws, Regulations, Contracts and Grants in Accordance with *Government Auditing Standards*

- No material weaknesses or significant deficiencies reported
- No instances of non-compliance reported



# Significant accounting policies

## Significant accounting policies

- Described in Note 2 to the financial statements
- No new or changed accounting policies in FY 2020
- See next slide for new GASB pronouncements implemented in FY 2020

## Significant accounting estimates

- Although accounting estimates are used by management to prepare the financial statements, no significant accounting estimates were noted

## Significant financial statement disclosures

- None noted



# New accounting standards

## GASB Standards Implemented in FY 2020

— GASBS No. 95, Postponement of Effective Dates of Certain Authoritative Guidance

## GASB Standards to be Implemented in FY 2021

No.	Title	Required implementation date (Period beginning after)	Authority fiscal year
84	Fiduciary Activities	December 15, 2019	2021
90	Majority Equity Interests	December 15, 2019	2021
93	Replacement of Interbank Offered Rates	June 15, 2020	2021
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	December 15, 2019	2021

# Audit misstatements

## Uncorrected Audit Misstatements

Description of misstatement	Quantitative effect on Net Position (Debit (Credit)) (in \$ thousands)	Quantitative effect on Change in Net Position (Debit (Credit)) (in \$ thousands)
1. To record the reversing effect of the prior year (FY 2019) overstatement of interest expense and understatement of capitalized interest related to assets that were incorrectly transferred from construction in progress (CIP) to capital assets in-service in FY 2018, and transferred back to CIP in FY 2019.	-	\$7,447
2. To correct the understatement of capital accounts payable accrual based on actual invoices received subsequent to recording the accrual, which exceeded the accrued amount by \$3.7 million.	-	-
3. To record an adjustment to the net book value of the remaining water meters that are not planned to be replaced to their net realizable value based on recent experience with the useful lives of those meters.	\$2,875	\$488
Total	\$2,875	\$7,935
Net Position/Change in Net Position	\$(2,373,433)	\$(222,978)
Percentage	(0.12%)	(3.56%)

Note: Refer to the management representation letter for the detailed schedule of uncorrected audit misstatements.



# Audit misstatements *(continued)*

## Corrected Audit Misstatements

\$(Thousands)		
Description of misstatement	Debit	Credit
To reclassify current restricted cash and cash equivalents related to unspent bond proceeds to non-current		
Cash and cash equivalents (restricted) - current		\$(118,401)
Cash and cash equivalents (restricted) - noncurrent	\$118,401	



# Significant deficiencies and material weaknesses in internal control

## Scope of Internal Control Testing

- Our audit included consideration of internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control
- Report significant deficiencies and material weaknesses in internal control in the Report on Internal Control Over Financial Reporting and on Compliance with Laws, Regulations, Contracts and Grants in Accordance with *Government Auditing Standards*

## Control deficiencies

- No significant deficiencies or material weaknesses reported
- All other control deficiencies identified during our audit that are of sufficient importance to merit management's attention have been communicated in the management letter



# Required communications and other matters

Communication topic	Response
<p><b>Changes to our planned risk assessment and planned audit strategy</b></p>	<p>There were no significant changes to our planned risk assessment and planned audit strategy.</p>
<p><b>Significant risks and other significant audit matters</b></p>	<p>None noted.</p>
<p><b>Related parties</b></p>	<p>No significant findings or issues arose during the audit in connection with the Authority's related parties.</p>
<p><b>Other information in documents containing audited financial statements</b></p>	<ul style="list-style-type: none"> <li>• Certain other information (introductory and statistical information) is included in the Authority's Consolidated Annual Financial Report (CAFR), which also contains the Authority's audited financial statements.</li> <li>• Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document.</li> <li>• However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.</li> <li>• As a result of our consideration of the other information, no material inconsistencies or material misstatements of facts were identified related to other information.</li> </ul>

# Required communications and other matters

(continued)

Communication topic	Response
<b>Illegal acts or fraud</b>	No actual or suspected fraud involving management, employees with significant roles in internal control, or others when fraud results in a material misstatement in the financial statements were identified during the audit.
<b>Noncompliance with laws and regulations</b>	No matters to report.
<b>Going concern</b>	No matters to report.
<b>Non-GAAP</b>	No matters to report.
<b>Subsequent events</b>	No matters to report.
<b>Other findings or issues</b>	No matters to report.
<b>Significant difficulties encountered during the audit</b>	No matters to report.

Communication topic	Response
<b>Disagreements with management</b>	No matters to report.
<b>Significant findings or issues discussed, or the subject of correspondence, with management</b>	No matters to report.
<b>Management's consultation with other accountants</b>	No matters to report.
<b>Material written communications</b>	Engagement letter; management representation letters, including summary of uncorrected misstatements; and management letter were distributed under separate cover.





# Independence

**In our professional judgment, we are independent with respect to the Authority, as that term is defined by the professional standards.**



# Uniform Guidance Compliance Audit

## Scope of compliance audit

- Forming and expressing an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements described in the OMB Compliance Supplement

## Major programs tested

- CFDA# 97.047, Pre-Disaster Mitigation Program
- CFDA# 99.UNK, Combined Sewer Overflow

## Compliance Audit Results

- Audit is currently in progress; we will provide a verbal update
- Separate letter related to the Uniform Guidance audit with required communications will be addressed to the Audit Committee





# Appendix

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# Responsibilities

<b>Management responsibilities – Financial statements</b>	<ul style="list-style-type: none"> <li>— Preparation and fair presentation of the financial statements, including disclosures in conformity with U.S. GAAP</li> <li>— Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate, to the financial statements taken as a whole</li> </ul>
<b>Management responsibilities – ICFR</b>	<ul style="list-style-type: none"> <li>— Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error</li> </ul>
<b>Management responsibilities – Other</b>	<ul style="list-style-type: none"> <li>— To provide the auditor with:                             <ol style="list-style-type: none"> <li>1) access to all information of which management is aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;</li> <li>2) additional information that the auditor may request from management for the purpose of the audit; and</li> <li>3) unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence</li> </ol> </li> <li>— Identifying and ensuring that the Authority complies with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations</li> <li>— Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to management's:                             <ol style="list-style-type: none"> <li>1) disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's financial reporting</li> <li>2) acknowledgement of their responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud</li> </ol> </li> </ul>
<b>Management responsibilities – Compliance Audit</b>	<ul style="list-style-type: none"> <li>— Identifying the Authority's government programs and understanding and complying with the compliance requirements</li> <li>— Establishing and maintaining effective controls that provide reasonable assurance that the Authority administers government programs in compliance with the compliance requirements</li> <li>— Evaluating and monitoring the Authority's compliance with the compliance requirements</li> <li>— Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit</li> <li>— Preparation of the SEFA in accordance with the applicable criteria</li> </ul>

The audit does not relieve management or the Audit Committee of their responsibilities.

# Responsibilities *(continued)*

<b>Audit Committee responsibilities</b>	<ul style="list-style-type: none"> <li>— Oversight of the financial reporting process and ICFR</li> <li>— Oversight of the establishment and maintenance by management of programs and controls designed to prevent, deter, and detect fraud</li> </ul>
<b>Management and the Audit Committee responsibilities</b>	<ul style="list-style-type: none"> <li>— Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards</li> <li>— Ensuring that the Authority’s operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the Authority’s financial statements</li> </ul>
<b>KPMG – Audit objectives</b>	<ul style="list-style-type: none"> <li>— Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are prepared, in all material respects, in accordance with U.S. GAAP</li> </ul>
<b>KPMG responsibilities – Audit</b>	<ul style="list-style-type: none"> <li>— Performing the audit in accordance with U.S. GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement</li> <li>— Performing an audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting</li> </ul>
<b>KPMG responsibilities – Other information in documents containing financial statements</b>	<ul style="list-style-type: none"> <li>— The auditors’ report on the financial statements does not extend to other information in documents containing audited financial statements, excluding required supplementary information</li> <li>— The auditor’s responsibility is to make appropriate arrangements with management or the Audit Committee to obtain information prior to the report release date and to read the other information to identify material inconsistencies with the audited financial statements or misstatement of facts</li> <li>— Any material inconsistencies or misstatement of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in KPMG modifying or withholding the auditors’ report or withdrawing from the engagement</li> <li>— Communicate any procedures performed relating to the other information and the results of those procedures</li> </ul>
<b>KPMG responsibilities – Compliance Audit</b>	<ul style="list-style-type: none"> <li>— Forming and expressing an opinion on compliance for each Authority’s major federal programs based on our audit of the types of compliance requirements described in the OMB Compliance Supplement</li> <li>— Performing our audit of compliance in accordance with auditing standards generally accepted in the United States of America; <i>Government Auditing Standards</i> and the Uniform Guidance</li> <li>— Considering internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance</li> </ul>



# Responsibilities *(continued)*

<p><b>KPMG responsibilities – Communications</b></p>	<ul style="list-style-type: none"> <li>— Communicating significant matters related to the financial statement audit that are in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial process. U.S. GAAS does not require us to design procedures for the purpose of identifying matters to communicate to the Audit Committee</li> <li>— Communicating if we suspect or identify noncompliance with laws and regulations exist, unless matters are clearly inconsequential</li> <li>— Communicating to management and the Audit Committee in writing all significant deficiencies and material weaknesses in internal control identified during the audit, including those that were remediated during the audit and reporting to management in writing all deficiencies noted during our audit that, in our professional judgment, are of sufficient importance to merit management’s attention. The objective of our audit of the financial statements is not to report on the Authority’s internal control</li> <li>— Conducting the audit in accordance with professional standards and complying with the rules and responsibility of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the official standards of relevant CPA Societies, and relevant state boards of accountancy</li> <li>— Communicating to the Audit Committee circumstances, if any, that affect the form and content of the auditors’ report</li> <li>— Communicating if we plan to withdraw from the engagement and the reasons for the withdrawal</li> <li>— Communicating to the Audit Committee if we conclude no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement</li> <li>— When applicable, we are also responsible for communicating particular matters required by law or regulation, by agreement with the Authority, or by additional requirements applicable to the engagement</li> <li>— Communicating if we have identified or suspect fraud involving; (a) management, (b) employees who have significant roles in internal control, (c) others, when the fraud results in a material misstatement in the financial statements, and (d) other matters related to fraud that are, in the auditors’ professional judgment, relevant to the responsibilities of the Audit Committee</li> <li>— Communicating significant findings and issues arising during the audit in connection with the Authority’s related parties</li> <li>— Communicating conditions and events, considered in the aggregate, that raise substantial doubt about an Authority’s ability to continue as a going concern for a reasonable period of time</li> <li>— Communicating significant matters related to the audit of compliance that are, in our professional judgment, relevant to the responsibilities of the audit committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you</li> </ul>
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# Internal control related matters

## **KPMG responsibilities**

- The purpose of our audit was to express an opinion on the financial statements
- Our audit included consideration of internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control
- We are not expressing an opinion on the effectiveness of internal control
- Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified

## **Material weakness**

A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probably. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the future event or events are likely to occur

## **Significant deficiency**

A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance



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# DC WATER

## Audit Committee Meeting



January 28, 2021

# Agenda

- FY 2021 Internal Audit Plan Status Update
- Status Update on Prior Audit Findings
- Report on Completed Audits
  - Work Order Management - Department of Maintenance Services
- Hotline Update

# AUDIT PLAN STATUS UPDATE

# Internal Audit Plan Status Update

Audit	Status
<b>FY 2020</b>	
Oracle Embedded Risk Assurance Phase 1	Fieldwork in Progress*
<b>FY 2021</b>	
<b>Work Order Management – DMS</b>	<b>Report Complete</b>
Procurement Audit	Planning in Progress
Succession Planning Assessment	Planning in Progress
Remote Workforce Security Assessment	Planning in Progress
Contract Compliance Audit	Not Started
PCS Review	Not Started
Strategic Plan Monitoring Audit	Not Started
Remediation Follow Up Procedures	On-going
Hotline Management	On-going

*\*Note: The original scope of the Oracle Embedded Risk Assurance Phase 1 project has been completed of the pre-go live environment. Management reviewed the risks identified and requested for a post-go live assessment of the segregation of duties results. Internal Audit is in the process of reviewing the post-go live environment and results will be shared in Executive Session at the April 2021 Audit Committee meeting.*

# Internal Audit Plan FY 2021 Timeline

	Oct - 20	Nov - 20	Dec - 20	Jan - 21	Feb - 21	Mar - 21	Apr - 21	May - 21	Jun - 21	Jul - 21	Aug - 21	Sep - 21	Oct - 21
▶ FY20 Oracle Embedded Risk Assurance													
▶ Work Order Management – DMS													
▶ Procurement Audit													
▶ Succession Planning Assessment													
▶ Remote Workforce Security Assessment													
▶ Contract Compliance Audit													
▶ PCS Review													
▶ Strategic Plan Monitoring Audit													
▶ FY 2022 Risk Assessment													
▶ Ongoing Follow-up Procedures													
▶ Ongoing Hotline Monitoring													

# PRIOR AUDIT FINDINGS – FOLLOW UP STATUS

## Open High Risk Prior Audit Findings

	Audit FY	Issue Date	Audit Report	High Risk Open Finding	Original Target Date	New Target Date
1	2016	7/28/2016	Training, Licensing, and Certification	<b>Identification and monitoring of training requirements by position</b> <i>Status notes: Two of three training buckets (safety and compliance) have been configured in LMS. Coordination underway with HRBPs to complete final training bucket (technical training).</i>	9/30/2017	10/1/2021
2	2017	4/27/2017	Data Privacy Assessment	<b>Finding Issued in Executive Session</b>	5/1/2017	3/31/2021
3	2017	10/26/2017	Entity Level Assessment	<b>Lack of a comprehensive risk management function to evaluate entity-wide risk</b>	10/1/2018	3/31/2022
4				<b>Lack of Authority-wide policy and procedure management function</b> <i>Status notes: EPMO is in the process of developing an Enterprise Risk Management (ERM) Policy to be institutionalized across the enterprise. EPMO is also developing a long-term enterprise-wide solution to address Authority-wide policy development, issuance, and maintenance.</i>	9/30/2018	2/28/2022
5	2017	10/26/2017	Materials Management Operations and Inventory	<b>Inadequate documentation of variance review and root cause analysis for Lawson inventory data</b> <i>Status notes: New field for variance review and root cause detail to be incorporated into new Oracle ERP Inventory module.</i>	1/17/2018	3/31/2021
6	2018	1/24/2019	Enterprise Work Order Management Assessment	<b>DWO – Inadequate capture of labor and materials cost data in Maximo work orders</b> <i>Status notes: Pilot for hydrant program is complete. Roll out of valve application is anticipated by the end of the fiscal year.</i>	9/30/2020	9/30/2021
7	2019	4/25/2019	Legal Operations Assessment	<b>Lack of definition of Office of Legal Affairs’ role in matters across the Authority</b> <i>Status notes: Not started.</i>	9/30/2020	9/30/2021

# Open High Risk Prior Audit Findings

	Audit FY	Issue Date	Audit Report	High Risk Open Finding	Original Target Date	New Target Date
<b>8</b>	2019	4/25/2019	<b>Occupational Safety and Health Internal Audit</b>	<b>Outdated comprehensive safety plan for the Authority</b>	3/1/2020	1/31/2021
<b>9</b>				<b>Inadequate review and enforcement of required safety training program by role</b> <i>Status notes: Safety policies are now going through the process of communicating to the Union Presidents for discussion &amp; feedback. Training profiles have been created, and a communication strategy for the Safety training curriculum roll out is being developed.</i>	2/1/2020	2/17/2021
<b>10</b>	2019	7/25/2019	<b>Purchasing Card Internal Audit</b>	<b>Non-compliance with documented PCard and TCard policies</b> <i>Status notes: PCard policy has been updated and updated training conducted for all cardholders. TCard policy updates are on-hold given other COVID-19 response priorities and limited TCard usage.</i>	5/25/2020	On hold
<b>11</b>	2019	1/23/2020	<b>Asset Management Assessment</b>	<b>Inaccurate data captured in GIS map and data table</b> <i>Status notes: GIS team has made progress identifying required fields and missing data. PowerBI dashboard created to monitor linear asset attributes. Delays caused by competing priorities for COVID-19 response and Engineering organization review.</i>	7/31/2020	7/31/2021
<b>12</b>	2020	4/15/2020	<b>Work Order Planning Assessment</b>	<b>Inconsistent and poorly defined roles and responsibilities for the planning function</b>	12/1/2020	3/31/21
<b>13</b>				<b>Missing and inconsistent job planning for equipment maintenance</b> <i>Status notes: Management requested extension due to COVID-19 response needs.</i>	12/1/2020	3/31/21

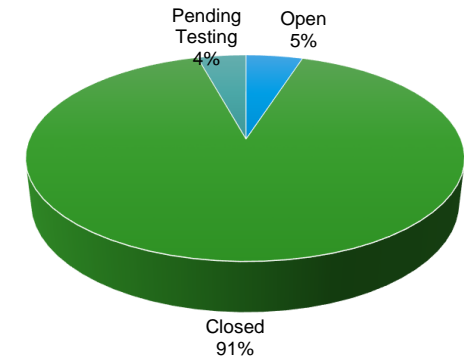
Legend	
	Past due
	Original target date has not yet come due



# Status Update on Prior Audit Findings

Audit Report/Subject	Report Issue Date	Corrective Actions			
		Total	Open	Closed	Pending Testing <sup>1</sup>
<b>Prior to FY19 Audit Findings</b>					
Training, Licensing & Certification	7/28/2016	7	1	6	0
Annual Budgeting and Planning	4/27/2017	1	1	0	0
HR/Employee Privacy Review	4/27/2017	7	0	7	0
Entity Level Assessment	10/26/2017	7	2	4	1
Materials Management Operations and Inventory	10/26/2017	4	1	3	0
Payroll & Timekeeping	10/25/2018	4	0	4	0
Accounts Payable	10/25/2018	5	1	4	0
Integrated Work Order Management	1/24/2019	10	1	4	5
	<b>Total</b>	<b>45</b>	<b>7</b>	<b>32</b>	<b>6</b>

**FY16 – FY18 Prior Audit Findings Status**



<sup>1</sup>“Pending Testing” indicates that Management represents that the Action Plan is Completed, but Internal Audit has not yet performed testing to validate the status.

Note that the audit findings reported above only represent findings prior to FY19 with the status of “Pending Testing” or “Open”. Audits conducted prior to FY19 for which all findings have been closed are not represented in this table. However, the pie chart to the right includes status of all audit findings FY16 - FY18.

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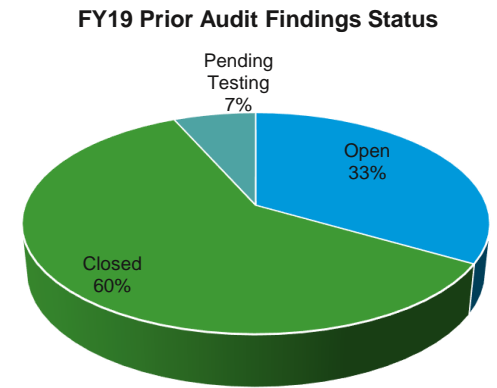
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Color Key	
	At least 1 original remediation target date has been extended



# Status Update on Prior Audit Findings

Audit Report/Subject	Report Issue Date	Corrective Actions			
		Total	Open	Closed	Pending Testing <sup>1</sup>
<b>FY19 Audit Findings</b>					
Fleet Management	4/25/2019	3	0	3	0
Legal Operations	4/25/2019	4	2	1	1
Occupational Safety and Health	4/25/2019	4	3	1	0
Active Directory Assessment	10/24/2019	5	0	5	0
Purchasing Card Internal Audit	7/25/2019	3	1	1	1
Wifi Security Testing	10/24/2019	1	0	1	0
CIS Application Security SOD Review	10/24/2019	4	2	2	0
Asset Management Assessment	1/23/2020	2	2	0	0
Physical Security and Social Engineering	7/25/2019	4	0	4	0
	<b>Total</b>	<b>30</b>	<b>10</b>	<b>18</b>	<b>2</b>



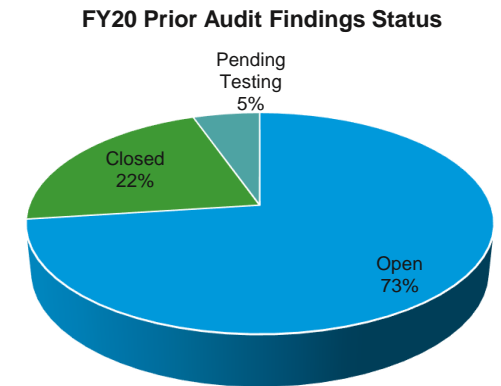
**Color Key**

At least 1 original remediation target date has been extended

<sup>1</sup>“Pending Testing” indicates that Management represents that the Action Plan is Completed, but Internal Audit has not yet performed testing to validate the status.

# Status Update on Prior Audit Findings

Audit Report/Subject	Report Issue Date	Corrective Actions			
		Total	Open	Closed	Pending Testing <sup>1</sup>
<b>FY20 Audit Findings</b>					
Work Order Planning Assessment	4/23/2020	4	3	1	0
Phase 2: Physical Security Penetration Testing	4/23/2020	3	0	3	0
Facilities Management Audit	4/23/2020	3	1	0	2
Benefits and Compensation Audit	4/23/2020	5	3	2	0
Engineering Change Order Assessment	10/22/2020	3	3	0	0
SCADA ICS Review	10/22/2020	16	15	1	0
Customer Billing and Collections Audit	10/22/2020	3	2	1	0
	<b>Total</b>	<b>37</b>	<b>27</b>	<b>8</b>	<b>2</b>



**Color Key**

At least 1 original remediation target date has been extended

<sup>1</sup> "Pending Testing" indicates that Management represents that the Action Plan is Completed, but Internal Audit has not yet performed testing to validate the status.

In total, 85% of all prior audit findings from FY14 – FY20 are closed. Management’s target closure rate is 90%.

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## Action Deferred Update

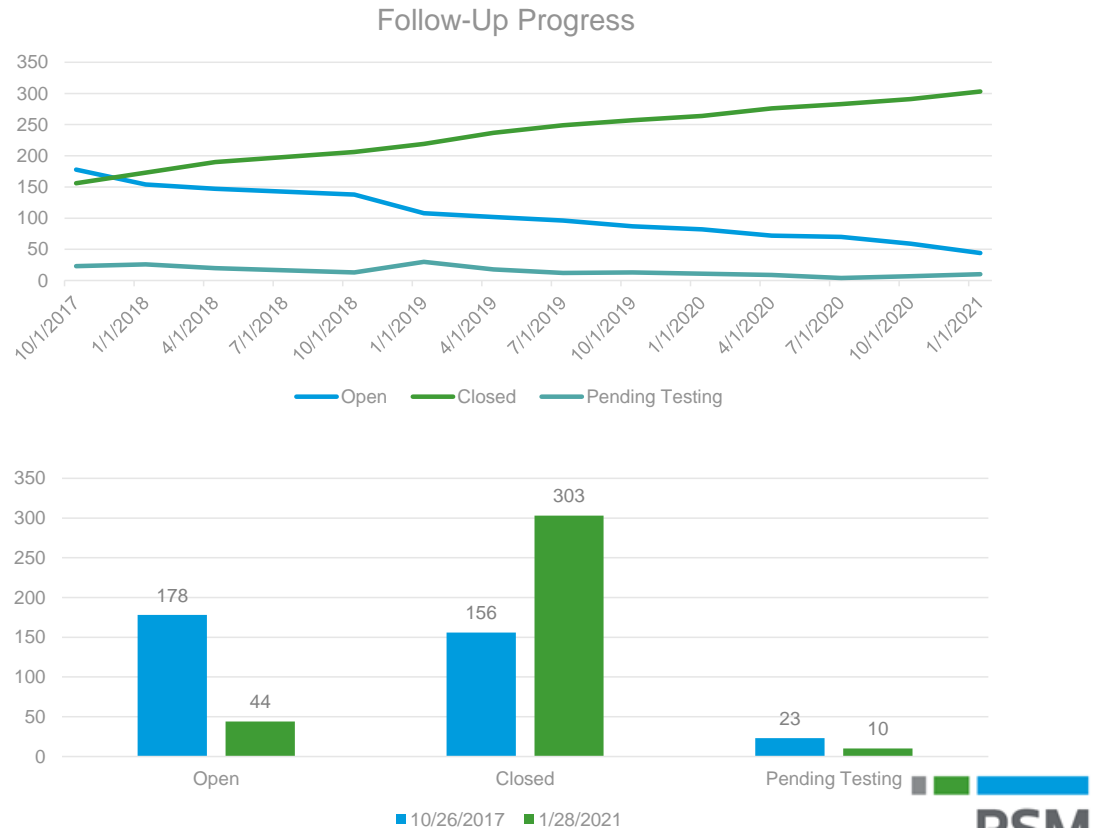
The following items are considered “action deferred” items that are contingent on other action occurring and not included in the Prior Audit Findings Update slides above:

1. Intellectual Property Personnel Policy: Executive Committee provided input to draft policy this month. Updates to draft policy are underway.

*The Authority has also been reviewing overarching policy management procedures, which is an open finding from the FY16 Entity-Level Assessment.*

# Follow-up Semi-Annual Summary

- For FY14 – FY20 prior audit findings:
  - At the start of FY20 (October 2020), there were:
    - 50 open audit items
    - 257 closed audit items
    - 13 pending testing
  - As of January 2021, there are:
    - 44 open audit items
    - 303 closed audit items
    - 10 pending testing
- In total, 85% of all prior audit findings from FY14 – FY20 are closed
  - 12 audit items have been closed in FY21 to date.
  - Management is targeting 90% prior audit findings closure going forward



# WORK ORDER MANAGEMENT - DMS



## Department of Maintenance Services (DMS) – Work Order Management

### Purpose

The purpose of this review was to obtain an understanding of the Work Order Management processes, including the policies, procedures, and controls in place to assess whether the system of internal controls are adequate and appropriate at the department level. This review was a cycle audit, and as such, we leveraged our existing understanding of Work Order Management at the Authority-level to begin the review.

### Scope

The cycle audit scope was based upon the following objectives:

- Reviewed documented policies and procedures, organizational charts, and any other key process information available to further our understanding of the function.
- Conducted interviews with key personnel to obtain a detailed understanding of the Authority's policies and procedures, operating functions, and key performance indicators for the following areas:
  - Work order initiation and screening
  - Work planning and scheduling
  - Work execution and data entry
  - Work order closeout
  - Reporting and monitoring
- Performed testing on a sample of work orders from the Maximo Computerized Maintenance Management System (CMMS) completed from 10/1/2019 – 9/30/2020 to validate compliance with relevant policies and procedures;
- Assessed the overall work order management process and identify relevant key performance indicators not already captured; and
- Identified process improvement opportunities and recommended internal control enhancements to improve the overall process.

## Department of Maintenance Services (DMS) – Work Order Management

The Department of Maintenance Services is comprised of the following work areas:

### Electrical Maintenance

- Maintain electrical process control systems, equipment, and components for the Blue Plains Advanced Wastewater Treatment Plant.
- Operate and maintain electrical power distribution system from 5kv to 69kv, electrical control systems for all process equipment and all DC Water facilities.
- Maintain electrical systems for all non process facilities (including offices) at the Blue Plains campus.

### Mechanical Maintenance

- Maintain all mechanical process systems and equipment for the Plant.
- Plan, schedule, and perform condition monitoring for all process equipment at Blue Plains Advanced Wastewater Treatment Plant.
- Inspect and maintain cranes at Blue Plains Advanced Wastewater Treatment Plant.

### Mechanical Management

- Plan and coordinate all activities for corrective, preventive, and predictive maintenance.
- Plan and operate support systems to manage maintenance by planning, estimating, inspecting, and scheduling maintenance activities.
- Coordinate work through operations and engineering and provide administrative support.



## Department of Maintenance Services (DMS) – Work Order Management

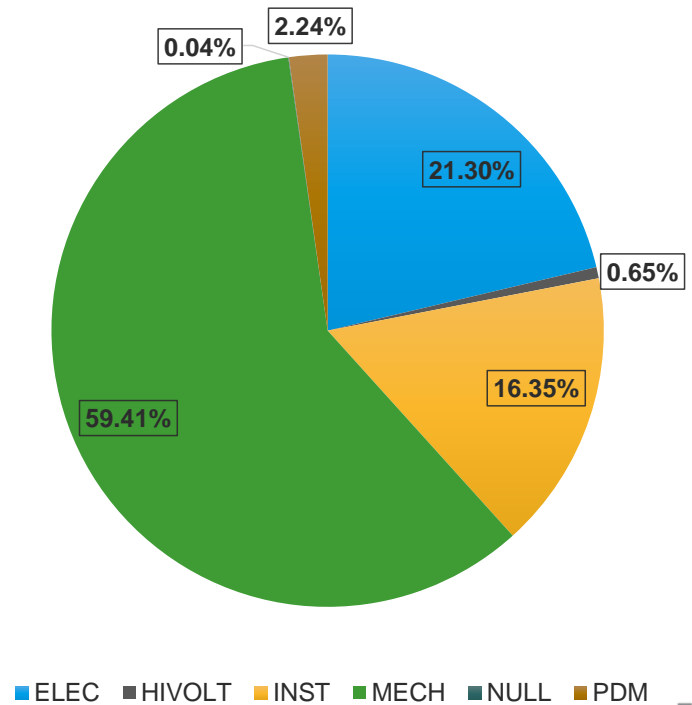
DMS utilizes Maximo to manage all maintenance work executed at the Blue Plains Advanced Wastewater Treatment Plant. Maximo is used to track technician/mechanic labor hours and materials used in the completion of each work order.

Within Maximo, work order types are categorized by the following types of maintenance:

- Preventative: Recurring work order schedule to prevent potential failure of equipment and extends the life of the equipment
- Predictive: Work orders initiated to determine the current condition of the equipment and remediate a problem prior to failure
- **Corrective: Work orders initiated to perform repairs and replaces of equipment due to failure**

For the purpose of this review, Internal Audit focused on corrective maintenance work orders.

Percentage of CM Work Orders by Trade<sup>1</sup>



17 **No high risk findings to report. One moderate risk finding is included in the full report.**

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# HOTLINE UPDATE

# Hotline Update

As of 1/13/2021:

FY 21 Hotline Call Summary	
FY 21 Calls Received	3
FY 21 Cases Closed	2
FY 21 Calls Open	1
FY 21 Open Call Breakdown	
<i>Overtime Distribution</i>	1

FY 20 Hotline Calls	
FY20 Calls Received	10
FY20 Calls Closed	10
FY20 Calls Open	0

FY 19 Hotline Calls	
FY19 Calls Received	28
FY19 Calls Closed	25
FY19 Calls Open	3
FY 19 Open Call Breakdown	
Open Fraud Claims:	
<i>Conflicts of Interest</i>	3

Total calls by Fiscal Year:

Year	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY19	FY20
# of calls	10	20	16	36	31	21	28	10
Action Taken	0	2	7	7	2	0	1	0

*\*the numbers in the chart above may be inflated based on repeat calls regarding the same matters*



# QUESTIONS AND ANSWERS

**RSM US LLP**

1250 H St NW  
Washington, DC 20005

+1 800 274 3978  
[www.rsmus.com](http://www.rsmus.com)

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# DC WATER

Department of Maintenance Services (DMS)  
Work Order Management Internal Audit



January 2021

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- Executive Summary
- Background
- Approach
- Observations and Recommended Action
- Interdependencies with Prior Audits
- Appendices
  - A Key Performance Indicators
  - B Risk Rating Definitions



# EXECUTIVE SUMMARY, BACKGROUND AND APPROACH

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# Executive Summary

## Objective and Scope

The purpose of this review was to obtain an understanding of the Work Order Management processes, including the policies, procedures, and controls in place to assess whether the system of internal controls are adequate and appropriate at the department level. This review was a cycle audit, and as such, we leveraged our existing understanding of Work Order Management at the Authority-level to begin the review. The scope was based upon the following objectives:

- Reviewed documented policies and procedures, organizational charts, and any other key process information available to further our understanding of the function.
- Conducted interviews with key personnel to obtain a detailed understanding of the Authority's policies and procedures, operating functions, and key performance indicators for the following areas:
  - Work order initiation and screening
  - Work planning and scheduling
  - Work execution and data entry
  - Work order closeout
  - Reporting and monitoring
- Performed testing on a sample of work orders from the Maximo Computerized Maintenance Management System (CMMS) completed from 10/1/2019 – 9/30/2020 to validate compliance with relevant policies and procedures;
- Assessed the overall work order management process and identify relevant key performance indicators not already captured; and
- Identified process improvement opportunities and recommended internal control enhancements to improve the overall process.

Fieldwork was performed November 2020 through December 2020.

## Overall Summary and Highlights

There is one moderate risk observations to report. The observation identified during our assessment is outlined on pages 11 - 12:

1. Inconsistent Use of Approved Established Work Flow

This observation is described in the detailed observations section of the report. We assigned relative risk or value factors to the observation. Risk ratings are the evaluation of the projected severity of the concern and the potential impact on the operations of each item. Observations will require management action plans with estimated completion dates that will be included in the routine follow up of internal audit observations.

A process improvement opportunity has also been included in a supplemental report provided to management.

### Summary of Observation Ratings

(See Appendix for risk rating definitions)

Number of Observations by Risk Rating

High	Moderate	Low
-	1	-

We thank all DC Water team members who assisted us throughout this review.

## Background

The Department of Maintenance Services (DMS) is responsible for maintaining all electrical and mechanical process equipment at the Blue Plains Advanced Wastewater Treatment Plant. The department's mission is to economically maintain DC Water's process equipment and facilities at the Blue Plains Advanced Wastewater Treatment Plant, ensuring that the operational and customer service objectives of the Authority are achieved. DMS utilizes a host of employees and contractors to execute this mission.



Fiscal Year 2020 major activities and changes are included below. Some of the major activities have also carried over into Fiscal Year 2021\*.

- Fully embraced the culture of Reliability and Asset Management in the department and shares across the Authority
- Increased the level of data driven decision making at all levels of the organization
- Deployed mobile Maximo for use by maintenance personnel
- Continued to perform Failure Mode and Effects Analysis (FMEAs) along with Preventative Maintenance Optimization (PMOs)\*
- Established Quality Assurance & Quality Control as a program\*
- Continued training initiatives to provide skills that supports best maintenance practices and reduction in contracted work force\*

## Background (continued)

The Department of Maintenance Services is comprised of the following work areas:

### Electrical Maintenance

- Maintain electrical process control systems, equipment, and components for the Blue Plains Advanced Wastewater Treatment Plant.
- Operate and maintain electrical power distribution system from 5kv to 69kv, electrical control systems for all process equipment and all DC Water facilities.
- Maintain electrical systems for all non process facilities (including offices) at the Blue Plains campus.

### Mechanical Maintenance

- Maintain all mechanical process systems and equipment for the Plant.
- Plan, schedule, and perform condition monitoring for all process equipment at Blue Plains Advanced Wastewater Treatment Plant.
- Inspect and maintain cranes at Blue Plains Advanced Wastewater Treatment Plant.

### Mechanical Management

- Plan and coordinate all activities for corrective, preventive, and predictive maintenance.
- Plan and operate support systems to manage maintenance by planning, estimating, inspecting, and scheduling maintenance activities.
- Coordinate work through operations and engineering and provide administrative support.

## Background (continued)

In efforts to execute DMS' mission and perform day-to-day operations, DMS utilizes Maximo, a Computerized Maintenance Management System (CMMS). Maximo is a data management software that allows DMS to share and enforce best practices, inventory, resources, and personnel. This management tool allows departments to manage both planned and unplanned work activities, from initial request through completion and recording of actuals. The life cycle of the work order is captured within Maximo and allows management to properly analyze and track work order processes on a regular basis. The management software includes enhanced modules for asset tracking, service, contract, inventory, and procurement management.

DMS utilizes Maximo to manage all maintenance work executed at the Blue Plains Advanced Wastewater Treatment Plant. Maximo is used to track technician/mechanic labor hours and materials used in the completion of each work order.

Within Maximo, work order types are categorized by the following types of maintenance:

- Preventative: Recurring work order schedule to prevent potential failure of equipment and extends the life of the equipment
- Predictive: Work orders initiated to determine the current condition of the equipment and remediate a problem prior to failure
- **Corrective: Work orders initiated to perform repairs and replaces of equipment due to failure**

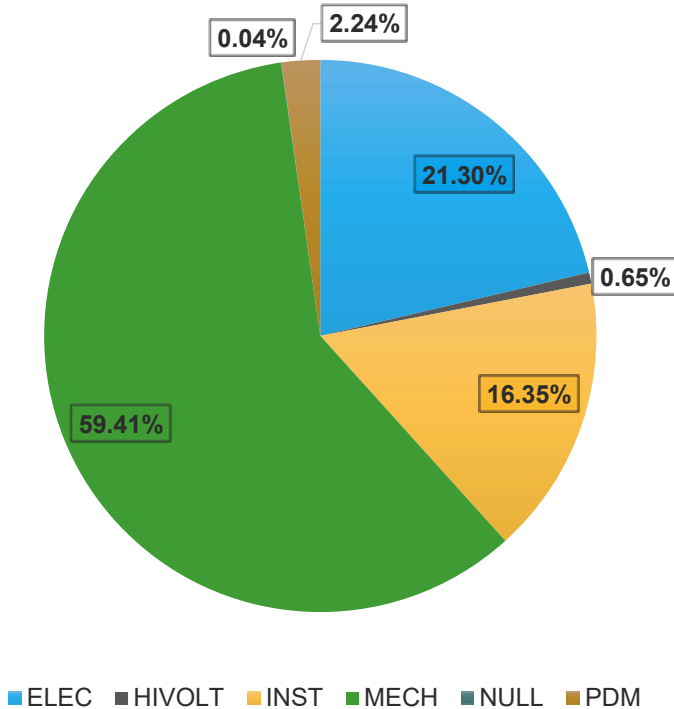
### Corrective Maintenance

For the purpose of this review, Internal Audit focused on corrective maintenance work orders. Corrective maintenance work orders have priority types 1-5 (4 is urgent and 5 is emergency), which are associated with the severity level of work needing to be performed. With the exception of work order priority types 4 and 5, corrective maintenance work orders are required to stream through the entire work order workflow. Work order priority types 4 and 5, are required to stream through the workflow; however, they are sent directly to the queue of Supervisors for immediate attention. It is essential these work orders navigate through the workflow so that the department can investigate, properly plan, order materials, record labor hours, and ensure work was performed according to departmental standards. Since work orders are maintained in Maximo, it provides management with valuable information needed to properly assess the performance and life of assets.

**5300+ completed CM work orders in FY20**

## Background (continued)

Percentage of CM Work Orders by Trade<sup>1</sup>



CM Work Order Analysis <sup>2</sup>		
	Total Work Orders	Percentage of Total Work Orders
No Actual Labor Hours <sup>3</sup>	250	4%
No Actual Material Costs <sup>4</sup>	3,583	70%
No Actual Labor Hours and Material Costs	164	3%

<sup>1</sup>Percentages are based on a total population of 5,351 completed corrective maintenance work orders for FY20.

<sup>2</sup>Percentages are based on a total population of 5,052 completed corrective maintenance work orders for FY20 which excludes non-process area electrical work orders. Non-process area electrical work orders (primarily light bulb replacement) were excluded from the population because these work orders are handled differently in Maximo. The work orders are directly routed to the DMS Electrical/Mechanical Managers group for review and approval, and bypass initial Operations review.

<sup>3</sup>In all WOs sampled without labor, the WOs were child WOs specific to materials, so the lack of labor hours captured was appropriate.

<sup>4</sup>There was no issue identified related to the capturing of material costs and that the work orders showing no material costs likely did not require materials to perform the job.

## Approach

---

### Work Order Management

- Reviewed policies and procedures and any other key process information available to further our understanding of the work order management process;
- Conducted walkthrough interviews with key personnel to obtain a detailed understanding of Authority's policies and procedures, operating functions, and key performance indicators related to the work order process;
- Selected a representative sample of 60 corrective maintenance work orders and performed the following testing procedures:
  - Reviewed and validated data capture (materials and labor costs),
  - Reviewed and validated documented supervisory review,
  - Reviewed and validated appropriate utilization of the Maximo work flow;
- Assessed the overall work order management process and identified relevant key performance indicators not already captured;
- Identified process improvement opportunities and recommend internal control enhancements to improve the overall process.

*Reporting:* At the conclusion of this audit, we summarized our observations and have reviewed the results of our testing with management.



# OBSERVATIONS AND RECOMMENDED ACTION

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## Observation 1: Inconsistent Use of Approved Established Work Flow

### Risk Rating: Moderate

**Observation:** Based upon the WWTP Asset & Work Management SOPs, all CM work orders are required to follow the corresponding sequence in the Maximo work flow to evidence work completion, review, and approval:

- Work orders are moved to TECHCOMP status by field worker to note job has been completed.
- Work orders are moved to FLDCOMP status by Foreman to note completion of work order review.
- Work orders are moved to OPSCOMP status by the Operations team to note the job was performed appropriately and the work order is closed.

We reviewed the progression of a sample of work orders to validate the work flow was followed appropriately and noted the following:

- 43 of 60 work orders were moved to TECHCOMP by someone other than a field worker;
- 2 of 60 work orders were never moved to TECHCOMP status;
- 10 of 60 work orders were moved to FLDCOMP by someone other than a Foreman; and,
- 1 of 60 work orders was never moved to OPSCOMP status.

The Maximo workflow, as defined, is designed to: (a) prevent unnecessary work orders and increase efficient identification of root causes, (b) document planned hours and pre-order materials for efficiency, and (c) provide for documented supervisory and operations review and approval of work completed.

*Note: All 60 work orders were approved by the General Foreman in accordance with the SOP.*



## Observation 1: Inconsistent Use of Approved Established Work Flow (continued)

---

**Root Cause Analysis:** User access is not limited to personnel as described in the SOP work flow responsibilities. Specifically, Planners are currently able to update work orders to TECHCOMP and FLDCOMP, and Foreman are able to update work orders to TECHCOMP.

**Impact Analysis:** If users are able to update and move work orders through the work flow outside of their established role and responsibilities, work may go incomplete or work order details may not be completed as required by the SOP. As such, reliability of the data utilized to drive decision making at the management level may be diminished.

**Recommendation:** We recommend DMS work with the Maximo team to establish the following restrictions for work order status changes:

- Fieldworkers should be the only group able to update the work order status to TECHCOMP;
- Foreman should be the only group able to update the work order status to FLDCOMP; and,
- Operations should be the only group able to update the work order status to OPSCOMP.

DMS Management should maintain the ability to move work orders through the work flow, as needed. If someone other than the assigned party changes the work order status, that person should include a note on the status change to identify why the deviation was required. If the SOP does not currently assign specific responsibility to a user group it should be updated to include that group.

Additionally, we recommend annual refresher training be provided to all DMS Maximo users regarding current work order management policies and procedures.

## Observation 1: Inconsistent Use of Approved Established Work Flow (continued)

---

### Management Action Plan:

1. The current SOP states that technicians should change the WO status to TECHCOMP and then the foreman reviews the work and changes the status to FLDCOMP. Since the foreman is ultimately responsible for reviewing the work and ensuring labor and logs have been added then it is acceptable if the foreman changes the status to TECHCOMP and FLDCOMP. This accomplishes accurate data and allows flexibility if the technician is needed in the field. The SOP will be updated.
2. The current SOP states that the foreman should be the only group changing a work order to FLDCOMP. The user groups with this permission will be changed to only include the foreman.
3. The current SOP states that operations should change the work order to OPSCOMP. The user groups with this permission is currently correct. The SOP allows exceptions for material work orders and for child work orders since the parent is approved by operations to do the work and the parent work order is changed to OPSCOMP by operations.

**Responsible Party:** Blue Plains Asset Management

**Target Date:** February 26, 2021

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# INTERDEPENDENCIES WITH PRIOR AUDITS

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## Work Order Planning (Prior Audit Interdependency)

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All CM work orders rated priority one (1), two (2), or three (3) are expected to be investigated and a work plan to be developed by a Planner/Scheduler. During our testing we noted that eleven (11) of sixty (60) work orders did not have a work plan prepared and available in Maximo. An observation regarding a lack of work plans was included in the Work Order Planning internal audit, reported to the Audit Committee in July 2020. Related to this report, the management action plans are still in progress as the target dates are upcoming in March 2021. As such, a risk rated observation is not included in this report.

# APPENDIX

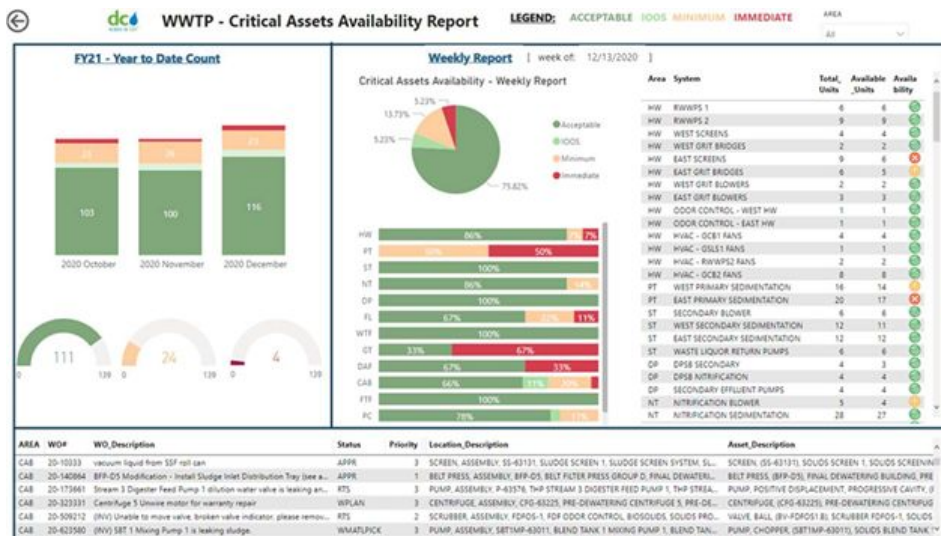
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# Appendix A – Key Performance Indicators

Department of Maintenance Services has a robust KPI program that utilizes Maximo data to track and produce departmental performance metrics. The department has four main KPI categories:

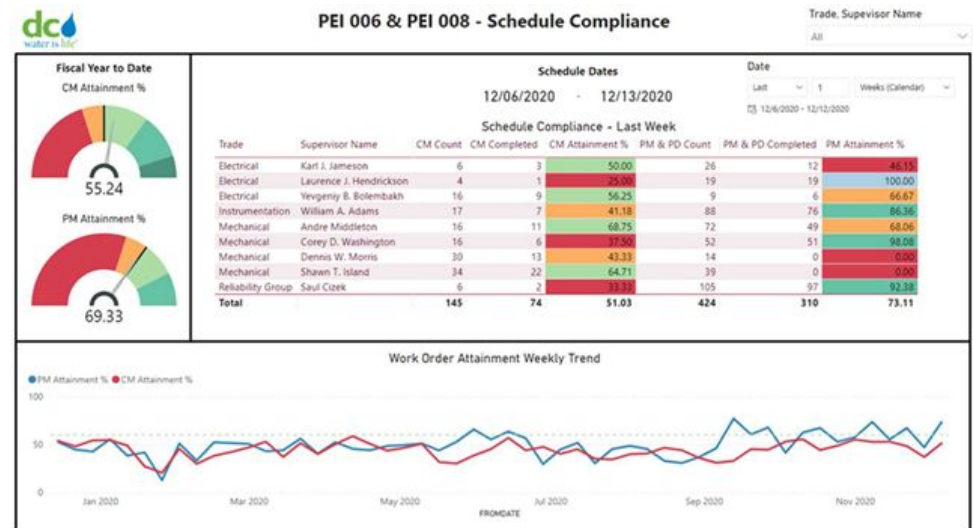
## 1. Weekly Critical Assets Availability Report



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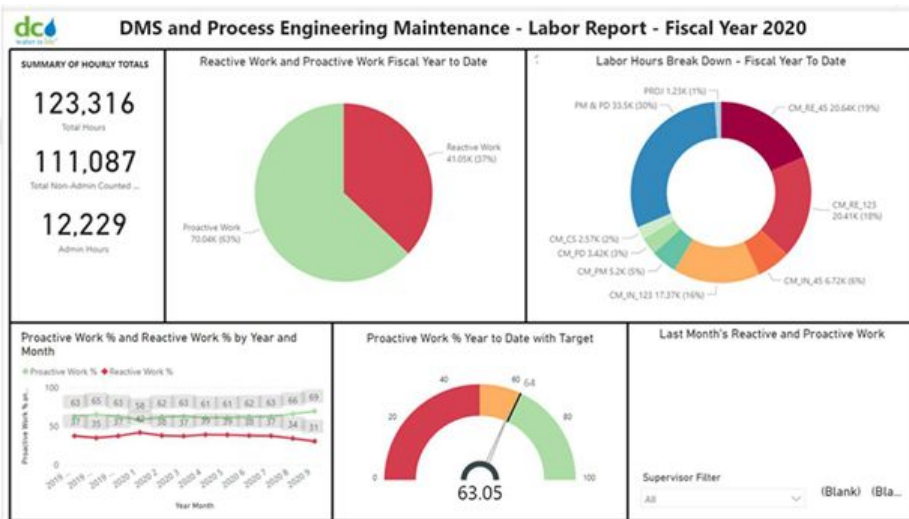
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## 2. Weekly Schedule Compliance Report

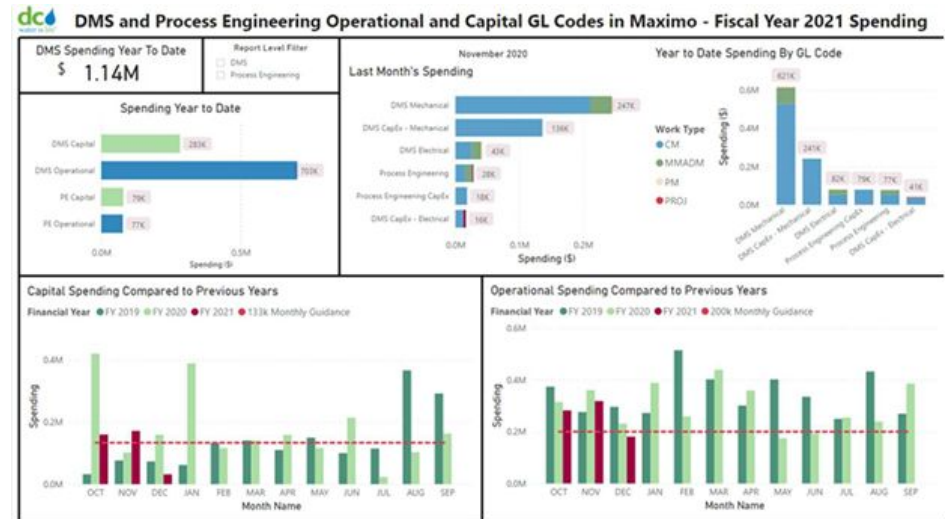


# Appendix A – Key Performance Indicators (continued)

## 3. Annual Proactive vs Reactive Percentage Report



## 4. Annual Budget Report



## Appendix B – Risk Rating Definitions

RSM defined observations based on the following risk rating definitions:

Observation Risk Rating Definitions	
Rating	Definition
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within <b>12 months</b> (if related to external financial reporting, must mitigate financial risk within two months unless otherwise agreed upon).
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within <b>nine months</b> (if related to external financial reporting, must mitigate financial risk within two months).
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed <b>six months</b> (if related to external financial reporting, must mitigate financial risk within two months).



**RSM US LLP**

1250 H St NW  
Washington, DC 20005

+1 800 274 3978  
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