



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

Audit Committee

**Thursday, March 29, 2012
9:30 a.m.**

Meeting Minutes

Committee Members Present

Bradford Seamon, Chair
Timothy Firestine
Dawn Hawkins-Nixon

Staff Present

Christopher Carew, Chief of Staff
Randy Hayman, General Counsel
Yvette Downs, Finance & Budget Director
John Madrid, Controller
Linda R. Manley, Board Secretary

SC& H Group, LLC

Joseph Freiburger

Thompson, Cobb, Bazilio & Associates

Albert Lucas

Call to Order (Item 1)

Mr. Seamon called the Audit Committee meeting to order at approximately 9:35 a.m. Mr. Seamon then turned the meeting over to Mr. Albert Lucas, Principal, Thompson, Cobb, Bazillio and Associates (TCBA).

External Auditor Communication with the Committee (Item 2)

Mr. Lucas walked through the required communications and explained the responsibilities of the external auditors and the responsibilities of management. Mr. Lucas stated that all opinions expressed were unqualified. There were no significant or material deficiencies identified, however five control deficiencies were identified. Three of the deficiencies pertained to capitalization, while the other two related to information technology access.

Mr. Lucas explained that there were two new GASB pronouncements number 54 and 59, neither of which had a direct impact on DC Water financial statements. Additionally, there are three upcoming GASB pronouncements none of which will have significant impact.

Summary of Internal Audit Activity – Internal Audit Status (Item 3)

Mr. Freiburger walked through the Internal Audit Update document and provided explanations to the stage of all active audits, analysis of key milestone dates, status of 2012 budgeted hours, and the status of the 2012 internal audit plan as a whole.

Mr. Freiburger explained the actions that were undertaken to follow-up on previously reported audit issues and explained the chart showing the status of all audit findings. A committee member requested that for future meetings distinct linkage be provided between the reports issued and the new management action plans added to the follow-up chart.

Mr. Freiburger then questioned if anyone had any questions relative to the three project reports which were finalized this period (IT Operating & Business Applications, Payroll, and Risk Management). A committee member inquired about the observation relative to incomplete Policies and Procedures. Mr. Freiburger explained that this has been a pervasive issue throughout the organization but that the General Manager's office was working on improvements organizational wide. A discussion ensued regarding the upcoming projects and Mr. Carew expressed that the Capital Project audit may need to be postponed to a later date as the function is being restructured.

Regarding the Risk Management report, a committee member questioned the volume of activity in the escrow account utilized by the third party administrator to pay liability claims and whether a detailed review of the account should be performed since there hasn't been a reconciliation process in place. Mr. Freiburger stated that he would provide details relative to the volume of activity within the account at the next meeting and a determination could be made as to whether to perform a more detailed review of prior activity within the account.

Fraud Mitigation Plans (Item 4)

Mr. Madrid presented a presentation regarding the internal control framework at DC Water including the current Controller's Internal Control Assessment and Monitoring Program (ICAMP) and the evolution from the original Internal Control Monitoring program launched in FY 2007.

Mr. Madrid explained the current status of implementing a fraud mitigation program at DC Water. He noted that policies are being developed along with proposed training. In response to a question by a committee member, Mr. Madrid explained that the specific scope of the fraud audits has yet to be defined and the work of the task force is still progressing.

Executive Session (Item 5)

The meeting was called into executive session at 11:06 a.m. At the conclusion of the executive session, the meeting was adjournment at approximately 11:26 a.m.