



District of Columbia Board of Directors Audit Committee

**Thursday, May 27, 2004
8:30 a.m.**

Meeting Minutes

COMMITTEE MEMBER(S) PRESENT

Michael Hodge, Chairman
Anthony Griffin, Fairfax County

WASA STAFF PRESENT

Michael Hunter, Director, Internal Audit
Olu Adebo, Controller
Linda Manley, Secretary to the WASA Board

I. Call to Order

Chairman Michael Hodge called the Audit Committee Meeting to order at 8:40 AM.

II. Review of Internal Audit Office Activities

Mr. Hunter noted that there are currently four audits underway. He noted that the report summary for the National Biosolids Partnership (NBP) engagement, which was completed this past quarter, was included in the meeting packet as Attachment B. The NBP audit was intended to assist the Authority in obtaining certification in the Biosolids Management Program this summer. The NBP requires that an internal audit be performed as part of this program. Should the Authority obtain this certification, it will become 1 of 3 organizations in the world to be certified. He also noted that the other two organizations are also located in the United States.

- **Audit Recommendations Follow-up Program**

Mr. Hunter reported that the Internal Audit Office intends to implement a follow-up program that will use the annual audit results, comments on the management letter and reports issued over the last year.

- **Staffing and Recruitment**

The Internal Audit Office is still recruiting for the Senior Internal Auditor position. To date, the Authority has received 16 resumes and conducted 4 interviews. It was noted that the Internal Audit Office plans to hold additional interviews. In the interim, the

Internal Audit Office has secured a few short-term procurements to provide temporary audit support with its engagements.

III. Review of Sarbanes-Oxley Act

Mr. Hodge noted that the Sarbanes-Oxley Act discussion should be deferred pending the arrival of additional members or discussed via e-mail or a teleconference at a later date.

IV. A-133 Report

Mr. Olu Adebo, Controller, noted that Thompson, Cobb, Bazilio & Associates (TCBA) issued the A-133 report for the fiscal year ending 2003. The report was completed early and there were no findings from this engagement, which is an improvement from the previous year when there was one finding. Mr. Hodge stated that the Authority has progressively decreased the number of issues raised during this audit. Mr. Adebo agreed, noting that the process has become routine. When asked when the TCBA contract was scheduled for renewal, Mr. Adebo noted that that TCBA's contract is about to end and that there is only one last option year available for renewal.

V. Articles of Interest

Mr. Hunter noted that the article from Information Systems Audit and Control Association (ISACA) was provided to the Engineering staff during the Process Control Computer System (PCCS) engagement and it discusses the role of the Internal Audit Office as perceived by different companies. He noted that this correspondence was offered as a means of determining a role for the Internal Audit Office in the PCCS project. However, the PCCS project is a long-term project that could continue until 2010. Therefore, it would be more practical for Engineering and the Internal Audit Office to define an ongoing role. This issue will be addressed with Management and the agreement will be shared with the Audit Committee.

Mr. Hodge noted that there have been a number of emergency procurements during the lead crisis. Mr. Hodge inquired as to whether the Internal Audit Office had any intentions on reviewing the processes associated with the emergency procurements for the lead issue. Mr. Hunter noted that the Internal Audit Office has been working with the Engineering Staff, Customer Service, and the Finance Office with the issuance of the contract for the water testing kits. Mr. Hunter also stated that the Internal Audit Office has been working with Engineering on the emergency lead line replacement prioritization and to ensure that the information received from the Department of Health as well as the processes used to select the lines for replacement are reliable and traceable. Mr. Hodge noted that after any crisis there's always a concern about whether the appropriate steps were taken, therefore it is important that the Internal Audit Office reviews these processes to ensure that there are appropriate controls and documentation in place.

VI. Audit Committee Training – Date Selection

Mr. Hunter noted that although new appointees have not been selected for the Board of Directors, the Audit Committee need to make a decision on a date for the Audit Committee training. In addition, Mr. Hunter noted that the organization that will be conducting the training has agreed to extend the training to the full Board of Directors instead of just the Audit Committee. However, it requires 8-12 weeks notice of a training date to allow for the development of a course that will be tailored to the needs of the Authority. The Audit Committee members agreed that the training should be held during the month of September instead of during the summer. Mr. Hunter agreed that September would be a good month for the training, as the contract for this exercise expires on September 30, 2004.

VII. TCBA Contract Renewal

Mr. Adebo noted that this is the final option year for the TCBA contract extension. The Authority asked that the TCBA contract be extended for the final option year at the full fixed price of \$236,000+. This price is comprised of \$136,000 for the financial audit costs and a little over \$100,000 for the audit services. With the exception of the A-133 audit, the audit services have never been used. Should these services ever be used, the Audit Committee will be informed.

Mr. Bender noted that companies bid on the audit service contract with the hopes of getting additional business. He noted that contacting these companies directly would result in cheaper rates and increased competition.

The Audit Committee agreed that the extension of the TCBA contract should be forwarded to the full Board for approval.

Mr. Adebo noted that since this is the last extension, the Authority plans to start the procurement process for the new audit contract in early January 2005 just after the external audit for FY04. After review from the various committees, final selections should be made no later than June (preferably by May). Mr. Adebo noted that the Finance department plans to go through the GSA schedule to solicit firms that offer the same services. He also noted that both firms that responded during the last procurement were from the GSA schedule and the same has been the case for most of the firms in the past. He stated that by selecting companies from the GSA schedule the procurement process will be streamlined.

Mr. Hodge adjourned the meeting at 9:04 AM.