



**DISTRICT OF COLUMBIA
Water and Sewer Authority**

Audit Committee

**Thursday, November 29, 2012
9:30 a.m.**

Meeting Minutes

COMMITTEE MEMBERS PRESENT

Bradford Seamon, Chair
Timothy Firestine
Dr. Joseph Cotruvo

SC&H Group LLC

Joseph Freiburger

STAFF PRESENT

Christopher Carew, Chief of Staff
Randy Hayman, Chief of Staff
David McLaughlin, Director, DETS
Charles Sweeney, Director, Water Services
Salil Kharkar, Director, Process Engineering
Anthony Mack, Director, Maintenance Services
Joseph Edwards, CIO (Acting)
Linda R. Manley, Board Secretary

Call to Order (Item 1)

The Audit Committee meeting began at 9:38 a.m. The meeting was called to order by Mr. Seamon. Mr. Seamon then turned the meeting over to Mr. Carew.

Presentation on DC Water's Asset Management program (Item 2)

Mr. Carew led a presentation on DC Water's Asset Management program assisted by several staff members. The presentation described the asset management life cycle, then focused on the types of assets that are presently managed, as well as new assets that are coming on line and how to implement a new program to more effectively manage all DC Water assets. Mr. McLaughlin talked about leveraging current programs and initiatives, work that has previously occurred, and the three steps of the implementation program: Program Design & Management, Program Implementation & Communication, and Organization Setting.

Mr. Kharkar discussed the importance of creating a solid foundation from which to implement a new asset management program. He pointed to the IT work that has already been performed, as well as the development of the project budget and timeline.

Mr. Sweeney talked about the present and future activities associated with the program implementation. He outlined the current activities that support the development of the program and upcoming plans and initiatives.

Mr. Carew discussed the complexities associated with the implementation of the asset management program. These complexities include the quantity and complexity of the assets, as well as labor union considerations, and the potential need to revisit the current pay scale in consideration of the highly-skilled employees that will be needed.

Questions from the Committee focused primarily on the breakout and justification of the proposed spending (\$20 million), the use of third parties versus in-house labor, as well as the consideration of historical cost/benefit data from other utilities that have implemented similar programs. Mr. Carew agreed to provide a breakout of the projected costs associated with the program and the planned implementation timeline. Mr. Carew also agreed to consult with the external or internal auditors to assure that costs were properly categorized as either capital or operational. Mr. Kharkar will provide a breakout of the costs incurred by a Seattle utility during a similar implementation.

Review of Internal Audit Status (Item 3)

Mr. Freiburger outlined the items in the Internal Audit Update document. He noted that the FY13 audit plan was approved and noted that the 14 audits planned for the year were listed in the document. Mr. Freiburger added that there were two reports issued in FY13 for audits that were performed in FY12: IT Help Desk and Computer Operations, and Biosolids Management. Mr. Freiburger also informed the Committee that there were two FY13 audits currently in progress: Purchasing Card operations and Chemicals Purchasing, as well as two audits that will be starting shortly: Regulatory Compliance and Cashiering at Remote Sites.

Mr. Freiburger then reviewed the objectives and findings from the IT Help Desk and Computer Operations, and Biosolids Management reports and asked the Committee if there were any questions:

IT Help Desk and Computer Operations report – In response to Mr. Firestine's question regarding the current back-up power available at each location given the recent storms and associated power outages. Mr. Joe Edwards, Chief Information Officer, outlined the current configuration and contingency plan in the event that power is lost at one or multiple facilities. Mr. Firestine voiced concerns regarding the adequacy of the current back-up power at each location. Mr. Seamon asked Mr. Edwards to determine the cost associated with redundant back-up generators, and also to consider the impact of a move to cloud-based storage and the need for redundant back-up power at multiple locations.

Biosolids Management report - Dr. Cotruvo asked if the scope of the review included the oversight of third-party contractors and their performance. His question was in response to an issue with a contractor that resulted in an increased cost estimate. Mr. Freiburger noted that it wasn't considered in the current audit, but that it could be included in future reviews, or that it could fall into the scope of a different audit, such as Capital Project Management, and that he would investigate to assure that the topic was properly considered in the appropriate review.

Mr. Freiburger then discussed the Management responses to previously identified audit recommendations and noted eight Management responses that were past-due and thus labeled as “expired”. Mr. Carew provided additional information to the Committee regarding the approval of updated Human Capital Management process documents. He indicated that pending labor union negotiations complicated the approval process. Mr. Seamon agreed that this item could come off of the “expired” list. Mr. Carew also provided information about the pending implementation of a Safety training and compliance monitoring software tool. Mr. Seamon asked that this item remain on the “expired” list with a footnote explaining the status. Mr. Seamon then asked about the status of the implementation of a new leak detection program. Mr. Charles Kiely, AGM of Consumer Services, advised that they had selected the Aclara leak detection system and anticipated implementation within 60-90 days.

Mr. Seamon then noted that the meeting was running past the allotted time. He asked that the remainder of the explanations for “expired” management responses be done off-line. Mr. Seamon then asked about the status of the Fraud Hotline.

Update on Establishing Fraud Hotline (Item 4)

Mr. Freiburger informed the Committee that a vendor had been selected to provide the Fraud Hotline service and that a contract would soon be executed. Mr. Freiburger estimated that it would take four weeks from the time the contract is signed until the Fraud Hotline is implemented. Following the implementation of the hotline, he expects two weeks for Fraud Hotline training and awareness for DC Water personnel, as well as the training of the SC&H staff that will be responsible for the operation of the Fraud Hotline. Mr. Freiburger anticipated that the Fraud Hotline would be active and operational around the first week of February, 2013.

Mr. Freiburger then noted that he hadn’t discussed the IT asset inventory. Mr. Seamon stated that he and Mr. Hayman had discussed the topic, and that the inventory issue was being resolved.

At 11:10 a.m. the meeting was adjourned.

Action Items

1. Provide a breakout of the projected costs associated with the program and the planned implementation timeline.
2. Provide a breakout of the costs incurred by a Seattle utility during a similar implementation.
3. Determine and report to the Committee the cost associated with redundant back-up generators, and also to consider the impact of a move to cloud-based storage on the need for redundant back-up power at multiple locations.