

**DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY**

**Board of Directors**

*Audit Committee*

*Thursday, October 2, 2014*

10:30 a.m.

1. **Call to Order**.....Nicholas A. Majett, Chairperson
  
2. **Internal Audit Activities**.....Dan Whelan, Auditor General
  - A. **Introductory Remarks and Brief Overview**
  - B. **Results of Risk Assessment - Proposed FY2015 Audit Plan**
  
3. **Executive Session** .....Nicholas A. Majett, Chairperson
  
4. **Adjournment**.....Nicholas A. Majett, Chairperson

# DC Water Audit Committee Meeting

October 2, 2014



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# Agenda

- **Introductions**
- **Internal Audit Methodology**
- **Risk Assessment Process**
- **Proposed Internal Audit Plan**
- **Next Steps**

# DC Water Core Team



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- 2,800 public sector clients nationwide
- Full service consulting and accounting firm
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## Public Accounting Report – Top 10 Firms

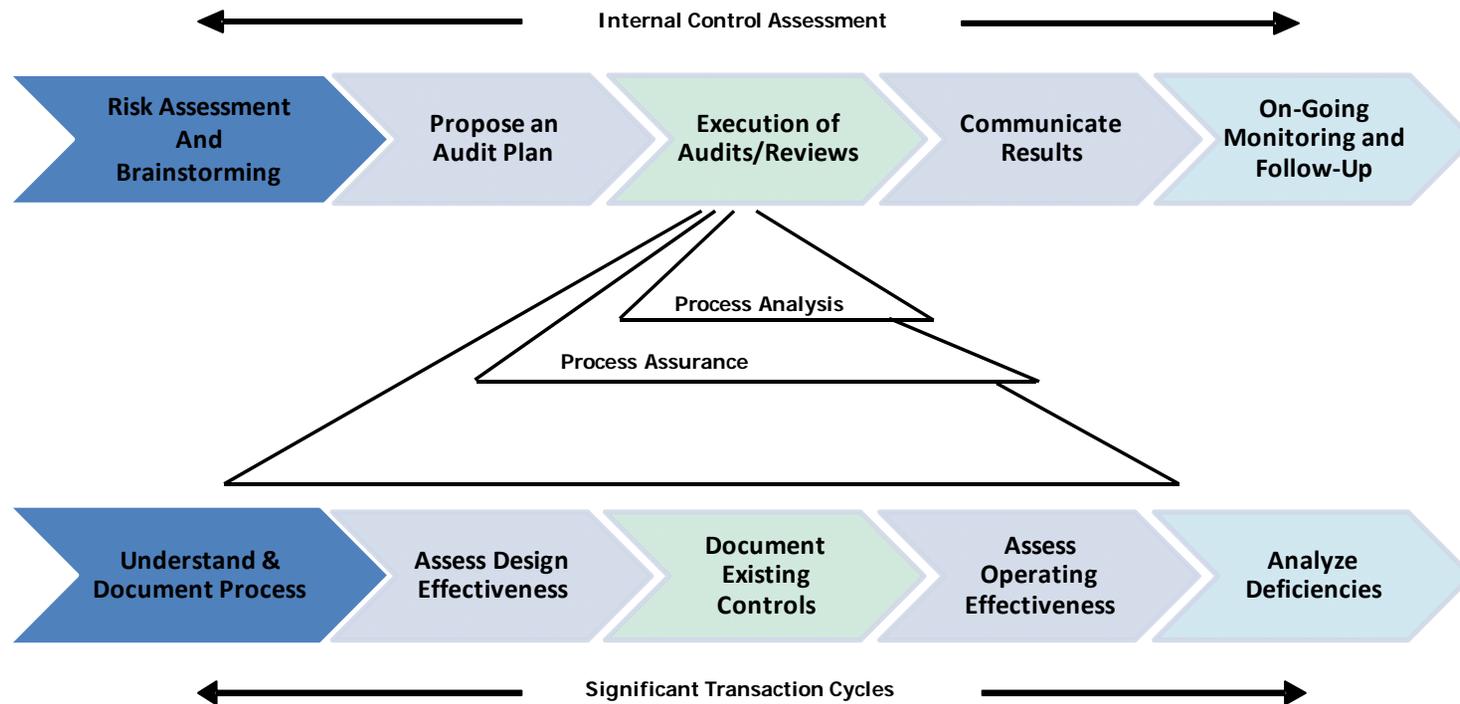
Rank	Firm	Offices
1	Deloitte	102
2	E&Y	80
3	PwC	76
4	KPMG	88
<b>5</b>	<b>McGladrey</b>	<b>78</b>
6	Grant Thornton	52
7	BDO	37
8	CBIZ	180
9	Crowe Horwath	25
10	BKD	31

Source: 2012 Accounting Today

Risk Advisory	Financial Advisory	Technology Services	Audit Services
<ul style="list-style-type: none"> <li>• Contract Compliance and Cost Recovery</li> <li>• Security and Privacy Services</li> <li>• Internal Audit</li> <li>• Enterprise Risk Management</li> <li>• Construction Oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Improvement</li> <li>• Finance Operations</li> <li>• Anti-Fraud</li> <li>• Project Management</li> <li>• Litigation Support</li> <li>• Budgets &amp; Modeling</li> </ul>	<ul style="list-style-type: none"> <li>• Program Mgmt</li> <li>• IT Strategy</li> <li>• Network Infrastructure</li> <li>• Security Architecture</li> <li>• Business Continuity</li> <li>• ERP Selection, Controls and IV&amp;V</li> </ul>	<ul style="list-style-type: none"> <li>• GAO Performance Audits</li> <li>• Federal Funds Compliance</li> <li>• IT Security</li> <li>• SSAE16</li> <li>• External Audit</li> <li>• Tax Compliance</li> </ul>



# Internal Audit Methodology



# Risk Assessment Process

## Background

- Analyzed your strategic plan, budget documents, financial statements and other key information in order to understand the specific business objectives, stated imperatives, key financial metrics and forecasts, and any identified barriers or threats.

## Risk Rating Criteria

- Utilized risk rating criteria that will be used to prioritize audits-
  - Risk factors include – Control environment, Change, Financial, Organizational, Compliance, External Factors and Revenue Source / Materiality
  - Risks include Financial, Compliance, Operational and Risk of Poor Public Perception

## Interviews and Brainstorming

- Interviewed the GM, AGM's, Department Directors, and key process owners regarding the risks, financial position and growth expectations, strategies and objectives.
- Brainstormed using the risk factors and discuss the Impact and Likelihood of functions and "what could go wrong?"

## Internal Audit Plan

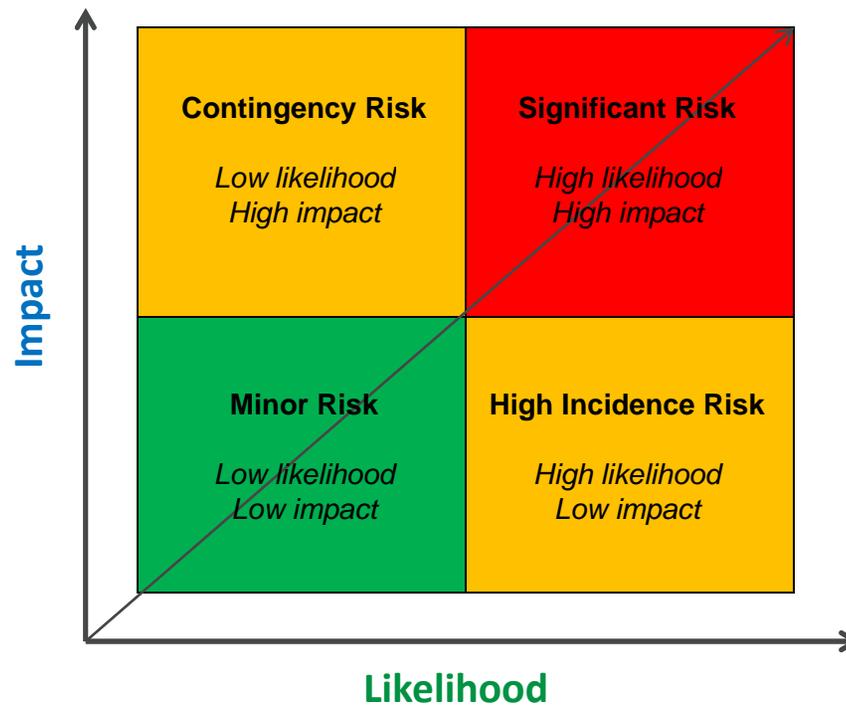
- Collaboratively prioritized processes and developed a proposed audit plan to assess the highest risk areas that directly aligns with Blue Horizons 2020. The risk assessment and proposed audit plan will be reviewed regularly with the Internal Audit Sponsor, and revised when necessary to account for changes in priorities and degree of risk for different functions.
- Obtain Audit Committee approval of the proposed audit plan.

# Risk Assessment Process

- Risks identified are assessed from two primary perspectives: *likelihood* and *impact*.

**Likelihood** – the probability that something will occur.

**Impact** – the effect that an event will have on the organization.



# Proposed Internal Audit Plan 2015

<b>Finance</b>
Payroll - Timekeeping & Overtime
Rates and Revenue Calculation
<b>General Counsel</b>
Intellectual Property
<b>Information Technology</b>
Information Security Policy
Network Penetration Testing
Operational Applications ITGC Review (SCADA)
Vendor Management
<b>Labor Relations</b>
Workers Compensation
<b>Consumer Services</b>
Aqueduct Contract
<b>Engineering</b>
Engineering - Contractor Management

# Next Steps

- **Create an Audit Committee Charter**
- **Develop a Communication Plan**
- **Transition of Hotline maintenance (formalize the protocol)**
- **Follow-up on un-remediated findings from prior reports**
- **Schedule audits with the appropriate departments**
- **Audit Execution**
- **Communicate - Communicate - Communicate!!**

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**Audit Committee - 2. Internal Audit Activities -Dan Whelan, Auditor General**

 		<b>DC Water &amp; Sewer Authority</b> Audit Plan October 2009 through September 2014 Proposed 2015, 2016 and 2017							
Key -		2010	2011	2012	2013	2014	Proposed 2015	Preliminary 2016	Preliminary 2017
X	Proposed audit plan								
X	Audit in process								
X	Audit complete, open management action plans								
X	Audit closed								
<b>Overall Audit Functions</b>									
	Risk Assessment						X		
	Update Risk Assessment and Audit Plan Development							X	X
	Follow-up Procedures						X	X	X
	Quality Control - Board meetings, Status Reporting						X	X	X
	Fraud, Waste & Abuse Hotline Management						X	X	X
<b>Entity - Wide</b>									
<b>External Affairs</b>									
	Community Outreach & Education								
	Government Relationships								
<b>Finance</b>									
<b>Financial Accounting and Reporting</b>									
	Accounts Payable			X					
	Disposal of Assets					X			
	Fixed Assets & Equipment							X	
	Financial Statement Consolidation & Reporting								
	General Ledger								
	Grant Operations		X						
	Payroll			X					
	Payroll - Timekeeping & Overtime						X		
<b>Financial Planning and Analysis</b>									
	Annual Budgeting & Planning								
<b>Treasury, Debt and Risk</b>									
	Cash Receipts	X							X
	Debt Management								
	Insurance Program Procurement & Insurance Claims Management			X					
	Investments and Cash Management				X				X
	Rates and Revenue Calculation						X		
<b>General Counsel</b>									
	Intellectual Property						X		
	Legal Operations								
	Regulatory Compliance Monitoring	X			X				
<b>Information Technology</b>									
	GIS System					X			
	Access Provisioning and DeProvisioning	X							
	Asset Management				X	X			
	Business & Operating Applications			X					
	Customer Data Collection and CIS							X	
	Disaster Recovery & Business Continuity Plans		X			X			X
	Financial Applications							X	
	Governance & Strategy Review				X			X	
	Help Desk & Computer Operations			X					
	Human Resource/Employee Privacy						X		X
	Information Security Policy						X		
	Internal & External Network Intrusion/Penetration Testing	X			X		X		
	Internal Network & Telecommunications				X				
	Incident Response							X	
	Physical Security								X
	SCADA						X		
	SDLC and Change Management	X			X				X
	Vendor Management		X				X		
<b>Labor Relations</b>									
	Labor Relations - Contract Management & Compliance							X	
	Workers Compensation						X		
<b>Strategic Planning</b>									
	Organization Governance								
	Organization Policies & Procedures	X							
	Succession Planning	X							X
<b>Support Services</b>									
<b>Facilities Management</b>									
	Facility Operations, Maintenance & Costs								X
<b>Fleet</b>									
	Fleet Management		X		X				X
<b>Human Capital Management</b>									
	Employee Benefit Plans					X			
	Employee New Hire and on-boarding Processing							X	
	Recruitment & Training System								X
	Human Capital Management		X						
<b>Occupational Safety and Health</b>									
	OSHA					X			
	Safety Programs, Training & Compliance	X							
<b>Procurement</b>									
	Outside Contractor Management - Part 1					X		X	X
	Outside Contractor Management - Part 2					X			
	Procurement Operations	X							
	Purchasing Cards (P-Card Program)		X		X				X
	Warehousing & Inventory			X		X			
<b>Security</b>									
	Facility Security & Contingency Planning		X						
<b>Individual Function Audits</b>									
<b>Blue Plains</b>									
<b>Maintenance Services</b>									
	Maintenance Services Operations			X				X	
<b>Plant Operations</b>									
	Biosolids Management			X					
	Chemical Purchasing				X				
	Process Control System (PCS)				X				
<b>Water and Sewer Pumping</b>									
	Pumping & Storage Water Leakage Review		X						
<b>Consumer Services</b>									
<b>Customer Service</b>									
	Automated Meter Reading (AMR) & Customer Billing		X					X	
	Customer Service Operations			X					
<b>Emergency Management</b>									
	Emergency Management - Mitigation & Response					X			
	Emergency Management - Recovery					X			
<b>Sewer Services</b>									
	Sewer Services - Construction & Repair					X			
	Sewer Services - Distribution								
<b>Utility Services - Water</b>									
	Aqueduct Contract	X					X		
	Fire Hydrant Maintenance		X						
	Utility Services - Water Distribution				X				
	Utility Services - Water Maintenance				X				
<b>Engineering</b>									
<b>Clean Rivers</b>									
	Clean Rivers Project Management					X			
<b>Engineering and Technical Services</b>									
	Engineering - Budget Management						X	X	X
	Engineering - Contractor Management								
	Engineering - Project Planning & Design; Procurement	X			X				
	Capital Projects								
<b>Permit Operations</b>									
	Permit Operations		X	X					
<b>Contingency and Requested Audits and Projects</b>							TBD	TBD	TBD

Total proposed audits 10 11 13