



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

Audit Committee

**Tuesday, September 16, 2009
9:00 a.m.**

Meeting Minutes

Committee Members Present

Timothy Firestine, Chair

Other Board Member

David J. Bardin

TCBA Consultants

Uzma Malik

Staff Present

Avis M. Russell, Interim General Manager
Johnnie Hemphill, Chief of Staff
Olu Adebo, Chief Financial Officer
Meena Gowda, Acting General Counsel
Spencer Thomas, Senior Internal Auditor
Linda R. Manley, Board Secretary

Call to Order

The meeting was called to order at approximately 9:10 a.m.

Annual Independent Audit Update

Ms. Uzma Malik informed the Committee that TCBS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the US.

TCBS is in the risk assessment phase of the audit and are interviewing WASA personnel in various departments to update our understanding of key processes and controls. TCBS plans on completing our fieldwork and issuing a report by December 15th.

TCBS will timely communicate to the Board any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts that come to our attention, and disagreements with management and other serious difficulties encountered in performing the audit. They will also communicate to the Board and to management any significant deficiencies or material weaknesses in internal control. Mr. Firestine suggested that TCBA plan to meet with the Board Chairman.

Internal Audit Outsourcing Initiative Update

Mr. Adebo gave the Committee a brief overview of the RFP issuance, outsourcing selection and contract negotiation process. He noted that staff undertook the outsourcing of the Internal Audit Office in early March and that the RFP was issued in April. Eleven proposals were received and initially all the firms were evaluated as qualified. Staff shortlisted in June and conducted follow-

up interviews and ultimately made a recommendation to this Committee in July to select the firm that received the highest score from the evaluation committee. Staff attempted to negotiate the terms of the contract with the selected firm, but without success. Consequently, staff proceeded with procurement guidelines and engaged SC&H, the firm who received the second highest score from the evaluation committee. After several meetings WASA has been successful in negotiating most of the provisions of the contract and staff expects to wrap up the contract in the next week or so.

Staff has prepared a fact sheet for the Committee's consideration and recommendation to the full Board. SC&H is a highly qualified firm that WASA believes will be able to undertake the engagement with a high quality of work standard. Based on the delay in the contract negotiation, the schedule will have to be slightly adjusted. With the consent of the Committee the contract would be presented to the full Board for approval at its October 1st meeting. If approved by the Board, SC&H would be able to commence work during the first week of October. In addition, SC&H have asked for up to five weeks to complete a risk assessment and based on the risk assessment to prepare the first annual work plan.

Mr. Adebo informed the Committee that SC&H is based in McLean, Virginia and is well rated. He noted that their area of expertise is internal audit outsourcing and that they have a versed audit staff. In response to Mr. Firestine question regarding their other clients, Mr. Adebo provided a couple of their client but in response a follow-up question from Mr. Firestine noted that they have no full outsourcing public sector clients.

In response to a question about how the contract will be executed, Mr. Adebo informed the Committee that the contract allows for an estimated total of 6,000 hours annually, which is based on the level of resources used by WASA in past years. SC&H will maintain four full time positions (one manager and three staff members) for which the personnel could be rotated based on the engagement or subject expertise. He noted that SC&H is a national CPA firm with four different offices.

There was also a discussion on whether it would be feasible to have the financial plan that the Board adopts every year audited. It was noted that the financial plan itself is not auditible; however it may be worthwhile having the oncoming audits to look at how WASA performs relative to the financial plan.

Executive Session

The Committee went into executive session.

The Committee reconvened into open meeting.

Action Items

- Revised Recommendation for internal Audit Outsourcing Firm

The Committee agreed to forward the selection of SC&H to the full Board for approval.

Adjournment

Hearing no other business, the meeting was adjourned.