MINUTES OF THE MEETING
AUDIT AND RISK COMMITTEE
APRIL 24, 2025
(via Microsoft Teams)

COMMITTEE MEMBERS PRESENT

1. Christopher Herrington, Chair, Principal, Fairfax County
2. Floyd Holt, Vice Chair, Principal, Prince George's County
3. Sarah Motsch, Alternate, Fairfax County
4. Richard Jackson, Principal, District of Columbia
5. Anthony Giancola, Principal, District of Columbia

OTHER BOARD MEMBERS PRESENT

1. Unique Morris-Hughes, Principal, District of Columbia

DC WATER STAFF

1. Marc Battle, Chief Legal Officer and EVP, Government & Legal Affairs
2. Matthew Brown, Chief Finance Officer and EVP, Finance, Procurement & Compliance
3. Kirsten Williams, Chief Administration Officer and EVP
4. Michelle Rhodd, Secretary to the Board

INTERNAL AUDIT STAFF

1. Tiffany McCoy, Cherry Bekaert
2. Christopher Leffler, Cherry Bekaert
3. Rachel Drishinski, Cherry Bekaert
4. Brian Miller, Cherry Bekaert

Christopher Herrington, Chair, called the meeting to order at 11:02 AM. The meeting was conducted via MS Teams. Secretary to the Board Michelle Rhodd called the roll.

I. ENTERPRISE RISK MANAGEMENT (ERM) UPDATE

Francis Cooper, Director of the Enterprise Program Management Office, began with a timeline of the implementation of the bottoms-up approach to ERM updates.

Beginning in March 2025, Authority departments have been educated via roadshows on how to identify department risks. As of April, departmental roadshows are ongoing for personnel in Procurement, People & Talent, and the Office of Marketing and Communications. In May, refresher trainings will commence for ERM 201 and 202 with a goal to complete all roadshows and trainings for all Authority departments by September 2025 to support use of the Origami system to engage the ERM team and ERM governance structures with newly identified risks and mitigation strategies.

Mr. Cooper noted that a top-down approach was first implemented to look at strategic risks with the Board and senior management. The bottoms-up approach is designed to identify more tactical, operation-based and department-based risks and opportunities leveraging an ISO 31000 approach. The goal is to socialize this knowledge to expand the risk awareness culture in the organization. Intended benefits of the roadshows include a deeper understanding of departmental risks; the ability to identify and evaluate risks and make effective risk-informed decisions; an enhanced risk-aware culture; reduced silos through fostering collaboration between departments; and new opportunities for employees to ask questions, share concerns, and feel heard.

Mr. Cooper then provided an update on the reengagement ERM 201 and 202 trainings. ERM 101 compliance suite training was rolled out in 2023 and 2024 for all non-union DC Water employees to promote better and faster risk-informed decisions and to support a risk-aware culture. In 2023, foundational ERM 101 training was advanced to all employees with a 100% completion rate. ERM 201 training focuses on identifying, assessing and prioritizing risks. In August 2023, it was delivered to approximately 140 senior leaders and will be delivered to the remaining 160 leaders in 2025.

ERM 202 training focuses on treating, monitoring and reporting risk and understanding the differences between departmental and enterprise risks. In September 2023, ERM 202 training was delivered to 126 senior leaders. The goal for 2025 is to engage the remainder of the 300 leaders.

Mr. Cooper concluded with a review of the risk register as of July 2024. Committee member Anthony Giancola noted that the Committee has several new members, the Board composition has changed, and the new Board Chair took office in January 2025. He suggested that the Board receive a comprehensive update on the risk register and a survey to provide input on priority risks. The Committee suggested this may be an item to address

at the Board retreat. It was noted that last annual risk survey was distributed last Fall to the Board, only six board members completed the survey.

II. FY 2025 INTERNAL AUDIT PLAN

A. FY 2025 INTERNAL AUDIT PLAN STATUS UPDATE

Tiffany McCoy of Cherry Bekaert reviewed the internal audit plan, beginning with an update on the Work Order Management – Facilities Services Audit and the audit objectives. The audit results included 14 findings: five high risk, eight medium risk, and one low risk.

For each of the five high-risk findings, Ms. McCoy presented a review of the finding and a recommendation for remediation.

Finding 1 revealed that there were 55 names on Maximo's 19 Facilities employee person groups but six were not listed in the FY2025 Q1 employee database and five appeared to have the wrong level of access. Cherry Bekaert recommends adding a review of each user's employment status, access, and permission levels to the user access review process. Rachel Drishinski, Cherry Bekaert responded to Mr. Giancola that Maximo has been in use by the Authority since 2001 and by Facilities since 2018. Ms. McCoy noted that user access problems are common to many Cherry Bekaert clients. Committee Chair Christopher Herrington clarified that the Authority should be assessing access levels during onboarding and offboarding and periodic and quarterly reviews should also be added to the process.

Finding 2 revealed a lack of documentation procedures for asset retirement and disposal. Cherry Bekaert recommends developing and implementing comprehensive procedures that clearly define the steps and responsibilities for the retirement and disposal of assets. Ms. McCoy responded to Mr. Herrington, noting that effectiveness of the Maximo system for the asset management lifecycle was reviewed at a high level to see what portions of the lifecycle were managed within the system, and whether the process aligned with approved documentation.

Finding 3 identified instances of non-compliance with standard operating procedures by leaving required fields empty. Cherry Bekaert recommends ensuring critical fields be required and entered.

Finding 4 identified a gap in the monitoring and documentation of defective batches of parts and their corresponding suppliers. Cherry Bekaert recommends incorporating an option to identify defective or low-quality parts, materials, or tools to enable facilities and materials management departments to select higher-quality

supplies and vendors, optimize resource allocation, and enhance the efficiency of work tasks. Mr. Giancola noted that when Maximo was implemented, there were concerns about tracking too much information. Wayne Griffith, Chief of Staff noted that the tracked data was being recalibrated. Mr. Herrington suggested configuring required fields to be non-nullable.

Finding 5 noted that the auditors were unable to obtain policies pertaining to vendor management or procurement or to review DC Water's contract with Maximo. Cherry Bekaert recommends conducting an initial risk or criticality assessment prior to the procurement and implementation of a new system, and performing ongoing contract compliance and system performance monitoring for all third-party vendors.

In response to Mr. Giancola, Kirsten Williams, Chief Administrative Officer noted that there may be KPIs that are tracked for management and not reported to the Board or committees and stated that these items could be highlighted in the monthly report to the CEO.

The Committee further discussed Cherry Bekaert's inability to obtain a copy of the Authority's contract with Maximo. Ms. McCoy confirmed that the contract was requested but not provided due to sensitive information in the contract. Ms. Williams noted she would investigate further to find out whether a redacted version of the contract could be provided.

The AI Policy Governance Assessment is complete, and the report provided to management on April 7, 2025. Audits in progress include the Safety Audit, which is nearly complete. Testing for the External IP Block SCADA Environment Penetration Testing Audit was completed the week of March 24, 2025, and the report is near completion. The Internal Production SCADA Environment Penetration T Management Assessment is underway with follow-up meetings scheduled for the next week. The Strategic Plan Monitoring Audit to evaluate the process around strategic planning has begun, and testing will resume next week. The Data Governance and Reporting Management Assessment will be rescheduled to FY2026 and one of the other engagements in the internal audit plan will be completed in 2025 in its place.

B. STATUS UPDATE ON PRIOR AUDIT FINDINGS

Ms. Drishinski provided an update on the prior audit , noting that the auditor had transitioned from tracking quarters to the number of months from audit finding issuance to closure in order to show management's efforts to achieve timelier audit finding closures.

During the last quarter, 13 prior audit findings were moved to "closed" or "pending validation." Open and pending validation findings were updated based on responses received from the responsible parties. In total, six audit findings from FY2017 to FY2023 are currently open and 204 are closed. Of the six open findings, two are high risk. Mr. Giancola requested a summary of all high-risk findings to be included at the end of the report.

For FY2024, there are two open findings and one in pending testing status. Cherry Bekaert is working with management to close out the open findings. For FY2025, the auditor is awaiting actions plans from management for the 14 open findings.

C. HOTLINE UPDATE

Ms. McCoy provided the Fraud, Waste, and Abuse Hotline update. For the year-to-date, seven allegations have been received. Five of the reported cases have been closed and two remain open, pending further investigation. Two of the recorded cases represent separate calls for the same case.

III. ADJOURNMENT

The meeting adjourned at 11:53 AM.

Follow-up actions:

1. Ms. Williams will investigate further to find out whether a redacted version of the Maximo contract could be provided.
2. Mr. Giancola requested that a summary of all high-risk findings be included at the end of the internal audit report.
3. Staff was asked to update the Board training on the risk register, for delivery at a Board meeting or retreat.