



# DC Water and Sewer Authority Board of Directors

## *Audit Committee*

*Wednesday, February 20, 2008  
9:30 a.m.*

## **Meeting Minutes**

### **COMMITTEE MEMBER(S) PRESENT**

Timothy Firestine, Chairman  
Robin Martin

### **OTHER BOARD MEMBERS PRESENT**

David J. Bardin  
Brenda Richardson, via phone

### **WASA STAFF PRESENT**

Jerry Johnson, General Manager  
Avis Russell, General Counsel  
Olu Adebo, Acting Chief Financial Officer  
Yvonne Reid, Acting Controller  
Michael Hunter, Director, Internal Audit  
Linda Manley, Board Secretary

### **EXTERNAL AUDIT FIRM MEMBERS**

Ralph Bazillio, Quality Control Partner (left prior to meeting due to illness)  
Albert Lucas, Engagement Partner  
Genes Malasy, Engagement Manager

Mr. Firestine called the meeting to order at approximately 9:30 a.m. He amended the agenda and noted that the external auditors would start with the Financial Statement Audit and FY2007 OMB A-133 Audit Results.

### **FY2007 Financial Statement Audit**

Mr. Lucas stated that WASA had received an unqualified opinion on the financial statements for the year ended September 30, 2007, which is the best report that can be given on financial statements.

### **FY2007 OMB A-133 Audit Results**

TCBA also issued two other Reports in connection with OMB Circular A133—which is essentially an audit of the Federal Grant Awards Program.

1. Report on Internal Control - there was one significant deficiency reported which related to the segregation of duties in the Payroll area.
2. Report on Compliance with Federal Program Requirements and Internal Controls over Federal Programs – Unqualified and there were no internal control findings in regards to programmatic administration.

Mr. Lucas noted that when the Management Discussion & Analysis and the CAFR<sup>1</sup> is issued, TCBA will review the financial statements for consistency to ensure that there are no differences. He also said that the 2007 results of operation were in line with Management's expectation and that WASA experienced a \$50 million increase to net assets. He stated that overall WASA had a very strong year as it relates to operations and other activities and that the results were very positive.

Mr. Lucas indicated that there were two important discussions to note as they relate to the activities for Egg-shaped Digesters Project:

- Discussions were held with management regarding possibility of asset impairment<sup>2</sup>. The asset **may need** to be written down
- Capitalization of interest on the project **may need** to cease if the asset is deemed to be impaired, consequently proper interest expense must be calculated and recorded as an operating loss to decrease net assets. Capitalization would resume once the activity picks up.

### **FY2007 Financial Statement Audit & Management Letter Comments (MLC)**

The Management Letter was distributed and Mr. Lucas discussed the four findings. They included:

- **One significant deficiency – 2007-1** - Segregation of Duties in Human Resources and Payroll Departments, as it relates to improper assignment of system (Ceridian) access control; and
- **Other findings,**
  - a. **2007-2** - Adhere to Recordkeeping Policy for Revenue Refunds;
  - b. **2007-3** - Untimely Deposit of Checks from Prospective Bidders; and
  - c. **2007-4** - Improve Employee Termination Process.

Members of the Board and Management discussed the responses to the findings. The results of those discussions are documented as follow-up items below. The consultant noted that they are required to disclose any disagreement with management and any consultations with other auditors. They indicated that there were no disagreement with management on financial accounting and reporting matters. They also stated there were no difficulties encountered in dealing with management or staff and no consultation with other auditors occurred.

The Committee was informed that three GASBs are required to be implemented in 2008. Additionally, there will be one GASB required for 2009.

### **Executive Session**

The Committee went into executive session with the auditors and management.

### **Internal Auditor's Report**

The Internal Auditor presented the following status report:

#### **Status Report on Engagements**

- As a result of extensive work on the payroll related activity, there have only been two reports completed since December 2007, Memo to the DC Office of the Inspector General and the Bryant and Associates Overhead Review.

<sup>1</sup> Consolidated Annual Financial Report

<sup>2</sup> [GASB 42: Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries]

- The four findings in the Management Letter comments in today's Report will go into our follow-up program. The status of these findings will be reported back to this Committee.
- In future meetings the Audit Committee will be provided with a listing of proposed engagements and the associated status.
- Mr. Hunter indicated that the MLC will go into the follow-up program.

### **2008 Meeting Schedule and Committee Workplan**

The Committee agreed that it would revisit its work plan as it relates to the Board's Strategic Plan and the Committee noted that work plan needed to be revised and updated.

Mr. Bardin asked that the Audit Committee, the Internal Auditor and management give additional consideration to the Impervious Service Database project with respect to the future billing methodology.

### **Adjournment**

The meeting was adjourned at approximately 12:15pm.