DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

Board of Directors

Audit Committee

Thursday, May 24, 2012

9:30 a.m.

1. **Call to Order**.. Bradford Seamon, Chairperson

2. **Summary of Internal Audit Activity/Internal Audit Status**......................Joseph Freiburger
   A. Maintenance Services Report Final
   B. IT – Governance Report Final
   C. Customer Service Report Final
   D. Accounts Payable Report Final

3. **Action Item**…………………………………………………………………...Rosalind Inge
   A. Contract No. WAS-09-034-AA-GA, Thompson, Cobb, Bazilio&Associates, P.C.

4. **Executive Session**…………………………………………………………. Bradford Seamon

5. **Adjournment**

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Internal Audit Update

Audit Committee Meeting

May 24, 2012

The following represents a summary of the activities and achievements since the March 29, 2012 meeting.

I. HIGHLIGHTS:

Performance of scheduled internal audits – Internal Audit performed audit work in seven separate audit areas. Four of the projects were totally completed and the final reports issued. The four projects completed were the internal audits of Maintenance Services, IT Governance, Accounts Payable, and Customer Service Operations. There are two projects in the fieldwork stage (Warehouse Operations, IT Help Desk), and one project in the planning stage (Permit Operations) The chart below depicts the planned projects and their status for the fiscal year.

A. **Stage of Audits -** The following represents an indication of the stage of completion for each scheduled audit.

PROJECT	PLANNING / SCOPING	FIELDWORK	DRAFT REPORT	FINAL REPORT
IT Business & Operating Applications1	■	■	■	■
Payroll	■	■	■	■
Risk Management	■	■	■	■
Maintenance Services (Wastewater)	■	■	■	■
IT Governance	■	■	■	■
IT Help Desk and Computer Operations	■	■		
Accounts Payable	■	■	■	■
Customer Service Operations	■	■	■	■
Warehouse Operations	■	■		
Biosolids Management				
Capital Projects				
Permit Operations	■			

**Note**: [1] indicates carry over from 2011 audit plan.

B. **Analysis of key milestone dates -** The following represents an indication of the date of completion of key project milestones.

| PROJECT	START DATE	FIELDWORK END DATE	DRAFT REPORT ISSUANCE DATE	FINAL REPORT
IT Business & Operating Applications1	9/13/2011	1/26/2012	2/9/2012	2/15/2012
Payroll	10/10/2011	1/17/2012	1/24/2012	2/13/2012
Risk Management	10/5/2011	12/9/2011	1/20/2012	2/7/2012
Maintenance Services (Wastewater)	1/19/2012	3/8/2012	3/22/2012	4/18/2012
IT Governance	1/11/2012	3/2/2012	3/20/2012	5/10/2012
IT Help Desk and Computer Operations	3/9/2012			
Accounts Payable	2/28/12012	5/1/2012	5/9/2012	5/16/2012
Customer Service Operations	2/21/2012	4/5/2012	4/6/2012	4/26/2012
Warehouse Operations	3/22/2012			
Biosolids Management				
Capital Projects				
Permit Operations	5/2/2012			

Note: [1] indicates carry over from 2011 audit plan.

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C. **Analysis of Hours –** The chart below indicates the actual hours used through April 30, 2012 toward completion of the internal audit plan, along with an indication of the total hours included in the FY2012 plan.

Note: Some of the hours incurred pertain to the completion of FY 2011 projects in addition to the individual projects identified in the chart above.
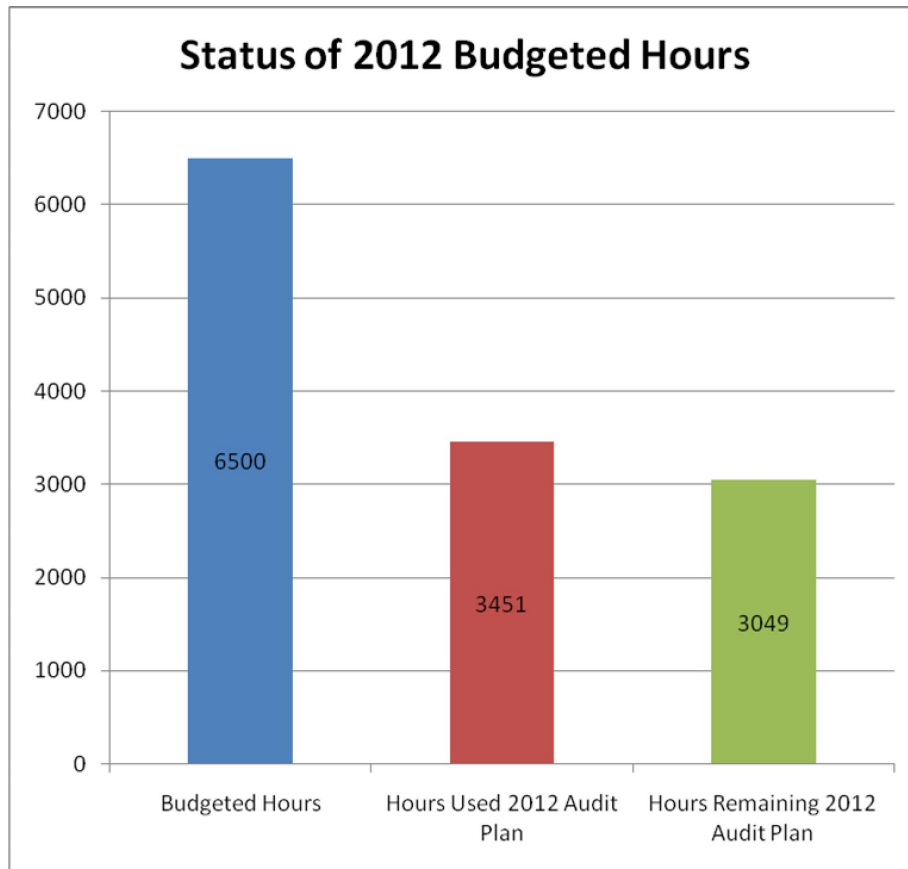
II.   2012 Audit Plan Status
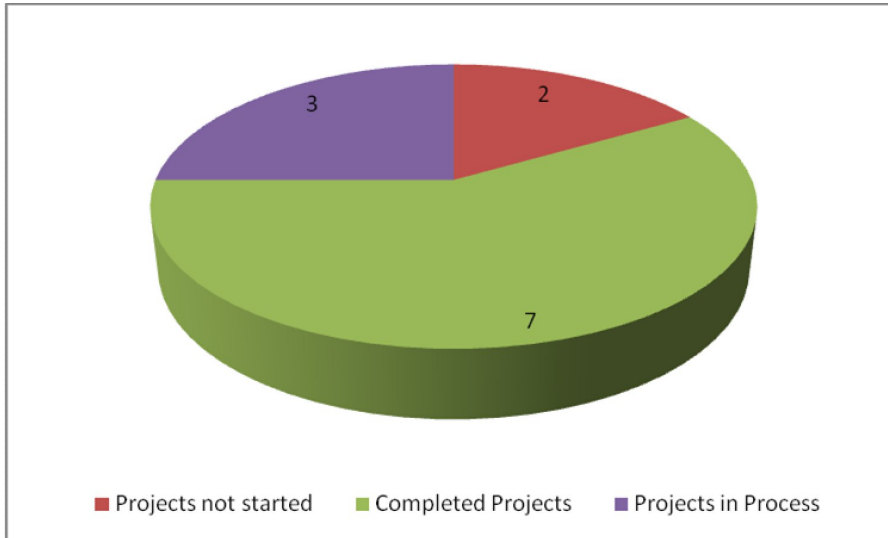
A. Completed Projects Since Last Audit Committee Meeting

IT Governance –

Our overall audit objectives included identifying the existing practices, evaluating, and testing the effectiveness of DC Water's IT governance function to ensure there are processes in place to mitigate critical risks in the IT environment. Specific audit objectives focused on:

❑ Determining whether there are documented short- and long-term goals and initiatives that focus on enhancing the IT environment based on entity-wide objectives. Verifying that any documented goals and initiatives are reviewed and authorized by management, tracked for progress, and periodically evaluated for necessary updates.

❑ Verifying the existence of an IT Steering Committee that is comprised of key IT personnel, and is responsible for the overall IT environment and strategic objectives.

❑ Determining whether there are documented short- and long-term goals and initiatives that focus on enhancing the IT environment based on entity-wide objectives. Verifying that any documented goals and initiatives are reviewed and authorized by Management, tracked for progress, and periodically evaluated for necessary updates.

❑ Determining whether critical system policies and procedures are documented, authorized, and properly maintained.

❑ Assessing the IT organizational structure to determine whether clear departmental reporting paths exist, job functions and responsibilities are well-defined.

❑ Determining whether DC Water has a process in place for authorizing, identifying, inventorying, classifying, and periodically monitoring IT systems.

❑ Verifying that critical system users are aware of, and document their adherence to, DC Water's information security guidelines.

❑ Determining whether DC Water measures and improves itself based on its industry trends and practices adopted by peers.

❑ Determining whether DC Water monitors activity for compliance with laws, regulations, rules, and industry standards and modifications are made to include regulatory change.

Internal Audit (IA) concludes that a number of IT Governance topics should be addressed by management in order to provide assurance that the IT Department is functioning in a manner that effectively supports the mission of DC Water.
In particular, there is a need to address the following in order to strengthen IT Governance:

❑ Establish an effective IT Governance Committee consisting of both operational managers and IT management representatives

❑ Issue an approved IT Strategic Plan which coincides with the goals and objectives of DC Water

❑ Review the IT organization structure including the identification of staff roles and internal/external resources

❑ Update and distribute IT policies and procedures

❑ Conduct an inventory of all systems in place

❑ Complete an IT risk assessment and prepare action items concentrating on the mitigation of major risk identified

This audit resulted in the addition of six new Management Action Items added to the chart in Section III. Follow Up. All six of these items fall under the responsibility of the Chief Information Officer.

Maintenance Services –

Our overall audit objectives included an evaluation of the policies, procedures, and practices in place to ensure that the Department of Maintenance Services is in compliance with applicable regulations (e.g., Clean Water Act) and to ensure the department has the appropriate tools to monitor maintenance activity and effectively achieve its mission. Specific audit procedures performed are as follows:

❑ To ensure that Maintenance Services activities are in compliance with corporate policies and procedures, as well as applicable laws and regulations.

❑ To ensure that proper controls exist to monitor the Maintenance Services inventory and to track the performance of the equipment.

❑ To ensure that Maintenance Services operates within budgetary constraints and that implemented initiatives to provide services are cost-effective and efficient.

❑ To ensure Maintenance Services activities are operating effectively and that personnel are adequately trained.

❑ To ensure that the maintenance management system effectively tracks and monitors maintenance requests and that previous audit findings have been remediated.

After reviewing the current control environment and the proposed future strategic initiatives and processes related to best practices of asset management, Internal Audit concludes that there are several control gaps and process improvement opportunities that exist within the maintenance function's control environment.

For instance, our testing indicated that the current critical spare parts methodology and report is outdated and inaccurate. Additionally, the current management reports and reports used for the daily Operations and Maintenance coordination meetings are ineffective and inefficient. Our testing also identified that users of the maintenance management system, Maximo, are bypassing steps and failing to record pertinent information related to the maintenance activities in the system.

Finally, Internal Audit determined that there are several process improvement areas, such as assessing the condition of the plant's assets, determining the lifespan of the plant's assets, and tracking the costs related to highest repeat equipment failures, that would strengthen the department's asset management initiatives.

Internal Audit recognizes that, when implemented, the strategic initiatives of the Department of Maintenance Services will strengthen the overall control environment and allow the department to achieve its goals of increased productivity and efficiency.

We also recognize that the Director responsible for Maintenance Services, Tony Mack, has been in his current role since October, 2011. Our observations and review determined that he is well aware of appropriate practices; he has identified areas for positive change and in most instances recognized the need for improvements prior to our audit. Many of the areas for prospective change will take an extended time period to finalize. Nevertheless, it is our view that his approach is well-founded, and he has made good progress in implementing an effective Maintenance Services operation.

This audit resulted in the addition of 11 new Management Action Items added to the chart in Section III. Follow Up. All 11 of these items fall under the responsibility of the Assistant General Manager of Wastewater Treatment.

Customer Service Operations –

We established four objectives for the audit of the Customer Service activities:
- ❑ Evaluate the effectiveness of customer service operations as it relates to current practices with regard to compliance with established policies and procedures.
- ❑ Evaluate controls in place relative to issues pertaining to the resolution of complaints/problems.
- ❑ Timeliness of responding to inquiries, training of staff and monitoring of on-going activity with the use of reports and metrics.
- ❑ Ensure that customer water usage is being accurately captured and recorded for billing purposes.

The internal audit process consisted of a review of relevant, existing reports and documentation, along with observations of the daily activities and interviews with the Customer Service staff. We examined the current customer service Standard Operating Procedures (SOPs) and Customer Service Policies. The Customer Service department utilizes user manuals for the various customer service systems in use, however IA concluded that a number of Policies and Procedures were outdated and/or Procedures did not exist for current Customer Service Processes. To avoid any transaction processing and continuity issues in the Customer Service department, we recommend that Customer Service management update policies and SOPs covering all relevant and critical aspects of the customer service operations at DC Water.

Customers may communicate with DC Water via email through several different avenues. The email messages are monitored constantly by the Customer Service team. The sources of messages are received through the Executive Email Inbox which is comprised of four different email addresses that function as follows:

titlecustserv@dcwater.com pertains to HUD1 processing and all emails are forwarded directly to a Supervisor for processing.
info@dcwater.com is the General Manager's inbox. All emails regarding customer billing inquiries are forwarded to the Senior Customer Service Associate for their response directly to the customer.
reportaproblem@dcwater.com is the email address that is related to the "Billing Inquiries" selection on the Report a Problem online feature on the DC Water website.
custserv@dcwater.com is the email address for all customer service related inquiries.

We reviewed the Executive Email Inbox that is managed by the Senior Customer Service Associate and observed the customer email complaint resolution process. We determined that a response from the appropriate person was being issued within two business days. It is desirable, but not always feasible, to address the inquiry message right away (first call) without necessitating follow-up or subsequent calls.

We reviewed the methods by which the Customer Service department manages customer issues that are not resolved after the first call. Customer issues that are not resolved after the first call are logged on an "Open Items" spreadsheet by the Customer Service Representative including the date of occurrence, associated account number and status.

The Customer Service Representative is charged with maintaining the unresolved issues until appropriately resolved. Once resolved, the Customer Service Representative logs the date. This allows the supervisor to determine if issues are being resolved in a timely manner and are adhering to department standards. Supervisors informally review the "Open Items" spreadsheets on a weekly basis to verify that information is entered accurately and that issues are resolved in a timely manner. During our review we noted that there are no formal policies and procedures surrounding the population and maintenance of the "Open Items" list. Each customer service representative maintains their own list which is stored on a shared network drive.

Additionally, we noted that there is no formal review process in place to ensure that customer inquiries are being appropriately logged onto the "Open Items" spreadsheet and only documented as resolved once a resolution has been reached and confirmed by a Supervisor. We recommend that a formal review by the Customer Service supervisor be maintained within the "Open Items" spreadsheet in the form of comments for each respective customer issue. This review should happen in accordance with a timeframe sufficient to detect outstanding issues and resolve them in a timely, accurate manner.

In addition, during each review the supervisor should compare the current report with the most recently reviewed report to ensure that unintentional or unauthorized changes were not made.

We reviewed the procedures used to provide updates and on-going training to the Customer Service staff. The department relies upon a Solutions Training process to discuss pertinent and new information about customer concerns which were encountered in the previous period. Our review indicated that there were Customer service associates that did not attend selected training session, yet there was no evidence to indicate that they were subsequently informed of the necessary information. We recommend that a Supervisor review attendance records periodically and keep the staff informed in situations in which they were absent during formal training.

We reviewed the process in place to ensure that correct customer information is being logged into ECIS when a customer call is received. Our observations and testing indicated that the recording of data and processing of call information at the outset is performed well.

We reviewed the February and March 2012 General Manager's report to ensure that all of the customer service metrics reported within the General Manager's report are accurate and properly supported. We reviewed and recalculated the Call Center Performance, Command Center Performance, First Call Resolution, Splash Contributions and Customer Assistance Program metrics. We did not identify any metrics that were inaccurate or improperly supported.

Additionally, we reviewed the process in place to ensure service orders entered by customer service associates are received by the Command Center and dispatched to the appropriate crew within 24 hours. From a design perspective, we believe that there are sufficient controls in place to ensure that service orders entered into ECIS by customer service associates are received by the meter dispatcher in the Command Center and are dispatched to the appropriate crew within 24 hours.

Overall, we believe the operations are well managed and the team is to be commended for a job well done.

This audit resulted in the addition of three new Management Action Items added to the chart in Section III. Follow Up. All three of these items fall under the responsibility of the Assistant General Manager of Consumer Services.

Accounts Payable -

We established seven objectives for the audit of the Accounts Payable activities:
- ❑ Ensure that the Accounts Payable department maintains adequate policies and procedures and standard operating procedures
- ❑ Ensure that the Accounts Payable department has proper segregation of duties between the Accounting Technicians and the Vendor Master File Specialist
- ❑ Ensure that accounts payable transactions are processed in a timely manner
- ❑ Ensure that accounts payable transactions are accurately recorded in Lawson
- ❑ Ensure that accounts payable transactions are properly supported and approved prior to payment processing
- ❑ Ensure that accounts payable transactions, correctly recorded in Lawson, are getting processed and paid by the Treasury department
- ❑ Verify that the Accounts Payable department's performance is tracked and monitored by DC Water management

The internal audit process consisted of a review of relevant, existing reports and documentation, along with observations of the daily activities and interviews with the Accounts Payable department staff. We examined the current accounts payable standard operating procedures (SOPs) and accounts payable policies and were able to confirm that the documents are up to date and reflecting current accounts payable processing activities. To avoid any transaction processing issues and continuity issues in the Accounts Payable department in the future, the department should review the policies and procedures on an annual basis to ensure the documents continue to reflect current operations.

We also reviewed the job descriptions for the Accounts Payable Manager, Accounts Payable Technicians, and the Vendor Master File Specialist, and determined they sufficiently reflected their roles and responsibilities. Even though the Vendor Master File Specialist is temporarily assisting the Accounts Payable Technicians processing payment requests due to a vacant Technician position, which is clearly a segregation of duties issue, additional compensating control procedures have been put in place to ensure that the Vendor Master File Specialist is not in a position to process fraudulent transactions. Each staff member of the department has a designated backup with the ability to fill in for a staff member being absent from work.

To ensure that accounts payable data is properly approved, supported, and recorded in Lawson prior to the Treasury department's final processing of the accounts payable data, we reviewed the Accounts Payable department's handling of payment requests. Based on our review, we determined that the department has sound controls in place to ensure that transactions are properly approved, reviewed, and recorded and that duplicate payments are avoided.

Prior to January 2011, DC Water did not have a process in place to ensure that all vendors in the Vendor Master File were properly authorized, which was also observed during the 2010 Procurement audit. In 2011, the responsibility of maintaining the Vendor Master File was shifted over to the Accounts Payable department. The department has implemented a process for creating new vendors which ensures that a vendor cannot be setup unless the vendor has been properly approved for creation and that a W-9 form has been received from the vendor. As part of the Internal Control Assessment and Monitoring Program (ICAMP), the Vendor Master File Specialist is currently in the process of reviewing old vendor data in the Master File to ensure that all vendors have been properly approved and have a W-9 form on file. We performed an analytical review of the FY2011 accounts payable data to search for potential duplicate payments and duplicate vendors.

We reviewed documentation for the transactions which, based on our analytical review, appeared to be duplicate payments and were able to confirm that these payments were properly processed with no duplicate payments identified. Similarly, we were able to confirm that vendor invoice noted as potential duplicate payments, did in fact have only one active vendor number assigned in the system.

As part of the analytical review, we also tested to make certain that DC Water processes payments in a timely manner. In FY2011, approximately 89 percent of the accounts payable transactions were paid within thirty days of receipt of the payment request. As a result, 11 percent of the transactions were paid thirty days or more after the receipt of the payment request. A late payment does not necessarily indicate that there is a problem with processing an accounts payable transaction. Late payments may be caused by a situation, in which a vendor delivers an invoice to DC Water prior to the delivery of goods or services, or a situation where a purchase order for the invoice received is missing and the purchase order therefore needs to be created after the receipt of the invoice. In these situations, late payments are a result of strong internal controls. These controls are in place to ensure that no invoice is paid unless delivery has taken place and no invoice is paid unless a valid purchase order is on file.

Also, most construction invoices are subject to retainage, where a portion of the agreed upon contract price is deliberately withheld until the construction work is substantially complete to assure that the contractor or subcontractor will satisfy its obligations to complete a construction project. Payment of the retained amount, which normally is correctly processed after thirty days of receipt of the construction invoice, will in some situations also show up in Lawson as a late payment. Our testing did not identify any late payments which did not have a good explanation as to why the payment was made after 30 days of receipt of the request for payment.

Finally, we wanted to ensure that the Accounts Payable department's performance is closely monitored.

We were able to confirm that on a monthly basis, an Accounts Payable Performance Report, which includes performance indicators such as number of invoices processed, total dollar amount processed for payment, average number of days to process a payment, late payment information etc., is issued to various department heads, including the General Manager, Chief Financial Officer, and Controller. Based on the information presented to us, we believe that the Accounts Payable department is operating under sufficient oversight.

This audit resulted in no additions of Management Action Items to the chart in Section III. Follow Up.

B. Audits Currently in Process

IT – Help Desk and Computer Operations – The objective of this review is to evaluate the processes and controls in place to manage the IT Help Desk and the on-going computer operations at DC Water. This audit is currently in the fieldwork stage.

Warehouse & Inventory – This audit is designed to evaluate policies, procedures, and practices in place to ensure that the Warehouse Operations is in compliance with applicable policies, to ensure warehouse activities are operating within budget constraints, and to ensure the department has the appropriate tools to monitor warehouse activity and effectively achieve its mission. This audit is currently in the fieldwork stage.

Permit Operations - The objectives of this review are to evaluate the efficiency and effectiveness of internal controls over the permit operations processes; and will include verification that payments received are sufficiently controlled and monitored, transactions are being recorded accurately, proper support is on file; and activity is in compliance with policies, procedures, laws and regulations. This audit is currently in the planning stage.

III.   Follow Up

In addition to our work performed relative to the audit projects identified in the FY2012 Internal Audit Plan, Internal Audit conducted follow-up activity relative to previously reported audit comments.   The table below summarizes the issues by area of responsibility and the current status of the action plan proposed by Management.

	Chief Engineer	AGM Wastewater Treatment	AGM Consumer Services	Chief Financial Officer	General Counsel	Chief Information Officer	AGM Support Services	General Manager	Total
New Management Action Plans Since Previous Meeting	-	11	3	-	-	6	-	-	20
Management Action Plans Implementation Date Not Expired	1	-	1	7	-	1	12	-	22
Management Action Plans Implementation Date Expired	-	-	-	-	1	-	-	1	2
Total	1	11	4	7	1	7	12	1	44

Listed below is an indication of the topics relative to the new Management Action Plans included since the previous meeting

AGM Wastewater Treatment –
Maintenance Services Audit

❑ Update Critical Spare Parts report
❑ Identify Asset Condition in reports
❑ Identify Asset Lifespan in reports
❑ Track equipment failure costs
❑ Review and monitor relevant budget activity
❑ Analyze P-Card activity
❑ Establish criteria for capturing work order information in Maximo
❑ Revise Daily Management reports
❑ Establish and report on key performance indicators

❑ Develop annual training requirements and guidelines
❑ Develop policies & procedures to coincide with operational changes

AGM Consumer Services –
Customer Service Audit

❑ Update the policies & procedures
❑ Modify the "Open Items" report to reflect a review of the resolution
❑ Enhance records relative to training provided

Chief Information Officer –
IT Governance Audit

❑ Establish an effective IT Governance Committee
❑ Issue an approved IT Strategic Plan
❑ Review the IT organization structure
❑ Update and distribute IT policies and procedures
❑ Conduct an inventory of all systems in place
❑ Complete an IT risk assessment and prepare action items

Listed below is the detail of the Management Action Plans with the expired implementation dates

General Counsel

2010 Legal & Regulatory Compliance Monitoring - Regulatory Compliance Review - DC Water does not have a centralized function responsible for monitoring the business units' legal and regulatory compliance environment. Currently, no single internal group is responsible for reviewing legal and regulatory efforts for accuracy, completeness, timeliness, and overall compliance entity-wide. Although the Office of the General Counsel is monitoring entity-wide regulatory due dates and progress toward meeting those dates, Internal Audit has noted that this program has not been fully implemented.   This observation was raised as part of the internal audit of the General Counsel's Monitoring Program. The audit report was issued May 6, 2010.

General Manager

2011 Safety, Training & Compliance Management – There were two related issues pertaining to this area. First, there was no effective follow-up process in place once a safety violation was reported to ensure that safety problems were corrected. Second, there was no effective reporting mechanism in place to identify recurring safety problems or trends, thus facilitating a means to address problematic areas. Both of these areas will be addressed by management through acquisition and implementation of a software package to capture and report the necessary information. However, the intended actions have not been completed.

OTHER TOPICS:

Internal Audit is collaborating with DC Water's Chief Financial Officer regarding his initiative to develop a Fraud Mitigation plan for the organization.

Internal Audit is also working with DC Water to ensure there is no duplication of work between the Internal Audit plan and the Office of the CFO's Internal Control Assessment Monitoring Program.

Internal Audit is performing work on a special project directed by the Office of The General Manager.

Maintenance Services

Internal Audit Report

April 18, 2012

INTERNAL AUDIT TEAM

Senior: Anne Simpson

Manager: Becky Jordan

Director: Joe Freiburger

**DC Water – 2012 Internal Audit
Maintenance Services**

18

TABLE OF CONTENTS

DC Water – 2012 Internal Audit
Maintenance Services

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EXECUTIVE SUMMARY

Background

The Department of Maintenance Services is responsible for maintaining all process equipment for the Blue Plains Advanced Wastewater Treatment Plant, as well as the high voltage power distribution equipment and crane maintenance across the Authority. Additionally, the Department of Maintenance Services provides support to the Facilities Maintenance and Water and Sewer Pumping Maintenance divisions. The department performs the following types of maintenance:

❑ Predictive: assesses the current condition of the equipment through performance measures and standards.
❑ Preventive: prevents the premature failure of equipment and extends the life of the equipment.
❑ Corrective: repairs or replaces equipment due to a failure or eminent failure during the normal useful life.
❑ Unplanned and Emergency: results from unexpected equipment failure.

Recently, DC Water has proposed implementation of an asset management program. An asset management program is a comprehensive business program, advocated by the U.S. Environmental Protection Agency (EPA) and water utility industry, designed to optimize infrastructure sustainability and to reduce DC Water's annual capital, operating, and maintenance costs. The Department of Maintenance Services has adopted the practices of asset management and is in the process of implementing strategic initiatives that will increase the department's productivity and efficiency. Many comments within this report relate the best practices of asset management as advocated by the EPA.

As the department undergoes the transformation to align its activities with the best practices of asset management, there are risks that reliance on past methods of operation will prevent full adoption of and compliance to the new processes and initiatives. The Department of Operations relies heavily on the maintenance function to maintain permit compliance. Enhanced internal controls and processes are critical to ensuring that the maintenance function achieves its goals to reduce the current backlog of maintenance work and to return more equipment to a functioning status in order to reduce the risk of plant failure and permit violations.

2

DC Water – 2012 Internal Audit
Maintenance Services

Objectives

Our overall audit objectives included an evaluation of the policies, procedures, and practices in place to ensure that the Department of Maintenance Services is in compliance with applicable regulations (e.g., Clean Water Act) and to ensure the department has the appropriate tools to monitor maintenance activity and effectively achieve its mission. Specific audit procedures performed are as follows:

- ❑ To ensure that Maintenance Services activities are in compliance with corporate policies and procedures, as well as applicable laws and regulations.
- ❑ To ensure that proper controls exist to monitor the Maintenance Services inventory and to track the performance of the equipment.
- ❑ To ensure that Maintenance Services operates within budgetary constraints and that implemented initiatives to provide services are cost-effective and efficient.
- ❑ To ensure Maintenance Services activities are operating effectively and that personnel are adequately trained.
- ❑ To ensure that the maintenance management system effectively tracks and monitors maintenance requests and that previous audit findings have been remediated.

Audit Scope and Procedures

This audit was conducted based on the approved FY2012 internal audit plan. The audit was initiated in January 2012, completed in March 2012 and included an evaluation of activities of the Department of Maintenance Services during the period of June 2011 – January 2012.

Summary of Work

After reviewing the current control environment and the proposed future strategic initiatives and processes related to best practices of asset management, Internal Audit concludes that there are several control gaps and process improvement opportunities that exist within the maintenance function's control environment.

For instance, our testing indicated that the current critical spare parts methodology and report is outdated and inaccurate. Additionally, the current management reports and reports used for the daily Operations and Maintenance coordination meetings are ineffective and inefficient. Our testing also identified that users of the maintenance management system, Maximo, are bypassing steps and failing to record pertinent information related to the maintenance activities in the system.

3

**DC Water – 2012 Internal Audit
Maintenance Services**

Finally, Internal Audit determined that there are several process improvement areas, such as assessing the condition of the plant's assets, determining the lifespan of the plant's assets, and tracking the costs related to highest repeat equipment failures, that would strengthen the department's asset management initiatives.

Internal Audit recognizes that, when implemented, the strategic initiatives of the Department of Maintenance Services will strengthen the overall control environment and allow the department to achieve its goals of increased productivity and efficiency.

We also recognize that the Director responsible for Maintenance Services, Tony Mack, has been in his current role since October, 2011. Our observations and review determined that he is well aware of appropriate practices; he has identified areas for positive change and in most instances recognized the need for improvements prior to our audit. Many of the areas for prospective change will take an extended time period to finalize. Nevertheless, it is our view that his approach is well-founded, and he has made good progress in implementing an effective Maintenance Services operation.

SC&H Consulting

By:

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Joe Freiburger, CPA, CIA

DC Water – 2012 Internal Audit
Maintenance Services

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II. DETAILED OBSERVATIONS & RECOMMENDATIONS

Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
I. Critical Spare Parts		
Observation: It is important that an inventory of important parts and equipment be maintained on hand in case an immediate repair is necessary for a critical component of the plant operations. The existing critical spare parts report and methodology used to determine what parts constitute the definition of "critical" is outdated and inaccurate. **Risk:** Not knowing what critical spare parts must be retained in-site and what the department has on hand can result in delays in service, additional unexpected costs, and potential asset failures.	**Recommendation:** We recommend that Management review and update the critical spare parts report and methodology used to determine what is "critical" now and reassess to include newly constructed assets to ensure the department can perform timely and cost-effective maintenance to the plant's critical assets. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** Maintenance Director will review the assets with existing two highest criticality rankings (criticality ranking 3 and 4). Maximo Administrator will export existing spare parts list for those assets. Foreman will validate exported list and add any additional essential spare parts needed for these assets to complete critical spares in Maximo. Maintenance Director will work with Procurement to determine lead times for critical spares. Maintenance Director and Foreman will estimate failure rates using Maximo work order history. Maintenance Director will establish minimum stocking levels.

5

DC Water – 2012 Internal Audit
 Maintenance Services

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		Estimated Implementation of new critical spare parts list in Maximo: November 30, 2012.
		The engineering department will identify the critical spare parts for all the new equipment.

6

DC Water – 2012 Internal Audit
Maintenance Services

Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
II. Asset Condition		
Observation: The Department of Maintenance Services does not have the data and reporting capabilities to provide information related to the condition of the equipment, component failures, and machine outputs and downtime. Recently a change was made to begin capturing this information by identifying it as an asset. Periodically information was being compiled according to the location of parts and equipment. **Risk:** By not effectively assessing the condition of the plant's assets, through component failure, machine outputs, and machine downtime reports, the department may not be able to proactively maintain a failing asset and may risk catastrophic failure.	**Recommendation:** We recommend that Management incorporate the Environmental Protection Agency's (EPA) best practices related to asset condition and require Maximo users to populate the problem, cause, and remedy fields for all maintenance work. We also recommend that Management establish specific criteria to ensure these fields are filled out accurately, completely, and consistently by all users. We note that if Management fully implements these processes, the department will have improved ability to prevent catastrophic failure. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** The Maximo Administrator will make the problem, cause, and remedy fields "required" for all maintenance work orders in Maximo by the end of April 2012 and training will be provided to ensure uniformity and consistence of use. Training will be provided to the Operations staff of the use of the OOS (Out of Service) flag in Maximo by the end of May 2012. This will facilitate generating the Asset Down Time and Mean Time Between Failure reports in Maximo. Asset condition rating will be addressed in Observation III.

DC Water – 2012 Internal Audit
 Maintenance Services

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
III. Asset Lifespan		
Observation: Currently, the lifespan of an asset is not captured in Maximo. It appears that the condition fields that assess the condition of the asset and capture the replacement and purchase cost values of the assets and its component parts is not used. This is a necessary practice to promote a cost-effective asset management function. **Risk:** Not tracking the lifespan of an asset can prevent Management from making risk-based decisions for choosing the right projects, at the right time, for the right reason (i.e., the most cost-effective measures).	**Recommendation:** We recommend that, in conjunction with updating the assets in Maximo, Management capture the lifespan of the plant's assets, as this information would be helpful to Engineering to evaluate the costs of repairing versus replacing assets. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** This is part of the overall DC Water Asset Management Program (AMP). This includes recording the installation dates, estimating the cost, and conducting an annual condition assessment based on a rating system to be established for all the 13,000+ Blue Plains WWTP assets. Estimated completion 1 to 3 years after AMP is implemented. The installation dates and cost for all new assets will be collected by the Department of Engineering as part of the Capital Improvement Projects.

8

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
IV. Tracking Costs		
Observation: Management does not track maintenance costs to clearly identify highest failure costs. Additionally, Management is unable to distinguish its overtime costs incurred for planned or emergency maintenance work. As Management is unable to calculate its highest failure costs and is unable to distinguish its overtime costs incurred for planned and emergency work, Management is not able to readily assess if the department's activities are cost-effective or efficient. **Risk:** Not being able to track costs, related to equipment failure or overtime hours used, prevents Management from making risk-based decisions for maintaining or replacing costly equipment.	**Recommendation:** We recommend that Management begin to track highest failure costs and require its staff to consistently track parts in Maximo. Additionally, we recommend that Management document criteria that will instruct staff how to classify overtime worked and implement a process to require staff to track what type of overtime hours are incurred in Maximo. Further, we recommend that Management incorporate its review of overtime hours in the labor utilization report. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** Maintenance Director will get with Human Capital Management and get the 'Loaded'' pay scale for each of the maintenance crafts and have it entered by the Maximo Administrator. The number of hours spent on each work order is already being recorded. By associating the rate with the number of hours, the labor cost will be captured. Overtime hours will be recorded at time and a half. The Maintenance Director will continue to work with the Materials Management Team to build the Item Master in Maximo. This data table allows the material and its cost to go from the planning tab to the actual tab and record the material cost.

DC Water – 2012 Internal Audit
 Maintenance Services

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		The training for recording P-card transactions for parts has been developed and classes are scheduled to be completed by all staff by the end of May 2012. Total Implementation Completion Date: April 2013

DC Water – 2012 Internal Audit
Maintenance Services

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
V. Budget		
Observation: Management's review of budget to actual expenditures for the department needs improvement. Currently, Management reviews the O&M budget on an as needed basis. **Risk:** Without monthly reviews of the department's budget, Management may be unaware of or unable to prevent or detect unusual transactions or serious fluctuations from amounts initially budgeted in a timely manner.	**Recommendation:** We recommend that Management monitor and review the O&M budget on a monthly basis to identify unusual transactions or significant variances from amounts initially budgeted occur. We recommend that the Director of Maintenance Services, or his representative, receive Lawson training to facilitate his monthly review of the budget. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** Monthly meetings with accounting have been established and the first meeting was completed on March 28, 2012. Lawson Training requested March 30, 2012 to be scheduled. Estimated Completion end of May 2012

11

DC Water – 2012 Internal Audit
Maintenance Services

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
VI. P-Cards		
Observation: Management has not been analyzing the full nature of activity relative to P-Card purchases. While the transactions are reviewed and approved, there is currently no complete analysis of the type of purchases completed via the P-Card process. **Risk:** A review of this sort can facilitate decisions regarding a need to obtain frequently used items in a different, more cost-effective manner. Without reviewing the aggregated P-Card purchases on a regular basis, Management is unable to evaluate the frequency and necessity of the items purchased.	**Recommendation:** We recommend that on a quarterly basis, Management review a summary report that details the nature of the P-Card purchases to evaluate the frequency and necessity of the items purchased. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** Citi-Bank has analysis reports summarizing expenses. Maintenance Director will review these reports monthly beginning April 2012. P-card purchases have already been analyzed for the past 12 months as part of the material management team item master building process to determine better sourcing of supplies.

12

DC Water – 2012 Internal Audit
 Maintenance Services

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
VII. Work Orders		
Observation: Internal Audit was unable to verify that all the information captured on the hard copies of work orders from 13 of the 25 work orders selected for testing was in fact entered into Maximo, the system of record. Therefore, Audit was unable to verify that all maintenance activities are properly and completely captured in Maximo. **Risk:** Missing or incomplete information in Maximo prevents the department from capturing all maintenance activities and establishing an accurate and complete maintenance history.	**Recommendation:** We recommend that Management establish criteria for what information is to be captured in Maximo; additionally, we recommend that Management provide Maximo users training for Maximo and work order entry. Finally, we recommend that Management implement a process to store the hard copies of the completed work orders as electronic records in Maximo, as this will enable Management to verify that the information entered into Maximo agrees to the hard copy work orders. We recognize that Management has implemented a training program for Maximo users. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** The criterion for documenting a completed work order has been established and training to standardize process is part of the Maximo training scheduled for April and May 2012. The Maximo Administrator and Maintenance Director will develop a procedure to scan the completed paper work orders and attach them to the asset history files. Estimated Implementation date: October 2012

13

DC Water – 2012 Internal Audit
Maintenance Services

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
VIII. Morning Meeting Report		
Observation: The current reports used for the Operations and Maintenance morning meetings are inefficient, as the excel-based reports are six pages, double-sided, and contain over 500 open work orders, some dating back to 2009. **Risk:** The daily review of the current morning report that includes over 500 open work orders precludes Management from efficiently coordinating priority work. The current review prevents Management from closing out aged work orders in a timely manner, as aged work orders are not discussed during the meetings. Further by not using reports generated by Maximo, there is a risk that the information reported and updated on the excel reports may differ from the information maintained in Maximo.	**Recommendation:** We recommend that Management revise the current report to include two Maximo-generated reports: 1) priority issues and 2) "aged" reports to discuss the status of open WOs over number of days. Additionally, we recommend that Management implement a meeting to discuss "aged" work orders on a weekly or monthly basis. Further, we recommend that Management establish an acceptable threshold for maximum work order "age" and implement a process for completing and closing out old work orders, as well as for removing closed-out work orders from the current report. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** The new Daily report with priorities generated by Maximo is ready and will be implemented by the end of May 2012. A monthly meeting will be set up between Operations and Maintenance to discuss the 30-60-90 day work order aging report after the formal work order planning and scheduling process is implemented. Estimated Implementation: End of January 2013

14

DC Water – 2012 Internal Audit
Maintenance Services

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
IX. Management Reports		
Observation: The current management reports are not deemed effective to aid in Management's process for assessing the efficiency or quality of the work performed. **Risk:** The inability to measure the output and efficiency of the maintenance function through management reports may prevent Management from effectively assessing the performance and achievements of the Maintenance Department. Further, the lack of accurate management reports prevents Management from making informed business decisions and being able to effectively communicate their needs to Senior Management.	**Recommendation:** We recommend that Management review and revise the current management reports to allow for more detailed key performance indicators to be measured and analyzed. The key performance indicators, as proposed by the Director of Maintenance Services, appear in line with industry guidance and, when implemented, will provide more accurate and effective reports. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** All the new KPIs are based on having a formal planning and scheduling process. Planner and Schedulers will need to be hired and trained before implanting a formal planning and scheduling process. Job postings for these positions have been approved and the recruitment process will begin by May 1, 2012. Positions should be filled by August 2012. Training to be completed by November 2012 and the new process implanted by December 2012. Estimated Implementation of new KPIs January 2013.

15

DC Water – 2012 Internal Audit
Maintenance Services

Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
X. Training and Certifications		
Observation: It does not appear that the Director maintains training guidelines for his staff above and beyond what is required by Human Resources or ensures that employees maintain the appropriate or active certifications, as part of their job requirements. **Risk:** Without the top-down encouragement from Management to proactively promote training and certification requirements in their employees, employees may not view training or certifications as necessary or important. If employees are not receiving the appropriate training, completing the required certifications, or keeping their certifications active in a timely manner, the employees may not be able to effectively perform required maintenance activities.	**Recommendation:** We recommend that the Director of Maintenance Services provide annual training guidelines and/or requirements specific to maintenance activities and duties for his employees to complete within a 2 year rolling basis to ensure all employees are adequately trained by their job role and remain sharp in their trade. Further, we recommend that the Director of Maintenance Services work with Human Resources to ensure that all employees maintain the appropriate and active certifications. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** Presently, the training records and certifications are kept in two places: Human Capital Management and the Safety department. Both of these departments are working on implementing new electronic tracking systems. The Director of Maintenance will work with both of these departments to ensure a 2 year rolling certification report is part of their new processes. Once these reports are developed, they will be reviewed and discussed in staff meetings. In addition, a significant amount of training will be provided by DETS in conjunction with all the new CIP projects in the next two years. A plan will be developed to track and record all this training. Estimated implementation date: Jan 1, 2013

DC Water – 2012 Internal Audit
 Maintenance Services

Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
XI. Policies and Procedures		
Observation: Outside of the Operations and Maintenance manual and service manuals that provide detail instructions for asset care and repair, the department does not maintain policies and procedures. New procedures that have been or are in the process of being implemented (e.g., procedures related to compliance of revised task plans, Maximo work flow processes, tracking parts in Maximo, etc.) are not included in the existing manuals. **Risk:** The lack of formalized policies and procedures may prevent Management from establishing appropriate internal controls and may create an opportunity for the maintenance staff to continue relying on previous behavior, rather than adhering to newly implemented processes.	**Recommendation:** We recommend that Management implement formalized policies and procedures that address the new initiatives and processes implemented within the department to ensure consistency with and adherence to the new processes. **Business Owner(s):** Anthony Mack, Director of Maintenance Services	**Management's Action Plan and Implementation Date:** A departmental standards manual will be developed to document the new processes and procedures as soon as the new initiatives are completely developed. The estimated implementation is 6 months after the Planners and Schedulers are hired; approximately end of Jan 2013.

17

IT Governance

Internal Audit Report

May 10, 2012

INTERNAL AUDIT TEAM

Manager: Anthony DiGiulian

Manager: Matthew Simons

Principal: Scott Heflin

Director: Joe Freiburger

DC Water – 2012 Internal Audit
IT Governance

36

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TABLE OF CONTENTS

DC Water – 2012 Internal Audit
IT Governance

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EXECUTIVE SUMMARY

Background

As a major utility, DC Water is dependent on information technology to support critical mission and business processes. Since the establishment of the DC Water IT Department in 1999, the Authority has been increasingly applying information technology in an operational capacity as a business enabler to reduce costs and increase efficiency. In addition to its role in supporting day-to-day operations from multiple computer systems, platforms and applications, the DC Water IT Department is responsible for deploying technology to reduce complexity , increase the efficiency of support operations; deploying communications technologies to connect geographically dispersed or remote locations; and enabling mobile computing and remote telecommuting to support off-site access.

The dependency on information assets (systems and data) creates risks that must be managed appropriately to ensure efficient and effective operations. It is imperative that the IT operations at DC Water have a clear understanding of entity wide objectives, goals, and risks that impact the overall business as well as the IT operations.

IT governance consists of the inclusion of effective leadership, organizational structure and processes within IT to support the strategies and objectives of the organization. The primary goal for IT Governance is to ensure that investments in IT generate business value and mitigate risk associated with IT operations. Consistently taking a proactive approach to analyzing risk exposure, monitoring system functionalities, implementing and adhering to policies and procedures, and preparing for future initiatives are all consistent with an effective IT governance function to support DC Water in achieving its mission.

Objectives

Our overall audit objectives included identifying the existing practices, evaluating, and testing the effectiveness of DC Water's IT governance function to ensure there are processes in place to mitigate critical risks in the IT environment. Specific audit objectives focused on:

❑ Determining whether there are documented short- and long-term goals and initiatives that focus on enhancing the IT environment based on entity-wide objectives. Verifying that any documented goals and initiatives are reviewed and authorized by management, tracked for progress, and periodically evaluated for necessary updates.

DC Water – 2012 Internal Audit
IT Governance

38

- ❑ Verifying the existence of an IT Steering Committee that is comprised of key IT personnel, and is responsible for the overall IT environment and strategic objectives.
- ❑ Determining whether there are documented short- and long-term goals and initiatives that focus on enhancing the IT environment based on entity-wide objectives. Verifying that any documented goals and initiatives are reviewed and authorized by Management, tracked for progress, and periodically evaluated for necessary updates.
- ❑ Determining whether critical system policies and procedures are documented, authorized, and properly maintained.
- ❑ Assessing the IT organizational structure to determine whether clear departmental reporting paths exist, job functions and responsibilities are well-defined.
- ❑ Determining whether DC Water has a process in place for authorizing, identifying, inventorying, classifying, and periodically monitoring IT systems.
- ❑ Verifying that critical system users are aware of, and document their adherence to, DC Water's information security guidelines.
- ❑ Determining whether DC Water measures and improves itself based on its industry trends and practices adopted by peers.
- ❑ Determining whether DC Water monitors activity for compliance with laws, regulations, rules, and industry standards and modifications are made to include regulatory change.

Audit Scope and Procedures

This audit was conducted based on the approved 2012 internal audit plan. The audit was initiated in January 2012 and completed in March 2012. The audit included an evaluation of the DC Water's governance structure in place during the second quarter of FY2012. The audit process included interviews with applicable members of management, a review of existing policies, procedures and critical reports. Emphasis was placed on the monitoring of critical systems; identification of significant risks; review of strategic initiatives; and examination of IT standards, policies, and procedures.

**DC Water – 2012 Internal Audit
IT Governance**

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Summary of Work

Internal Audit (IA) concludes that a number of IT Governance topics should be addressed by management in order to provide assurance that the IT Department is functioning in a manner that effectively supports the mission of DC Water.

In particular, there is a need to address the following in order to strengthen IT Governance:

- ❑ Establish an effective IT Governance Committee consisting of both operational managers and IT management representatives
- ❑ Issue an approved IT Strategic Plan which coincides with the goals and objectives of DC Water
- ❑ Review the IT organization structure including the identification of staff roles and internal/external resources
- ❑ Update and distribute IT policies and procedures
- ❑ Conduct an inventory of all systems in place
- ❑ Complete an IT risk assessment and prepare action items concentrating on the mitigation of major risk identified

SC&H Consulting

By:

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Joe Freiburger, CPA, CIA

4

DC Water – 2012 Internal Audit
IT Governance

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II. DETAILED OBSERVATIONS & RECOMMENDATIONS

I. IT Governance Committee		
Observation: A fully functioning and effective IT Governance Committee for DC Water is not in place. There is no group charged with making certain that important IT initiatives are fully vetted, implemented, executed and monitored in accordance with the overall direction of DC Water business operations and organization-wide goals. A committee consisting of members of both the business units and the IT management team should hold responsibility for making decisions about the need for and prioritization of IT projects. **Risk:** The absence of a senior management group charged with reviewing IT initiatives and making certain they coincide with organization strategies and goals means that IT resources and efforts may not be correctly prioritized or focused on the right solutions. The allocation of organization resources may not be pointed in the right direction.	**Recommendation:** We recommend that DC Water develop a Governance Committee directed by a charter that specifies its charge toward the review of business cases from various DC Water departments. The committee should consist of members of management from different disciplines and be empowered to approve or deny major IT project initiatives. The committee should ensure that projects moving forward are in agreement with DC Water's strategic plan.	**Management's Action Plan and Implementation Date:** The new DC Water IT Governance Committee will consist of the General Manager's Executive Team, including the General Manager, Chief of Staff, Chief Engineer, Assistant General Manager of WasteWater, Assistant General Manager of Customer Service, Director of Public Affairs, Assistant General Manager of Support Services, and the Chief Information Officer. A charter for the committee is currently in development. It is anticipated that the IT Governance Committee will be fully functional by July 15, 2012.

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II. IT Strategic Plan

Observation:	Recommendation:	Management's Action Plan and Implementation Date:
A fully implemented and functioning IT Strategic Plan is not currently in place. An IT Strategic Plan was developed in the past but it is out-dated and does not contain critical components such as goals, objectives, and measurements for IT performance, success, and budgeting.	We recommend that DC Water's IT Management develop and finalize a comprehensive IT Strategic Plan. As noted above, a Governance Committee should be developed and this committee would provide guidance relative to the major IT initiatives for IT. In conjunction with the guidance, IT should prepare a plan to clearly describe how IT will support the on-going operations of DC Water, to include such issues as objectives, measurements, budgeting, and organizational structure. In turn, the plan should be presented to Executive Management for discussion, and approval.	The new IT Management team is in the process of reviewing and making necessary updates to the IT Strategic Plan. The plan will be finalized and approved by May 31, 2012.
Risk:		
The absence of a fully implemented and functioning IT Strategic Plan increases the likelihood that DC Water is not effectively evaluating its IT environment, as it relates to the business, by documenting short-, mid-, and long-term objectives; tracking milestones; and implementing necessary system/infrastructure changes to support changes in the business and/or operating environments. This can lead to missed opportunities for business and IT enhancements.		

6

DC Water – 2012 Internal Audit
IT Governance

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III. IT Department Structure		
Observation: The IT Department is operated with the use of a proliferation of outside consultants, including management team members and program managers. The management of critical on-going IT operations and decisions relative to the direction of the IT function should reside with DC Water team members that have a direct, vested interest in the success of the organization. While outside parties can bring subject matter expertise and can fulfill responsibilities on a temporary basis, the long-term success of the IT operational DC Water may best be served by individuals employed and directed by DC Water employees. The balance of internal and external resources should be evaluated in light of the current needs and department direction. **Risk:** Important decisions with regard to IT activity, along with important daily operations, residing in the hands of outside parties may result in decisions that are less than optimal for the organization.	**Recommendation:** We recommend that DC Water's IT Management re-examine the organizational structure of the department. Consideration should be give to the proper roles of the management team within IT and the assignment of relevant function to internal DC Water resources. The proper role for outside consultants should be determined and it is Internal Audit's view that outside sources should concentrate on the fulfillment of discreet projects needs, temporary resource needs and periodic technical advice.	**Management's Action Plan and Implementation Date:** The General Manager's office will be hiring an outside consultant to assess the IT Department's organizational structure and make recommendations for improvements. An initial base management structure has already been put in place; however it has yet to be approved by the General Manager's office. The initial structure will be reviewed during the May Executive Team Meeting. It is anticipated that the outside consultant will complete the assessment of the IT Department's organizational structure by December 31, 2012.

DC Water – 2012 Internal Audit
IT Governance

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IV. IT Policies & Procedures		
Observation: Our review of the IT policies and procedures in place indicated that current policies could not be readily identified and a number of draft documents were still in need of approval and distribution. During our review, we determined that: ❑ Ten of the thirteen IT standards reviewed during the audit were still in draft form. ❑ Periodic reviews of IT standards, policies, and procedures are not being conducted on a regular basis. **Risk:** The absence of a formalized process for regularly reviewing and maintaining DC Water's IT standards, policies, and procedures increases the likelihood that these documents are not representative of the current operating functions, thus leading to noncompliant performance.	**Recommendation:** We recommend that DC Water prepare and maintain a documented inventory of all of its IT standards, policies, and procedures. Within the inventory, DC Water should record details including the Business and IT owners, the last reviewer and review date, and the current version of each document (including drafts). We also recommend that DC Water establish a requirement to ensure all new IT standards, policies, and procedures are reviewed, approved, and implemented within a defined timeframe. Finally, we recommend that DC Water perform a formalized periodic review of all of its IT standards, policies, and procedures to determine if 1) they are the most current and relevant versions, 2) all information and references are current, and 3) necessary updates have been reflected.	**Management's Action Plan and Implementation Date:** The new IT Management team is currently developing a documented inventory of all DC Water IT standards, policies, and procedures. In addition, Management is reviewing and updating each DC Water IT standard, policy, and procedure document. Periodic reviews of all IT standards, policies, and procedures will be performed annually. The first set of reviews will be completed by July 1, 2012.

8

DC Water – 2012 Internal Audit
IT Governance

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V. IT System Inventory Review/Maintenance

Observation:	Recommendation:	Management's Action Plan and Implementation Date:
A formal, periodic review of the IT system inventory is not being performed by the IT Department. A periodic inventory including change authorization, critical components, system versions, on-boarding effectiveness, modification dates, and contractual requirements is a practice that most organizations perform to gain confidence that risk are being mitigated with regard to systems in operation.	We recommend that DC Water perform a periodic review of its system inventory to verify that 1) the most current and relevant versions are reflected, 2) all supporting system documentation is current, 3) necessary changes are accounted for, and 4) all changes have been authorized. The periodic review should be formally documented and signed/dated by each system's IT and Business owner.	Management agrees with the recommendations and will complete the first review of the DC Water system inventory by July 1, 2012.
Risk:	We also recommend that during a periodic system inventory review, the IT Department ensure its IT system listing is updated to include current systems versions, the most recent implementation and modification dates, approvers (implementation and change), and any contractual requirements, as necessary.	
The absence of regular IT system inventory reviews increases the likelihood that not all critical systems are 1) accounted for and monitored, 2) updated to the most current version, relevant, and approved versions, and 3) compatible with all necessary systems, applications, functions. This can lead to process and performance issues, system downtime, and security breaches.		

9

DC Water – 2012 Internal Audit
IT Governance

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VI. IT Risk Assessment Framework		
Observation:	**Recommendation:**	**Management's Action Plan and Implementation Date:**
The IT Department has initiated a documented IT risk assessment framework that includes key attributes including security policy directives in relation to DC Water's risk exposure, business impact metrics, industry benchmarking, and regulatory compliance referencing. However, the framework has yet to be fully implemented and does not include the following:	We recommend that DC Water's IT Management adopt and fully implement a functional IT risk assessment framework that is monitored and updated on a periodic basis. The framework when implemented should provide assurance that IT management is aware of and actively managing risk pertaining to the IT environment on an on-going basis.	Management agrees with the recommendations and will complete all updates to the existing IT risk assessment framework by June 1, 2012. Management anticipates having the updated IT risk assessment framework fully implemented by December 31, 2012.
❑ Documented approval from appropriate IT Management		
❑ A process to formally track, monitor, and as necessary mitigate identified risks		
❑ A defined process for implementing the resulting directives, including responsibilities, priorities, timelines, monitoring procedures, and periodic updates		
Risk:		
By not having fully implemented the risk assessment framework in place, there is an increased likelihood that:		

DC Water – 2012 Internal Audit
IT Governance

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VI. IT Risk Assessment Framework		
❑ IT is not identifying all critical risks and taking the appropriate measures to mitigate its risk exposure ❑ Industry peer evaluations have not been conducted or are not current and relevant ❑ Recent updates to industry standards, laws, regulations, and rules have not been reflected in documentation and are not currently being complied with Failure to complete each of these tasks can lead to critical system issues, performance failure, system downtime, and security breaches.		

11

Customer Service

Internal Audit Report

April 26, 2012

INTERNAL AUDIT TEAM

Staff:	Erica Pascuito
Staff:	Calvin Rice
Senior Manager:	Chris Patrick
Director:	Joe Freiburger

DC Water – 2012 Internal Audit
Customer Service

48

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TABLE OF CONTENTS

DC Water – 2012 Internal Audit
Customer Service

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EXECUTIVE SUMMARY

Background

Between February 2011 and January 2012 the Call Center received approximately 162,700 calls of which 80% were resolved on the first attempt (target rate of 75%). During the same time the Emergency Command Center received approximately 40,300 calls. 758 of the Emergency Command Center calls required an emergency dispatch and approximately 93% were handled within the response target time of 45 minutes. The Customer Service department is organized in two general groups with a total of 41 employees: the regular call center and the emergency command center. The regular call center is open Monday – Friday 8:00 a.m. – 5:00 p.m. The emergency command center does not close – it is open 24 hours a day 7 days a week. Both centers share physical space, communications technology (phone switches, call routing software, etc.) and share many of the same information technology tools, such as call recording software, eCIS billing system, and Maximo, Asset Management Software. The end use of these systems in service to customers can vary. The emergency command center is to assist customers who are having a water or sewer emergency, which can range from as small as a single customer without water service to as large as a wide-scale outage or a main break. The majority of their work is investigative in nature – taking an assessment of the reported problem, documenting the problem in Maximo, and finding an inspector or service worker to confirm the problem and make repairs, and communicating the results with the customer.

The regular call center largely serves issues related to billing and delivery of water services. Typical calls include billing inquiries, transactions related to starting/stopping and transferring service, water quality inquiries, payment and credit extensions, and referrals to other departments. They also handle inquiries which come by mail, email and in-person.

The reasons customers call either center (emergency or regular) vary widely, and require extensive training for a customer care associate to be on the phone by themselves.

Each group is supported by extensive technology, including call routing software that queues calls and allows supervisors to balance service levels with other workloads. There is a newly implemented call recording system that allows both the customer care associates and the supervisors to listen to customer calls and score the result based on pre-defined measures of quality, courtesy and completeness. These scores will be incorporated into overall performance appraisal ratings of staff.

2

DC Water – 2012 Internal Audit
Customer Service

50

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The Customer Service department relies on daily and monthly statistics to monitor overall performance and service to customers. Some of the important statistics include: Bill batch performance (number of accounts without a bill issued for the month), percentage of accounts billed with an actual meter reading, call center service level (that is, the percentage of calls answered within 40 seconds), emergency command center service levels, first call resolution, dispatch response to emergencies, safety incidents, and customer account arrears greater than 90 days.

The primary IT systems used by staff are: eCIS (the customer information and billing system), call routing and monitoring systems, STAR/Hexagram which is the automated meter reading system, and Maximo. Smaller IT support systems include a series of email boxes for routing and clearing work items, Right Fax, and DC Water's website.

Statistics are gathered daily and monthly for many aspects of the call center's performance, and used by management to make changes as needed. A select few measurements are reported each month to the General Manager for his report to the Board of Directors.

It is the department's intention to provide one-stop service and resolve a customer's inquiry without the customer having to make a second call. This happens about 75% of the time, and often during the time of the customer call. Some matters, such as leak investigations or complex high bill investigations take more time and may require follow-up calls with the customer. Interactions with a customer are recorded in eCIS (in the regular call center) or Maximo (for emergency or repair orders). Open inquiries are managed by each customer care associate and monitored by the supervisors.

Objectives

We established four objectives for the audit of the Customer Service activities:

- Evaluate the effectiveness of customer service operations as it relates to current practices with regard to compliance with established policies and procedures.
- Evaluate controls in place relative to issues pertaining to the resolution of complaints/problems.
- Timeliness of responding to inquiries, training of staff and monitoring of on-going activity with the use of reports and metrics.
- Ensure that customer water usage is being accurately captured and recorded for billing purposes.

DC Water – 2012 Internal Audit
Customer Service

We reviewed the customer account adjustment process and determined that it was effectively tested during the AMR & Customer Billing Audit in May 2011. Additionally, DC Water conducted subsequent testing on Customer Service billing adjustments within the Internal Control Assessment and Monitoring Program (ICAMP). Therefore, we did not perform any procedures specifically related to this process within the scope of this audit.

Audit Scope and Procedures

This audit was conducted as part of the approved FY2012 Internal Audit plan. The audit was initiated in February 2012 and completed in April 2012, and included a review of all relevant aspects of customer service operations at DC Water.

We met with customer service process owners involved in the daily customer service operations, and conducted preliminary walkthroughs of the customer service processes to determine the nature of the processes in place at DC Water to keep customer service operational, uninterrupted and well controlled.

We documented the relevant customer service processes by analyzing and reviewing applicable information provided to us by the individual customer service process owners. We also performed testing to evaluate the process to make certain effective controls are in place.

Summary of Work

The internal audit process consisted of a review of relevant, existing reports and documentation, along with observations of the daily activities and interviews with the Customer Service staff. We examined the current customer service Standard Operating Procedures (SOPs) and Customer Service Policies. The Customer Service department utilizes user manuals for the various customer service systems in use, however IA concluded that a number of Policies and Procedures were outdated and/or Procedures did not exist for current Customer Service Processes.

To avoid any transaction processing and continuity issues in the Customer Service department, we recommend that Customer Service management update policies and SOPs covering all relevant and critical aspects of the customer service operations at DC Water.

Customers may communicate with DC Water via email through several different avenues. The email messages are monitored constantly by the Customer Service team. The sources of messages are received through the Executive Email Inbox which is comprised of four different email addresses that function as follows:

4

titlecustserv@dcwater.com pertains to HUD1 processing and all emails are forwarded directly to a Supervisor for processing.

info@dcwater.com is the General Manager's inbox. All emails regarding customer billing inquiries are forwarded to the Senior Customer Service Associate for their response directly to the customer.

reportaproblem@dcwater.com is the email address that is related to the "Billing Inquiries" selection on the Report a Problem online feature on the DC Water website.

custserv@dcwater.com is the email address for all customer service related inquiries.

We reviewed the Executive Email Inbox that is managed by the Senior Customer Service Associate and observed the customer email complaint resolution process. We determined that a response from the appropriate person was being issued within two business days.

It is desirable, but not always feasible, to address the inquiry message right away (first call) without necessitating follow-up or subsequent calls. We reviewed the methods by which the Customer Service department manages customer issues that are not resolved after the first call. Customer issues that are not resolved after the first call are logged on an "Open Items" spreadsheet by the Customer Service Representative including the date of occurrence, associated account number and status. The Customer Service Representative is charged with maintaining the unresolved issues until appropriately resolved. Once resolved, the Customer Service Representative logs the date. This allows the supervisor to determine if issues are being resolved in a timely manner and are adhering to department standards. Supervisors informally review the "Open Items" spreadsheets on a weekly basis to verify that information is entered accurately and that issues are resolved in a timely manner. During our review we noted that there are no formal policies and procedures surrounding the population and maintenance of the "Open Items" list. Each customer service representative maintains their own list which is stored on a shared network drive.

Additionally, we noted that there is no formal review process in place to ensure that customer inquiries are being appropriately logged onto the "Open Items" spreadsheet and only documented as resolved once a resolution has been reached and confirmed by a Supervisor.

We recommend that a formal review by the Customer Service supervisor be maintained within the "Open Items" spreadsheet in the form of comments for each respective customer issue. This review should happen in accordance with a timeframe sufficient to detect outstanding issues and resolve them in a timely, accurate manner.

5

DC Water – 2012 Internal Audit
Customer Service

53

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In addition, during each review the supervisor should compare the current report with the most recently reviewed report to ensure that unintentional or unauthorized changes were not made.

We reviewed the procedures used to provide updates and on-going training to the Customer Service staff. The department relies upon a Solutions Training process to discuss pertinent and new information about customer concerns which were encountered in the previous period.

Our review indicated that there were Customer service associates that did not attend selected training session, yet there was no evidence to indicate that they were subsequently informed of the necessary information. We recommend that a Supervisor review attendance records periodically and keep the staff informed in situations in which they were absent during formal training.

We reviewed the process in place to ensure that correct customer information is being logged into ECIS when a customer call is received. Our observations and testing indicated that the recording of data and processing of call information at the outset is performed well.

We reviewed the February and March 2012 General Manager's report to ensure that all of the customer service metrics reported within the General Manager's report are accurate and properly supported. We reviewed and recalculated the Call Center Performance, Command Center Performance, First Call Resolution, Splash Contributions and Customer Assistance Program metrics. We did not identify any metrics that were inaccurate or improperly supported.

Additionally, we reviewed the process in place to ensure service orders entered by customer service associates are received by the Command Center and dispatched to the appropriate crew within 24 hours. From a design perspective we believe that there are sufficient controls in place to ensure that service orders entered into ECIS by customer service associates are received by the meter dispatcher in the Command Center and are dispatched to the appropriate crew within 24 hours.

Overall, we believe the operations are well managed and the team is to be commended for a job well done.

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By:

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Joe Freiburger, CPA, CIA

DC Water – 2012 Internal Audit
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II. DETAILED OBSERVATIONS & RECOMMENDATIONS

Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
I. Policies and Procedures		
Observation: We noted that the Customer Service department does not have documented Policies and Procedures that reflect all important aspects of the customer service activities as currently being performed. For example, the process related to completing and monitoring The Open Items List is not described and the training session, as it relates to Solutions Training should be documented in the Policies and Procedures. The documentation will assist should there be turnover in the department and be used as a guideline setting expectations and completion of performance evaluations. **Risk:** The absence of clearly defined Policies and Procedures and SOPs can result in inconsistency in performing Customer Service functions.	**Recommendation:** We recommend that customer service management update the Policies and Procedures and SOPs to cover all relevant and critical aspects of the customer service operations at DC Water including but not limited to, the "Open Items List", Solutions Training and Executive Email processes. We also recommend that the Policies and Procedures be reviewed annually to ensure any new changes in the department's processes are captured. **Business Owner(s):** Lauren Preston, Director - Customer Service	**Management's Action Plan and Implementation Date:** We agree with the recommendation to do a formal annual review of policies and procedures, and have recently updated many of these with the implementation of our mobile service order scheduling software. We will begin editing policies and procedures by July 2012, and have the project completed by September 2012.

7

DC Water – 2012 Internal Audit
Customer Service

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Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
II. Open Items List		
Observation: Through observation and inquiry, the "Open Items" spreadsheet appears to be a key component in maintaining high customer service satisfaction. The spreadsheet is relied on to track the status of all customer service calls that are not resolved on the first attempt. Through inquiry, supervisory review is said to be performed on a continuous basis, at least once per week. This review includes the verification of information for issues that were resolved (account information, date closed etc.) as well as following up on outstanding issues. Internal Audit was unable to obtain formal evidence of review of the "Open Items" spreadsheet. Internal Audit noted a number of issues (approximately 16%, refer to lead sheet for further clarification) that were not resolved within ten business days. Internal Audit also noted an issue in which an account number was incorrectly entered. Customer Service was unable to provide documentation showing the issue was properly resolved.	**Recommendation:** We recommend that a formal review by the Customer Service supervisor be maintained within the "Open Items" spreadsheet in the form of comments for each respective customer issue. This review should happen in accordance with a timeframe sufficient to detect outstanding issues and resolve them in a timely, accurate manner. In addition, during each review the supervisor should compare the current report with the most recently reviewed report to ensure that unintentional or unauthorized changes were not made. **Business Owner(s):** Lauren Preston, Director - Customer Service	**Management's Action Plan and Implementation Date:** We will modify the open items spreadsheet to allow a space for supervisors to designate their review and satisfaction with the resolution to a customer's concern. We will complete this modification by May 31, 2012, and begin using it as part of the supervisors' reviews at the same time.

Risk: Information contained within the "Open Items" spreadsheet could be incomplete and/or inaccurate. A reputational risk exists if information is incomplete and/or inaccurate. For example, if a customer's issue is not resolved on the first attempt and the account number is entered incorrectly, the issue could go unresolved for a period greater than ten business days. Issues that are not resolved within a timely manner could increase the likelihood of customer complaints and overall customer dissatisfaction.		

DC Water – 2012 Internal Audit
Customer Service

Observation(s)	Internal Audit Recommendation(s)	Management Comment(s)
III. Solutions Training		
Observation: We reviewed the training records relative to the monthly Solutions Training. We were unable to obtain evidence that employees who do not attend the Solutions Training, meet with their Supervisors to discuss the information provided during the training session or were otherwise informed of the pertinent information. **Risk:** Customer service associates may not have current information when communicating with customers and may provide incorrect responses to inquiries.	**Recommendation:** We recommend that for every Solutions Training, supervisors verify that staff members were either in attendance or were subsequently informed of the training content. These events should be documented. **Business Owner(s):** Lauren Preston, Director - Customer Service	**Management's Action Plan and Implementation Date:** Although we provide make up training for staff who are absent on a day solutions training is held, we agree that sign-in sheets for these sessions were not always kept. Beginning immediately we will keep a separate sign-in sheet for solutions training make up classes.

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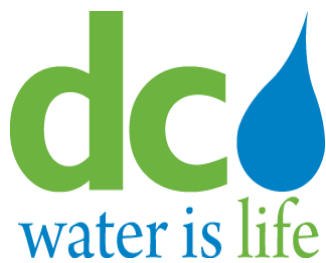
Accounts Payable

Internal Audit Report

May 16, 2012

INTERNAL AUDIT TEAM

Senior: Perry Eggers

Principal: Dennis FitzGerald

Director: Joe Freiburger

DC Water – 2012 Internal Audit
Accounts Payable

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TABLE OF CONTENTS

2

DC Water – 2012 Internal Audit
Accounts Payable

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EXECUTIVE SUMMARY

Background

DC Water's Accounts Payable department, within the Office of the Chief Financial Officer, processes payments related to vendor invoices, customer refunds, and other miscellaneous transactions, which all have been authorized and approved for payment by designated department heads prior to final processing. Since the beginning of 2011, the Accounts Payable department has also been responsible for maintaining the Vendor Master File. Prior to 2011, responsibility of the Vendor Master File was shared between the Procurement department and the Accounts Payable department.

The Accounts Payable department is led by an Accounts Payable Manager who is assisted by four Accounting Technicians and a Vendor Master File Specialist. During FY2011, the Accounts Payable department processed 11,762 payment requests for a total of $411,989,357. All payment requests, except for payroll related payments, are initially received in the Accounts Payable department, where the requests are scanned and the scanned images of the vendor invoices and other payment requests are electronically stored in ImageNow. Detailed accounts payable data is electronically maintained and processed for payment through Lawson. Lawson and ImageNow allow for easy access to review and approve transactions for payment. The Accounts Payable department relies on the requesting DC Water departments to verify that services and goods have been received prior to processing invoices for payment. Most invoices are approved for payment by the various departments through Lawson, where a Lawson system control ensures that an invoice cannot be paid unless there is a purchase order in existence for the invoice. Some miscellaneous transactions are approved via specially designed approval forms. All accounts payable entries in Lawson are reviewed by the Accounts Payable Manager prior to the weekly payment run. DC Water's policy is to pay vendors within thirty (30) days of receipt of the payment request

As part of our audit planning phase, we performed an analytical review of the FY2011 accounts payable data. Our analysis of the accounts payable data showed that transactions of less than $5,000 represents 70 percent of the transactions processed but account for less than 1 percent of the dollars expended. In comparison, transactions greater than $25,000 represent approximately 15 percent of the transactions processed but account for approximately 95 percent of the total dollars expended.

3

DC Water – 2012 Internal Audit
Accounts Payable

Additionally, our review showed that a majority of the accounts payable transactions processed during the period October 1, 2010 through September 30, 2011 were paid within thirty (30) days of receipt.

Objectives

We established seven objectives for the audit of the Accounts Payable activities:

❑ Ensure that the Accounts Payable department maintains adequate policies and procedures and standard operating procedures
❑ Ensure that the Accounts Payable department has proper segregation of duties between the Accounting Technicians and the Vendor Master File Specialist
❑ Ensure that accounts payable transactions are processed in a timely manner
❑ Ensure that accounts payable transactions are accurately recorded in Lawson
❑ Ensure that accounts payable transactions are properly supported and approved prior to payment processing
❑ Ensure that accounts payable transaction, correctly recorded in Lawson, are getting processed and paid by the Treasury department
❑ Verify that the Accounts Payable department's performance is tracked and monitored by DC Water management

Audit Scope and Procedures

This audit was conducted as part of the approved FY2012 Internal Audit plan. The audit was initiated in March 2012 and completed in May 2012, and included a review of all relevant aspects of accounts payable operations at DC Water.

We met with accounts payable process owners involved in the daily accounts payable operations and conducted walkthroughs of the accounts payable processes to assess the design of controls in place.

We documented the relevant accounts payable processes by analyzing and reviewing applicable information provided to us by the individual accounts payable process owners. We also performed testing of the processes identified to evaluate and make certain that controls are operating effectively.

Internal Audit also performed a series of analytical reviews of relevant FY2011 data. A series of reports were prepared and shared with management for their review and future reference.

4

DC Water – 2012 Internal Audit
Accounts Payable

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Summary of Work

The internal audit process consisted of a review of relevant, existing reports and documentation, along with observations of the daily activities and interviews with the Accounts Payable department staff. We examined the current accounts payable standard operating procedures (SOPs) and accounts payable policies and were able to confirm that the documents are up to date and reflecting current accounts payable processing activities. To avoid any transaction processing issues and continuity issues in the Accounts Payable department in the future, the department should review the policies and procedures on an annual basis to ensure the documents continue to reflect current operations.

We also reviewed the job descriptions for the Accounts Payable Manager, Accounts Payable Technicians, and the Vendor Master File Specialist, and determined they sufficiently reflected their roles and responsibilities. Even though the Vendor Master File Specialist is temporarily assisting the Accounts Payable Technicians processing payment requests due to a vacant Technician position, which is clearly a segregation of duties issue, additional compensating control procedures have been put in place to ensure that the Vendor Master File Specialist is not in a position to process fraudulent transactions. Each staff member of the department has a designated backup with the ability to fill in for a staff member being absent from work.

To ensure that accounts payable data is properly approved, supported, and recorded in Lawson prior to the Treasury department's final processing of the accounts payable data, we reviewed the Accounts Payable department's handling of payment requests. Based on our review, we determined that the department has sound controls in place to ensure that transactions are properly approved, reviewed, and recorded and that duplicate payments are avoided.

Prior to January 2011, DC Water did not have a process in place to ensure that all vendors in the Vendor Master File were properly authorized, which was also observed during the 2010 Procurement audit. In 2011, the responsibility of maintaining the Vendor Master File was shifted over to the Accounts Payable department. The department has implemented a process for creating new vendors which ensures that a vendor cannot be setup unless the vendor has been properly approved for creation and that a W-9 form has been received from the vendor. As part of the Internal Control Assessment and Monitoring Program (ICAMP), the Vendor Master File Specialist is currently in the process of reviewing old vendor data in the Master File to ensure that all vendors

5

DC Water – 2012 Internal Audit
Accounts Payable

have been properly approved and have a W-9 form on file. We performed an analytical review of the FY2011 accounts payable data to search for potential duplicate payments and duplicate vendors.

We reviewed documentation for the transactions which, based on our analytical review, appeared to be duplicate payments and were able to confirm that these payments were properly processed with no duplicate payments identified. Similarly, we were able to confirm that vendor invoice noted as potential duplicate payments, did in fact have only one active vendor number assigned in the system.

As part of the analytical review, we also tested to make certain that DC Water processes payments in a timely manner. In FY2011, approximately 89 percent of the accounts payable transactions were paid within thirty days of receipt of the payment request. As a result, 11 percent of the transactions were paid thirty days or more after the receipt of the payment request. A late payment does not necessarily indicate that there is a problem with processing an accounts payable transaction. Late payments may be caused by a situation in which a vendor delivers an invoice to DC Water prior to the delivery of goods or services, or a situation where a purchase order for the invoice received is missing and the purchase order therefore needs to be created after the receipt of the invoice. In these situations, late payments are a result of strong internal controls. These controls are in place to ensure that no invoice is paid unless delivery has taken place and no invoice is paid unless a valid purchase order is on file.

Also, most construction invoices are subject to retainage, where a portion of the agreed upon contract price is deliberately withheld until the construction work is substantially complete to assure that the contractor or subcontractor will satisfy its obligations to complete a construction project. Payment of the retained amount, which normally is correctly processed after thirty days of receipt of the construction invoice, will in some situations also show up in Lawson as a late payment. Our testing did not identify any late payments which did not have a good explanation as to why the payment was made after 30 days of receipt of the request for payment. Finally, we wanted to ensure that the Accounts Payable department's performance is closely monitored. We were able to confirm that on a monthly basis, an Accounts Payable Performance Report, which includes performance indicators such as number of invoices processed, total dollar amount processed for payment, average number of days to process a payment, late payment information etc., is issued to various department heads, including the General Manager, Chief Financial Officer, and Controller. Based on the information presented to us, we believe that the Accounts Payable department is operating under sufficient oversight.

6

DC Water – 2012 Internal Audit
Accounts Payable

64

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Overall, we conclude the processes and controls in place in the Accounts Payable department are effective and properly designed.

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Joe Freiburger, CPA, CIA

7

DC WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS CONTRACTOR FACT SHEET

ACTION REQUESTED

GOODS AND SERVICES CONTRACT:

Audit Services
(Joint Use- Indirect)

Approval to exercise option year two (2) of three option years for auditing services, in the amount of $230,215.72.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME: THOMPSON, COBB, BAZILIO & ASSOCIATES, P.C. 1101 15TH STREET N.W. WASHINGTON, D.C. 20005	SUBS: N/A	PARTICIPATION: N/A

DESCRIPTION AND PURPOSE

Base Period Contract Value:	$427,680.00
Original Contract Time:	07/02/2009 – 07/01/2011
Number of Option Years:	3
First Option Year Value :	$223,510.41
First Option Year Period:	07/02/2011 – 07/01/2012
Second Option Year Value :	**$230,215.72**
Second Option Year Period:	**07/02/2012 – 07/03/2013**

Purpose of the Contract:
> To continue with Audit Services on the financial statements of the Authority, an A133 audit, and other accounting services as may be required by DC Water.

Contract Scope:
- To audit the financial statements of DC Water in accordance with auditing standards generally accepted in the United States of America and to express an opinion on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- To provide a management letter if any discrepancies in internal control are found.
- To perform an audit of federal awards in accordance with OMB Circular A-133
- To provide other accounting/auditing services as may be required by DC Water.

Spending Previous Year:
- Cumulative Contract Value: (07/02/2009 to 07/01/2012) - $651,190.41
- Cumulative Contract Spending: (07/02/2009 to 03/31/2012) - $651,190.00

Contractor's Past Performance:
- The Contractor's performance has been satisfactory.

NOTE: Based upon a comparison of the competitive total prices offered by the incumbent contractor and that of the competitors for audit services for the second option year, the incumbent's price is approximately 20% lower. The incumbent's price for the second option year increased by only 3% above that of the price paid for the first option year. The pricing of the incumbent contractor is considered fair and reasonable. Procurement recommends exercising the second option year.
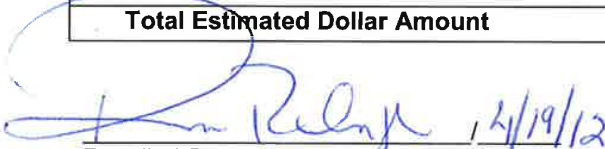
PROCUREMENT INFORMATION

Contract Type:	Fixed Price	**Award Based On:**	Highest rating
Commodity:	Goods & Services	**Contract Number:**	WAS-09-034-AA-GA
Contractor Market:	Open Market		

BUDGET INFORMATION

Funding:	Operating	**Department:**	Chief Financial Officer
Service Area:	DC Water wide	**Department Head:**	Olu Adebo

USER SHARE INFORMATION

User	Share %	Dollar Amount	
District of Columbia	81.45%	$	187,510.703
Washington Suburban Sanitary Commission	13.49%	$	31,056.100
Fairfax County	3.26%	$	7,505.032
Loudoun County & Potomac Interceptor	1.61%	$	3,706.473
Others	0.19%	$	437.409
Total Estimated Dollar Amount	**100.00%**	$	**230,215.717**

_____ , 4/19/12
Rosalind R. Inge   Date
Director of Procurement

_____ , 4/27/12
Yvette Downs   Date
Director, Finance & Budget

_____ , 4/30/12
Olu Adebo   Date
Chief Financial Officer

_____ / _____
George S. Hawkins   Date
General Manager