



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

Audit Committee

**Tuesday, June 16, 2009
1:00 p.m.**

Meeting Minutes

Committee Members Present

Timothy Firestine, Chair
David J. Byrd
Brenda Richardson

Other Board Members

David J. Bardin

Staff Present

Jerry N. Johnson, General Manager
Johnnie Hemphill, Chief of Staff
Olu Adebo, Chief Financial Officer
Avis M. Russell, General Counsel
Spencer Thomas, Senior Internal Auditor
Linda R. Manley, Board Secretary

Call to Order

Mr. Firestine called the meeting to order at approximately 1:00 p.m.

Summary of Internal Audit Activity

Current Staffing Status

Mr. Hemphill reported on the current staffing status of the Office of the Internal Auditor (IAO). He noted that all individual contractors for the IAO had been separated from DCWASA. Sandra Ross, Executive Assistant was currently placed in a temporary six-month assignment with the Department of Maintenance Services Water/Sewer Pumping Maintenance. This assignment is eligible for a 3month extension. Mr. Spencer Thomas, Senior Internal Auditor, has been temporarily assigned to work under the Chief of Staff with Ranjit Thomas, Director Process Improvement & Performance Management as well as with the Office of the Chief Financial Officer (OCFO).

Mr. Firestine stated his view that the outsourced IA function not report to the OCFO He encouraged management to revisit the reporting alignment of the OIA, noting that the Office of the General Manager may provide a more appropriate reporting structure.. Mr. Bardin noted that management should complete its review quickly.

Status of Audit Engagements

Mr. Spencer Thomas gave a high level summary on the final Internal Audit Office Report on the OCFO Internal Controls Monitoring Program. He noted that the purpose of the analysis

was to determine the extent to which the OCFO's Internal Controls Monitoring Program currently aligns with Internal Controls Best Practices. The audit was to gain an understanding from management of how the program was developed, determine the effectiveness and efficiency of the current program procedures, report any/all key control gaps identified as a result of Internal Audit's review and provide management with constructive recommendations.

The IAO provided the following two recommendations:

1. Formally identify and document the program's agenda and objectives
2. Re-align current activities and procedures performed to monitor clearly defined areas related to key controls and associated risk.

Finally, the Internal Audit Report concluded that the OCFO's Internal Control Program is a positive step in terms of providing continuous monitoring and oversight. However, the program is not fully aligned with internal controls best practices. Staff is available to provide assistance and provide recommendations for improvements for the current program, and specify areas of key controls and associated risks as identified by industry best practices.

Mr. Firestine stated that the OCFO Internal Controls Monitoring Program appears to be effective.

Internal Audit Outsourcing Initiative Update

Mr. Adebo provided an overview of the RFP preparation, outsourcing selection and contract development. Of the eleven firms pre-screened, four were selected for the shortlist. The panelists, made up of four senior staff members, met on May 27th to review the four proposals. The shortlisted firms made their presentations to the panel on June 1 and the panelists made their selection recommendation on June 5th. He noted that contract negotiations are ongoing in an effort to reduce pricing and to address performance clauses. It is anticipated that the negotiations will be settled and the contract will be executed by the middle of July. Staff will provide the Committee with a six month review of the contract performance in April 2010.

Mr. Adebo noted that a draft Committee workplan will be presented for discussion at the September 2009 meeting.

There was additional discussion on the selection of Deloitte & Touche, LLP regarding the pricing associated with risk assessment, their experience and budget implications and the day-to-day management of the contract.

Mr. Firestine asked why the panel selected Deloitte & Touche. Mr. Adebo explained that the firm had demonstrated strong experience working as a fully outsourced rather than as a co-sourced IA function. He noted that Paul Bender was brought on board in February to assist

with the technical review of the proposals and will return in approximately six months to review the initial Risk Assessment that will be performed by Deloitte & Touche sometime in mid July.

Action Items

Joint Use Contracts Considered and Approved				
No.	Prime Contract	Scope	LSDBE Participation	Amount
WAS-09-038-AA-MB	Deloitte & Touche LLP	Base Year	0%	\$798,000
WAS-09-034-AA-GA	Thompson, Cobb, Bazilio & Associates, P.C.	Two Year Base Period	0%	\$427,680

In response to Committee questions, staff noted that Deloitte & Touche, LLP’s proposal had the best value evaluation technical approach and experience of the proposals received.

With regards to the recommendation for External Auditor, only two firms submitted a RFP. Most firms elected to submit a RFP for the Internal Audit Outsourcing Firm. Based on the two proposal received, Thompson, Cobb, Bazilio & Associates, P.C. has selected.

The Committee agreed unanimously to forward the two contracts to the full Board for approval.

Executive Session

The Committee went into executive session.

Adjournment

Hearing no other business, the meeting was adjourned.