



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

COMMITTEE MEMBERS PRESENT

1. Christopher Herrington, Chair, Principal, Fairfax County
2. Jed Ross, Principal, Vice Chair, Principal, District of Columbia
3. Sarah Motsch, Alternate, Fairfax County
4. Anthony Giancola, Principal, District of Columbia
5. Amy Stevens, Alternate, Montgomery County

OTHER BOARD MEMBER PRESENT

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

DC WATER STAFF

1. Matthew Brown, Chief Finance Officer and EVP, Finance, Procurement, & Compliance
2. Kirsten Williams, Chief Administration Officer and EVP
3. Jeffrey Thompson, Chief Operating Officer and EVP
4. Michelle Rhodd, Secretary to the Board

INTERNAL AUDIT STAFF

1. Tiffany McCoy, Cherry Bekaert
2. Rachel Drishinski, Cherry Bekaert

Christopher Herrington, Chair, called the meeting to order at 11:00 AM. The meeting was conducted via MS Teams. Secretary to the Board Michelle Rhodd called the roll.

I. ENTERPRISE RISK MANAGEMENT (ERM) UPDATE

Matt Ries, Vice President of Strategy and Performance, introduced Janai Pinkney, Manager of Enterprise Risk, Policy Management and Internal Audit, who presented on behalf of Francis Cooper, Director, Enterprise Program Management Office.

Ms. Pinkney began with an update on the Authority's Enterprise Risk Management (ERM) activities and ongoing efforts to enhance risk awareness across the Authority.

Timeline of the Bottoms-Up Approach

The Authority continues to advance the bottoms-up approach to risk management at the operational and departmental levels to identify and manage risk more effectively through targeted roadshows across all departments. Since the initial rollout, staffing challenges have impacted the timeline, but the initiative is on track to be completed by the end of the fiscal year. Ms. Pinkney noted that the initiative aligns with CEO and General Manager David Gadis' performance goals for the year around engaging the Authority on the use of its ERM system, Origami, and promoting active use of the risk registry.

To date, bottoms-up approach road shows have been completed in five of the seven clusters and have already proven valuable in helping staff identify and evaluate risks. The next step is to complete road shows for engineering, IT, and the safety teams.

ERM Refresher Trainings

The Board- and employee-focused training programs for ERM 101 were launched in 2023 as part of the compliance suite training for all non-union employees, with 100% completion expected by August 29, 2025.

The first round of refresher training for ERM 201 is planned for August and designed to help employees identify potential risks and their impact on DC Water's strategic objectives, and to ultimately prioritize risk based on urgency and importance. The goal is to have 300 or more senior leaders complete ERM 201 by the end of September, and to ultimately sustain risk awareness by refreshing employees who are Grade 17 and above.

Deloitte delivered ERM training to the Board in October 2023. Ms. Pinkney noted there were several new Board members and a new Board chair who should receive training to understand the risk management framework. A refresher training session for the Board is accordingly in development.

In response to an inquiry from Committee member Jed Ross, Ms. Pinkney noted that union personnel are not formally trained as part of the ERM 101 initiative but receive risk awareness training through road shows. Mr. Ross noted that the concept of ERM is to acknowledge that anyone could identify a risk and advised leaders of all DC Water departments to ask all employees to identify concerns.

Committee member Anthony Giancola discussed Board training and the time since the 2023 sessions and advised that the Board should have an opportunity to weigh in on priority setting for the Authority. He noted that the Board survey completed several months ago had a poor response rate and urged some outreach before the next Board training session to seek Board input on priorities.

Wayne Griffith, Chief of Staff and EVP of Strategy and Performance, suggested that the most effective way to interface with union staff is consulting with Vice President, Employment, Labor, and HR Compliance Shawn Brown and Chief People Officer Amber Jackson.

Enterprise Risk Assessment (ERA) Overview

Ms. Pinkney concluded with an overview of the ERA process scheduled to begin in August or September 2025.

The process begins with a series of interviews with Directors and VPs, followed by a discussion with the senior executive team and the Board, with a goal to help identify risks affecting the Authority. Based on these discussions, a list of the top potential risks will be compiled, shared, and reviewed in risk prioritization workshops. The final step will involve presenting those risks to the Authority and updating the current risk registry.

Chair Herrington noted it is critical for Directors to fulfill their responsibility to be a resource and a guide to the staff. He urged the Board to participate in Board surveys and training opportunities to ensure the Board shares its perspectives to engage every level of the organization, to inform the assessment of risk to enable data-informed decisions, and to guide the Authority forward.

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 FY 2025.

The most recently closed internal audit is the Safety Audit, which kicked off in December of 2024 and concluded in late June and early July of 2025. The data reviewed in the audit was collected between January 1, 2020, and April 21, 2025.

The audit scope included five objectives:

1. reviewing safety-related policies and procedures;
2. evaluating whether employees are completing their required trainings;
3. reviewing data governance and how safety information is being collected, stored, assessed, and reviewed for quality assurance;
4. considering risk management practices, including identification through mitigation; and
5. reviewing practices surrounding the evaluation of staff's overall job satisfaction.

The Audit results included eight findings, of which four were rated high risk and four were rated medium risk. For each of the four high-risk findings, Ms. McCoy presented a review of the finding and a recommendation for remediation.

Audit Objective 2 was to ensure all employees have completed the required training.

Finding 2 noted that the auditors were unable to confirm the training was being completed due to the absence of training records. Ms. McCoy noted that while virtual walkthroughs indicated the training was being completed, the lack of records poses several risks including potential non-compliance with regulatory requirements, financial penalties, and potentially unsafe environments. The recommended remediation is for the department to develop a timeline with People and Talent to provide the necessary documents to move all eligible safety training courses to Oracle LMS. Management acknowledges the finding and is developing a timeline to complete the recommended records transition.

Committee member Anthony Giancola stated that the finding is extremely disappointing and inquired whether the records were not being recorded due to delays in implementing the new software system. He noted that safety was a top priority for CEO David Gadis when he was hired.

Kirsten Williams, Chief Administration Officer and EVP, affirmed that trainings are happening, but the audit helped identify gaps in accounting for these sessions. She also noted that the Authority exceeds standards for workplace safety training.

Committee member Sarah Motsch stated that without clear records, it is not possible to know whether training is reaching all staff who need it and suggested that if there is no paperwork, it could be assumed the training didn't happen. She noted that while holding training classes is great, it's critical to be able to track who is receiving their training to ensure all staff receive what they need to be able to do their job safely.

Board Chair Unique Morris-Hughes stated that the issue should be easy to resolve and suggested the Board discuss resolutions ahead of the upcoming retreat to clarify priorities. She asked Mr. Griffith to consult with his team and provide an estimate of the time required to remediate the issue at the next Board meeting.

Finding 3 revealed that the training matrix that defines employee training requirements by specific position/job title to track compliance completion had not been updated since September of 2024. Also, the required safety trainings were not accurate for all positions on the matrix, especially newer positions. The recommended remediation is to thoroughly update the matrix based on the current positions at DC Water before uploading it to Oracle; update the matrix when a position is added, removed, or amended; and assign a process owner responsible for maintaining the matrix. Management acknowledged the finding and will ensure the matrix is regularly updated, maintained, and monitored at least once per month.

Audit Objective 3 was to assess DC Water practices related to managing safety data to ensure data is accurate, accessible, secure, and used effectively to inform safety decisions.

Finding 5 noted that 185 employees have active access to safety data but have not had a business need for it in six months to five years. Additionally, 58 users were granted access to the system but never logged in, while another 58 terminated employees still had access. There are also a high number of active third-party vendor accounts with access to the system. The recommended remediation is to develop a user access policy outlining when and how system accesses are audited. Management acknowledges the issue and will work with the IT Department to integrate Origami's user access management with DC Water's corporate access management process.

Audit Objective 4 was to evaluate the effectiveness and compliance of the current workplace risk and hazard identification and mitigation processes against established safety standards and regulations.

Finding 6 indicated that corrective actions are not monitored to verify timely resolution, with 699 out of 943 corrective actions missing a completion. Additionally, there is no process in place to ensure observations are entered into the system. The recommended remediation is to establish a protocol for correction actions to be reviewed and cleared out periodically. Management acknowledges the issue and is working toward a process to meet the recommendation.

Mr. Giancola inquired whether there is adequate staff in the Safety Office to address all tasks or the issues are related to a lack of follow-through from the participating departments. He asked Wayne Griffith, Chief of Staff and Executive Vice President, Strategy & Performance to provide an update at the next meeting on staffing levels in the Safety Office. He also suggested that safety-related KPIs may require collection of unnecessary data.

Mr. Griffith noted the internal audit partner has also focused on ensuring appropriate management controls are in place, and there has been tremendous progress in meeting safety performance targets.

Mr. Herrington shared a quote from the Authority's Strategic Blueprint 2.0:

"People are our most important asset. Of course we have hard assets like pipes, vehicles, and machinery, both without our people, we are nothing. They are the lifeblood of our organization, and they keep the most fundamental resource we have clean and healthy water flowing for all of our communities. That's why their safety, physical and mental health and well-being is of paramount focus to our organization, because without them, we wouldn't be able to service our community safety, safely."

He stated that while he appreciates the work of Cherry Bekaert, the audit findings are incredibly disappointing and break trust with the Board and employees, given the stated

commitment to safety as a top priority. He also noted ongoing findings from years before the strategic plan update, though accident and injury rates for employees are trending in the right direction.

Chair Herrington asked staff and Human Resources and Labor Relations Committee Chair Jed Ross to weigh in on the unions' responses to proposed safety policies. Shawn Brown, Vice President, Employment, Labor, and HR Compliance noted that while two of the unions had no issues with the new policies, three expressed concern with the Family Medical Leave Accommodation, a drug-free workplace, and alcohol and controlled substance testing policies and requested bargaining on these issues. Shawn Brown noted that bargaining was not indicated as the policies do not have a material impact on working conditions, however, the Authority had taken these concerns seriously and to date had held two meetings with the unions to address their concerns. He noted that while communication with the unions will continue, the aim is to have all of the policies finalized by year end.

Ms. McCoy proceeded to the Fieldwork in Process update, noting that three projects were underway: Strategic Plan Monitoring, the External IP Block SCADA Environment Penetration Testing Audit, and the Internal Production SCADA Environment Penetration Testing Management Assessment.

B. STATUS UPDATE ON PRIOR AUDIT FINDINGS

Rachel Drishinski of Cherry Bekaert provided the prior open audit findings quarterly update. Four prior audit findings were closed in the last quarter, including one FY 2019 Safety Audit finding and all remaining FY 2024 findings. The average time from issue to closure for FY 2024 was 8.6 months, which is close to the target of eight months.

There are six open high-risk findings, pending the addition of the four new high-risk findings from the Safety Audit, which would bring the total open high-risk findings to 10. Four of the new findings are from the Work Order Management Audit that concluded on April 15, 2025, and include the lack of tracking of defective parts, noncompliance with the standard operating procedures, the maximum user access listing, and the lack of asset retirement and disposal procedures.

Of all prior audit findings from FY 2017 to FY 2023, 187 have been closed, and five remain open. Ms. Drishinski noted that the Audit team regularly reaches out to process owners to ensure remediations are on target for the estimated due dates. The completion dates for two Fleet Management Audit items have been extended: the policies and procedures item has been extended to September 30, 2025, and the manual tracking of employee credentials item has been extended to October 31, 2025.

Ms. Drishinski then reviewed the 21 FY 2025 findings for which management action plans are being incorporated into the remediation schedule.

The average completion time for prior audit findings has decreased from 10.5 months in 2020 to 8.6 months in 2024, and 2025 is on track to meet the target closure time of eight months.

C. HOTLINE UPDATE

Ms. McCoy provided the Fraud, Waste, and Abuse Hotline update.

For the year-to-date, nine allegations have been received. Five of the reported cases have been closed, and four were reported as open. Ms. McCoy noted that one open case had been recently closed, leaving only three under active investigation.

III. ADJOURNMENT

The meeting adjourned at 11:49 AM.

Follow-up actions:

1. Mr. Griffith will consult with his team and provide an estimate of the time required to remediate the issue lack of documentation for safety training issue at the next Board meeting.
2. Mr. Griffith will provide an update on staffing levels in the Safety Office at the next Board meeting.