



**DC WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS  
AUDIT COMMITTEE**

Thursday, July 28, 2011

Meeting Minutes

**Committee Members**

Timothy Firestine, Chairman  
David J. Bardin

**DC Water Staff**

Christopher Carew, Chief of Staff  
Linda R. Manley, Secretary to the Board  
Randy Hayman, General Counsel

**Other Board Member**

Dr. Joseph Cotruvo

**Internal Auditor**

Joseph Freiburger, SC&H Group, LLC

**Call to Order [\(Item 1\)](#)**

The Audit Committee meeting began at 9:35 a.m. The meeting was called to order by Mr. Firestine. Mr. Firestine then turned the meeting over to Mr. Joe Freiburger.

**Summary of Internal Audit Activity – Internal Audit Status [\(Item 2\)](#)**

Mr. Freiburger walked through the Internal Audit Update document and provided explanations for the stage of all active audits, analysis of key milestone dates, status of 2011 budgeted hours, and the status of the 2011 audit plan as a whole.

Mr. Freiburger expressed that since the last meeting, four final internal audit reports have been issued as final; Permit Operations audit, Fleet Management audit, AMR & Customer Billing audit, and IT Disaster Recovery and Business Continuity plans audit.

At the moment, three audits are ongoing; P-card audit, HR audit, and the Grant operations audit. The P-card audit is in the draft reporting stage, and the HR and Grant operations audits are in the fieldwork stage. The P-card and HR audits were added to the 2011 Audit Plan to replace the Warehouse & Inventory audit and the Fixed Asset audit. Audits still to be completed by September 30, 2011, are the IT – Vendor and Contractor Management audit, Engineering – Contractor Management audit, and the IT – Operating & Business Applications audit. The IT

– Vendor and Contractor Management audit is about to get started. The scope of the Engineering – Contractor Management audit needs to be revised to take into account the current study of the capital improvement program projects.

Internal Audit is expecting to complete the audits on the 2011 Audit Plan, but may need to carryover some hours to the 2012 Audit Plan which is about to be developed. Mr. Freiburger then asked if anyone had any questions relative to the four projects which were finalized this period.

As general comments related to internal audit operations, the committee members stated that all internal audit reports should be published on the DC Water website. The members also stated that Mr. Carew should review all management action plans prior to finalizing the audit reports. Furthermore, the committee members stated that since DC Water has a high percentage of unaccounted for water, which is considered a high cost item for DC Water; water leakage management should be added to the Internal Audit Plan annually.

With regard to the Permit Operations audit, the committee members focused on the customer satisfaction aspect of the operations and mentioned that, in the past, permit customers have been highly dissatisfied with the permitting process at DC Water. The committee members would therefore like to see a new customer satisfaction survey done in the near future by DC Water's management. Mr. Carew explained that since the DC Water permit operations department is about to move into a central operations office in DC, and that since organizational changes currently are taking place within the permit operations department, a customer survey would not be conducted before these organizational changes are fully implemented. The committee members reiterated that customer satisfaction has great importance and therefore should be the overall objective of the DC Water permit operations. The members also stated that permit operation audits need to be conducted on a continuous basis by Internal Audit.

The committee members were not satisfied with management's action plans related to the Fleet Management audit and stated that these management action plans should be revised by fleet management with Mr. Carew and an IT representative involved in this process.

The committee members asked Internal Audit to follow up on the AMR & Customer Billing observations to see if management's action plans have been implemented. The committee members also asked Mr. Carew to look into whether or not the AMR system has provided cost saving at DC Water compared to the prior manual-meter-read system.

Mr. Freiburger then addressed the follow-up process relative to the status of prior internal audit comments. There were a total of 44 open audit comments. Twenty audit issues were categorized as having action plans that were not yet implemented, yet their designated due date had passed. Discussion ensued relative to each "past due" item and Mr. Carew provided the committee members with commentary regarding management's actions to-date.

### **Executive Session (Item 3)**

At 11:08, the meeting was called into executive session.

The meeting reconvened into public session at 11:13 a.m.

### **Adjournment (Item 4)**

Chairman Firestine adjourned the meeting at 11:14 a.m.