

OUR VISION:

Oversight that inspires stakeholders' confidence...ALWAYS

OUR MISSION:

To help WSSC meet its objectives in a fiscally and ethically responsible manner, by striving to provide an independent and objective appraisal of WSSC's internal controls, risk management system, and compliance with laws, regulations, policies, and procedures.

ACHIEVE BUSINESS PROCESS EXCELLENCE AND MAINTAIN FINANCIAL STABILITY:

AUDIT PLAN:

FY 2018 Risk-Based Audit Projects:

- 1. Unbilled Revenue Operations Compliance Audit**
 - Final audit report and management memo issued 01/16/18. (100% Complete)
- 2. Basic Ordering Agreement (BOA) Compliance Audit**
 - Fieldwork phase. (44% Complete)
- 3. Fleet Services Operational Efficiency and Effectiveness Audit**
 - Report phase. Addressing IA Management Discussion Draft comments. (88% Complete)
- 4. Retiree Benefits Operational Efficiency and Effectiveness Audit**
 - Fieldwork phase. (26% Complete)
- 5. FY's 2015 and 2016 Blue Plains WWTP O&M Audit**
 - Fieldwork phase. (43% Complete)
- 6. FY 2017 Payroll Annual Compliance Review**
 - Preliminary review phase. (10% Complete)

Carryover Audit Projects:

- 1. Payroll Operational Compliance Audit**
 - Report phase. (90% Complete)
- 2. Right-to-Audit Specified Procurement Contracts Compliance Audit**
 - Report phase. (69% Complete)

Internal Audit Follow-Up:

As of 02/06/18, three (3) management action items were closed by the Finance (1) and Human Resources Departments (2) since the last status report (01/09/18). The Finance Department implemented one management action item requiring Internal Audit verification during this timeframe. There are no delinquent management plans of action. We will continue to work with management to track the status of all outstanding issues.

Continuous Compliance Audits:

- P-Card Reviews – 1st Quarter Report issued 01/10/18. Findings and action plans, if any, will be discussed with the Audit Committee at the quarterly meeting on 02/21/18.
- Accounts Payable Reviews – 1st Quarter Report issued 12/13/17. Findings and action plans, if any, will be discussed with the Audit Committee at the quarterly meeting on 02/21/18.
- Bi-weekly Payroll Reviews – report issued 01/12/18. Findings and action plans, if any, will be discussed with the Audit Committee at the quarterly meeting on 02/21/18.

EXTERNAL AUDITING SERVICES:

External Auditors, Clifton Larson Allen, LLP will commence auditing WSSC's financial statements in early spring.

PROFESSIONAL DEVELOPMENT:

- GenCast – Excel Tips and Tricks, Janice Hicks, 01/23/18
- Gen Cast – Ethics for Accountants, Janice Hicks, 01/30/18

MEETINGS

Internal Auditor, Angela Makle Fortune attended a meeting at DC Water to discuss Multi-Jurisdiction Use Facilities (MJUF) billing, 01/29/18

IMPROVE INFRASTRUCTURE:

SYSTEM DEVELOPMENT CHARGES COMPLIANCE/FINANCIAL AUDITS:

- Total fiscal-year-to-date actual financial adjustments are \$843,105.76.
- No reports were issued during this reporting period.
- We currently have 22 SDC audit requests in our possession for processing.
- Nineteen of the 22 SDC audit requests are active.
- Several SDCs are awaiting developer proof of administrative costs.
- Three of the 22 SDC audit requests are inactive. (*Inactive classification is attributable to lack of developer response after a full fiscal year of quarterly requests for supporting documentation.*) Also note, in accordance with Standard Procedure ENG 04-01, SDC Credit or reimbursements for costs are limited to SDC transactions for Qualified Properties served by the Qualified Project within a twenty-year period, or until the sum of credits and reimbursements equals the total approved SDC Credit.

PROTECT OUR PEOPLE, INFRASTRUCTURE, SYSTEMS AND RESOURCES:

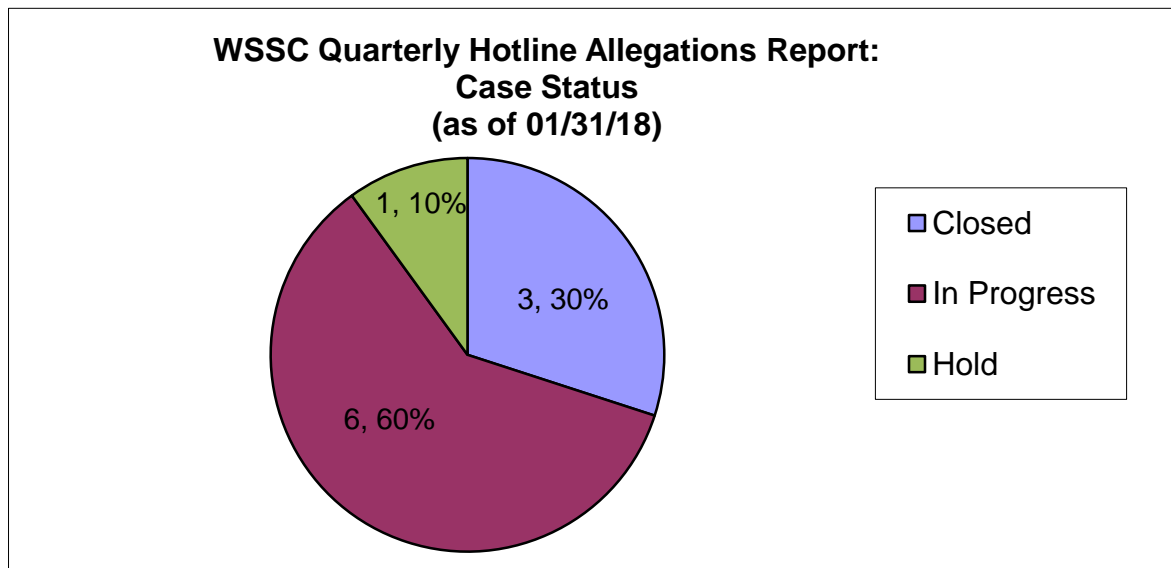
FRAUD, WASTE & ABUSE (FWA) HOTLINE ACTIVITIES

FWA Training:

- The Division Manager, Internal Audit provided Fraud, Waste and Abuse training to 19 new employees on 01/29/18.

Case Status:

Presently, the status of WSSC Hotline cases are as follows: three (3) closed, six (6) in progress, and one (1) on hold. The chart below identifies the current investigation assignments:



Investigator:	# of Cases	Avg. # of Days in Progress or on Hold
Police Department/ Investigative Unit	1	34
Internal Audit Office	2	179 (includes 1 on hold)
Ethics Office	2	178
Human Resources	2	65
Totals:	7	65

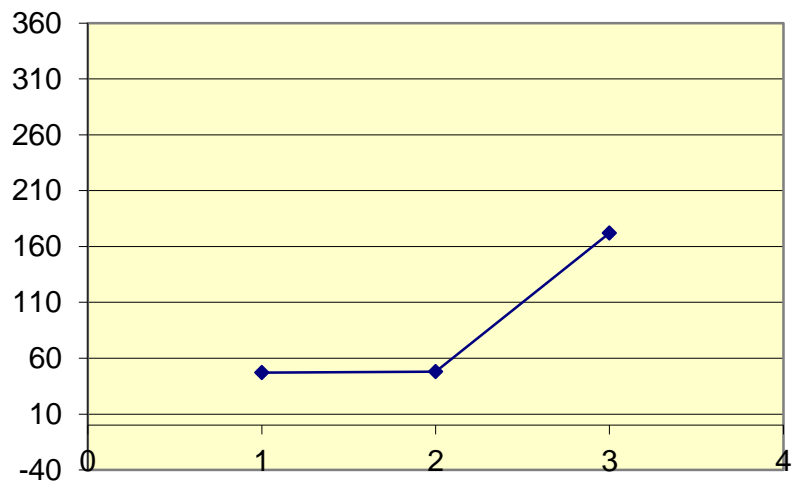
Closed Cases:

Three (3) Hotline cases were closed since the last Quarterly Hotline Allegations Report was issued. The closed cases issue types are classified as: two (2) Customer/Partner/Competitor and one (1) Human Resources/Employees. The average number of calendar days from open to close was seventy-seven (77), which is an increase of 15 days from last quarter's report of sixty-two (62) days.

<u>ISSUE TYPE</u>	<u>NUMBER</u>	<u>CONCLUSION</u>	<u>DISPOSITION</u>
Customer/Partner/Competitor Issues	2	2 = Inconclusive	No corrective action
Human Resources/Employees	1	1 = Inconclusive	Policy/process review
Quarterly Total:	3		

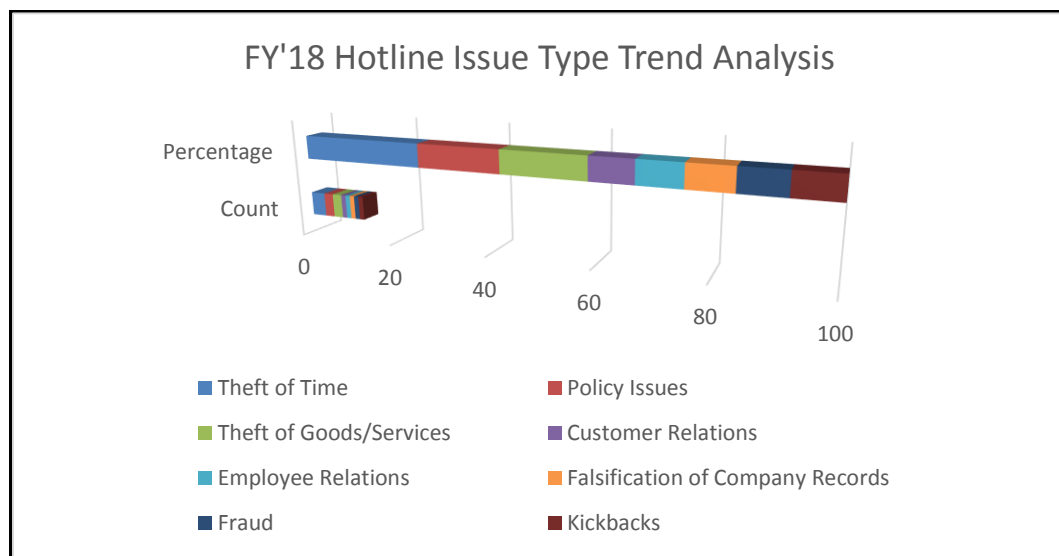
WSSC Quarterly Hotline Allegations Report: Closed Case Time Frame (as of 01/31/18)

Average 77 Calendar Days



Fiscal Year 2018 Top Hotline Allegations/Issues Reported:

The current trend analysis of top Hotline allegations/issues reported for fiscal year 2018 are as follows: three (3) theft of time; two (2) each for policy issues and theft of goods/services; and one each for customer relations, employee relations, falsification of company records, fraud, and kickbacks. Allegations reported about customer relations and employee relations decreased from 2 to 1; fraud allegations decreased from 3 to 1; theft of time allegations increased from 1 to 3; while theft of goods/services allegations remained unchanged at 2.



ETHICS ACTIVITIES:

1. Board of Ethics:

- Held its regularly scheduled meeting on 01/11/18.
- Entertained four (4) Open Session items: 1) Open Session minutes from the December meeting; 2) Ethics Office Monthly Report for December; 3) Fraud, Waste and Abuse Hotline Report; and 4) Delinquent Financial Disclosure Filer(s).
- Entertained two (2) closed session items: 1) Open Session minutes from the December meeting and 2) Complaint No. 17-02.

Note: Open meeting minutes are available on the WSSC's Internet site. Copies are provided to the Commissioners as requested and attached herein.

2. Code of Ethics Training:

Ethics Officer, Angelique Dorsey, provided Code of Ethics training to nineteen (19) new employees on 01/29/18, during the New Employee Orientation (NEO).

3. Ethics Office Activities:

- Met with Julianne Montes de Oca, Associate General Counsel, David McDonough, Division Manager for Police and Homeland Security Services, and Joseph Bergstrom, Acting Chief of Police, to discuss a draft Outside Employment policy for WSSC's police officers.
- Prepared a list of financial institutions that did business with WSSC in CY 2017 for distribution to Commissioners by 01/15/18, as required by state law.

4. Ethics Office Advisory Services:

- Gifts – 4
- Employment Restrictions (Current and/or Post) – 1
- Training – 1
- Restrictions on Participation – 1
- Financial Disclosure/Conflicts of Interest Statements – 9
- General Inquiries - 6

5. Professional Development:

None during this period.

6. Ethics Office Staffing and Board of Ethics Appointments:

- Utilizing WSSC's temporary contract for administrative professional services to staff the Ethics Office while continuing the search to fill the part-time Ethics Office Administrative Assistant II position.

INSPIRE EMPLOYEE ENGAGEMENT:

ADVISORY SERVICES:

- Automatic Meter Installation (AMI) – Janice Hicks, ongoing
- Capital Asset Management Implementation – James Wall, Jr., ongoing
- Customer Care Billing Project (C2M) – Angela Makle Fortune, ongoing
- Disaster Recovery Meeting – Janice Hicks and Dee Tok
- Document Management – Janice Hicks, ongoing
- ITSF Monthly Meeting – Angela Makle Fortune, ongoing
- Oracle Accounts Payable – Janice Hicks; James Wall, Jr., ongoing
- Oracle Utilities Customer to Meter (C2M) Billing System – Angela Makle Fortune, ongoing
- Procurement Card Steering Committee – Angela Makle Fortune, ongoing
- Procurement Phase II & Intake Implementation – Jane Lewis, ongoing
- Internal Auditors, Janice Hicks and Jane Lewis volunteered at the WSSC's Employee Service Awards Ceremony, 01/24/18.

ENHANCE CUSTOMER EXPERIENCE AND COMMUNITY ENGAGEMENT:

COMMUNITY SERVICES:

None at this time.

Respectfully submitted by Maxene Bardwell, Director, Internal Audit