

AUDIT COMMITTEE

PROPOSED AGENDA

- A. Open Session
 - 1. Approval of Agenda
 - 2. Approval of 2019 Proposed Quarterly Meeting Dates
- B. Briefing Materials
 - 1. Audit Reports
 - *Blue Plains Operations and Maintenance Billings Audit – FY's 2015 & 2016*
 - *IT Basic Ordering Agreement Compliance Audit*
 - *December 7-9, 2018 RGH Power Shutdown & It Disaster Recovery Exercise*
 - 2. Status Updates
 - *Follow-up on Management Action Plans*
 - *2nd Quarter FY '19 Fraud, Waste & Abuse Hotline Report*
- C. Other Business
- D. Adjournment
- E. Next Meeting Date

2019 PROPOSED QUARTERLY MEETING DATES

March 20, 2019

May 15, 2019

August 21, 2019

November 20, 2019

NOTE: Meetings dates are subject to change.

AUDIT REPORTS

www.wsscwater.com/OIG

Blue Plains Operations and Maintenance Billings Audit FY'S 2015 and 2016

Executive Summary

Background

We performed an audit of DC Water's Blue Plains Operations and Maintenance Bills for FY's 2015 and 2016.

- Blue Plains Inter-Municipal Agreement (IMA) of 2012
- Right to Audit
- Settlement Bill

Audit Team:

Angela Makle Fortune – Senior Auditor

Janice Hicks – Auditor

Digdem (Dee) Tok - Auditor

Executive Summary (Cont'd.)

Objective

To ensure WSSC is billed accurately for its share of the operations and maintenance costs in accordance with the IMA.

Scope

- ▶ Transactions, processes, costs and payments effective during DC Water's FY's 2015 and 2016.
- ▶ Each settlement bill is a workbook of approximately 90 worksheets.
- ▶ Includes systems access to DC Water's documents and transactions.

Adjustments

#	Title	FY's 2015 & 2016 Adjustments
1	User Fee Allocation	\$(127,194.00)
2	Job Codes	\$(105,457.00)
3	Natural Gas Worksheet	\$(25,221.00)
4	Fleet Costs	\$(155,570.00)
5	Finance Costs	\$(65,269.00)
6	Electricity Credit	\$(258,046.00)
7	Water Costs	\$(16,304.00)

Adjustments (Cont'd.)

#	Title	FY's 2015 & 2016 Adjustments
8	Litigation Costs	\$(540,397.00)
9	Security Costs	\$ 328,741.00
10	Indirect Costs and Worksheet Allocations	\$ 120,699.00
11	Bureau of Maintenance Costs	\$(69,077.00)
12	Wastewater Treatment Plant	\$(211,648.00)
13	Flow -WSSC Planning Division	\$(750,871.00)
	Interest	\$(87,064.58)
	Total Refund to WSSC:	\$(1,962,678.58)

Conclusion

- ▶ Total adjustments plus interest equates to a **\$1,962,678.58** refund to WSSC.
- ▶ We received agreement with DC Water for all adjustments plus interest.

QUESTIONS?

IT Basic Ordering Agreement Compliance Audit

Executive Summary

Background

This audit originated from a WSSC Fraud, Waste and Abuse Hotline investigation. While the investigation disclosed no findings of fraud or criminal activities, there were some internal control issues identified. Based on this and other factors related to Basic Ordering Agreements (BOAs), the Office of the Inspector General planned a compliance audit of IT Basic Ordering Agreements. This audit was a part of the Fiscal Year 2017 Risk-Based Audit Plan.

The Information Technology (IT) Department's BOAs are unique contractual arrangements comprised of a set number of vendors who offer a predetermined range of prices for several IT related jobs. This allows IT managers to negotiate task orders for specific job functions without recreating or restarting the entire procurement process for services needed by IT. In this audit we examined seven BOA contracts totaling \$66 million that included 34 IT vendors.

Audit Team:

James Wall – Senior Auditor

Executive Summary (Cont'd.)

Objective

The objective of this audit was to determine compliance with current WSSC Procurement Regulations.

Scope

- ▶ July 1, 2016 to September 30, 2017
- ▶ BOA bidding process
- ▶ Overall management and reporting of BOA activity
- ▶ Hiring procedures for IT consultants
- ▶ Market pay rate for IT consultants
- ▶ Travel reimbursement process
- ▶ Review payment approval process

Quick Look

Observations

We reported six (6) audit observations with recommendations related to internal policies and procedures. All of the observations received a MEDIUM risk rating.

Management Response

Management agreed with the recommendations and has already reported all of its actions to the General Manager and the Commissioners.

Implementation of Recommendations

Management has implemented, pending OIG verification, four (4) recommendations and the remaining recommendations are anticipated to be addressed by September 30, 2019.

Findings & Management Response

Findings	Rating	Recommendations
<p>1. Inconsistent BOA Hiring Practices</p> <p>Only 1 out of 41 interviews had a documented interview process</p>	<p>Medium</p>	<p>Follow HR's Employment Procedures to select and hire IT consultants.</p>

Management Response

Effective September 27, 2018: The IT Organization implemented the following WSSC HR hiring practice for consultants:

- 3-member interview panel
- List of interview questions asked for each interview
- An objective scoring system
- Interview summary by each panel member
- Signed consensus by each panel member on selected candidate
- Conflict of interest form signed by each panel member and/or supervisor, as applicable

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
<p>2. No Travel Cost Standards for IT Consultants</p> <p>Some task orders included travel costs and others included per diems. There was a significant variance in the pay rates.</p>	Medium	Management should adhere to WSSC's new Travel Reimbursement Regulation.

Management Response

- Effective September 1, 2017, the current CIO, who joined WSSC in January 2017, voluntarily took the step of restricting travel.
- Management has also asked companies with master contracts to only propose fully loaded rates that include travel costs.

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
<p>3. No Documented Standard Policies and Procedures for IT Consulting Contracts</p> <p>No "HOW TO" procedural document</p>	<p>Medium</p>	<p>Management should develop written standard policies and procedures for the overall process of IT consulting contracts.</p>

Management Response

The IT Department will work with the Finance Department and Procurement Office to draft a set of policies and procedures by March 29, 2019, that are in line with the business practices currently in line for other BOA contracts throughout the Commission.

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
<p>4. Unexplained Pay Increases for Independent Consultants</p> <p>Pay increases ranged from \$5,145 to \$8,320, or 2% to 3.7%, without support</p>	<p>Medium</p>	<p>Management should establish guidelines to limit pay rate increases given to IT consultants.</p>

Management Response

- Effective January 2017, under the current CIO's leadership, IT instituted a 3% cap for all pay increases. The CIO must review and approve rates/ funding increases for each consultant.
- Unexplained increase requests or increases lacking proper documentation are universally denied.

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
<p>5. Lack of adequate controls for IT vendor payments</p> <p>No description of work, unsigned timesheets, overtime pay</p>	<p>Medium</p>	<p>The CIO or his designee should review all IT contractor invoices for accuracy, completeness, and sufficiency.</p>

Management Response

- Effective January 2017, the CIO began reviewing invoices and IT Consultants are no longer permitted to exceed a 40-hour work week without the CIO's prior approval (for each instance/request).
- Additionally, consultants must have a valid purchase order or release and an approved background investigation or waiver in place from WSSC's Police and Homeland Security Division, before commencing work.

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
<p>6. Inconsistent Pay Rates for IT Consultants</p> <p>Pay rates varied from \$35 to \$67 per hour for similar positions</p>	<p>Medium</p>	<ul style="list-style-type: none">• IT management should conduct a comprehensive market analysis on pay rates for IT consultants for each position or function level.• IT management should develop an analysis to consider whether it is best to make a permanent hire for work situations that require a long-term effort.

Findings & Management Response (Cont'd.)

Management Response

In January 2017, under the current CIO's leadership, the IT Department has worked closely with the Procurement Office through Strategic Sourcing Teams and other coordinated efforts to baseline existing consultant hourly rates against market analysis made available through Gartner and other research firms to identify opportunities for renegotiation.

The Procurement Office has already used this research to begin conversations with WSSC vendor partners, such as Oracle, about reducing hourly rates. We expect to have this completed by September 30, 2019.

CONCLUSION

Internal controls are effective in mitigating the risks specific to the achievement of business objectives except for observations noted. Opportunities for control enhancement were identified. We have reviewed the results with IT management and a management action plan has been developed. If the recommendations are not implemented, there could be negative impacts on internal controls, contract costs, and fairness in awarding contracts.

We thank the Chief Information Officer, the IT Contract Administrator, the Acting Chief Procurement Officer, Procurement Division Managers, the Acting Director of Office of Supplier Diversity and Inclusion and all the staff members of each department who assisted with this audit and responded to our requests for information.

QUESTIONS?

December 7-9, 2018
RGH Power Shutdown & IT
Disaster Recovery (DR)
Exercise

Executive Summary

Background

The Washington Suburban Sanitary Commission (WSSC) Disaster Recovery (DR) simulation exercise is an opportunity to restore critical processes/Information Technology (IT) services of the Commission in a specified location or via remote access in the event of a disaster or interruption. The DR exercise enables management to evaluate the response and execution of the DR testing without extensive planning or advanced preparation. The resultant lessons learned are used to address concerns and improve the process.

Audit Team:

Janice Hicks

Digdem "Dee" Tok

Executive Summary (Cont'd.)

Objective

To provide an independent and objective assessment of the effectiveness of the disaster recovery testing exercise.

Scope

The Office of the Inspector General's (OIG) observation of the RGH Power Shutdown & IT Disaster Recovery (DR) Exercise held Friday, December 7, 2018 through Sunday, December 9, 2018. Participation options were on-site at the Recovery Point in Germantown, Maryland, the Modular Data Center (MDC) located at the Seneca Wastewater Filtration Plant in Germantown, Maryland, or via remote computer access.

Findings & Management Response

Findings	Rating	Recommendations
1. Insufficient Communication	High	Management ensure the DR list is complete and updated periodically to include all designated DR exercise members and their contact information.

Management Response

IT agrees with this observation and will create the following action items to improve the process:

- IT will create a master notification list on a shared document to be reviewed by team leads and signed off by them to ensure accuracy.
- Test the Everbridge notification system several days before the disaster recovery exercise and require verification responses from all staff receiving the test notification.
- Finally, QA the actual Everbridge notification list with the team leads for feedback and verification that the list is correct, this would include OIG.
- Update the master notification list periodically, e.g. every 3 months so that it has a current list of contacts so that the list can be used for an actual DR should a need arise.

Complete by: June 30, 2019

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
2. Recovery Site Locations are in the disaster zone	High	Management review the location of the DR testing facilities to ensure that WSSC is functioning within best practices.

Management Response

IT recognizes that there is risk associated with the Modular Data Center and Recovery Point being less than 30 miles apart from WSSC HQ and has opted to accept this risk because of investments put into our existing facilities.

To augment this risk, IT will perform the following actions:

Perform a cost analysis of moving longer term, which would include the following:

- Moving to cloud services
- Relocating the Modular Data Center
- Document the potential ramifications of leaving recovery site in current locations

Completion of analysis by: August 11, 2020

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
3. Disaster Recovery documentation is outdated	High	We recommend management update the policies and procedures governing disaster recovery.

Management Response

IT will continue to update the Disaster Recovery policy and procedures documentation to reflect the new technologies that WSSC has in place today.

Complete by: December 31, 2019 or before the next scheduled DR exercise date, whichever comes soonest.

Findings & Management Response (Cont'd.)

Findings	Rating	Recommendations
4. Equipment Not Functional for DR Exercise	High	We recommend management establish a program or a process to ensure assigned computer equipment is routinely serviced.

Management Response

All computers are being replaced, starting January 2019, and will be completed well before the next DR exercise. Staff will be instructed to update and test all computer equipment on and off-site weeks before the next DR exercise to ensure they are all fully operational and ready for next exercise.

Complete by: December 31, 2019 or by next DR exercise date, whichever comes soonest.

Conclusion

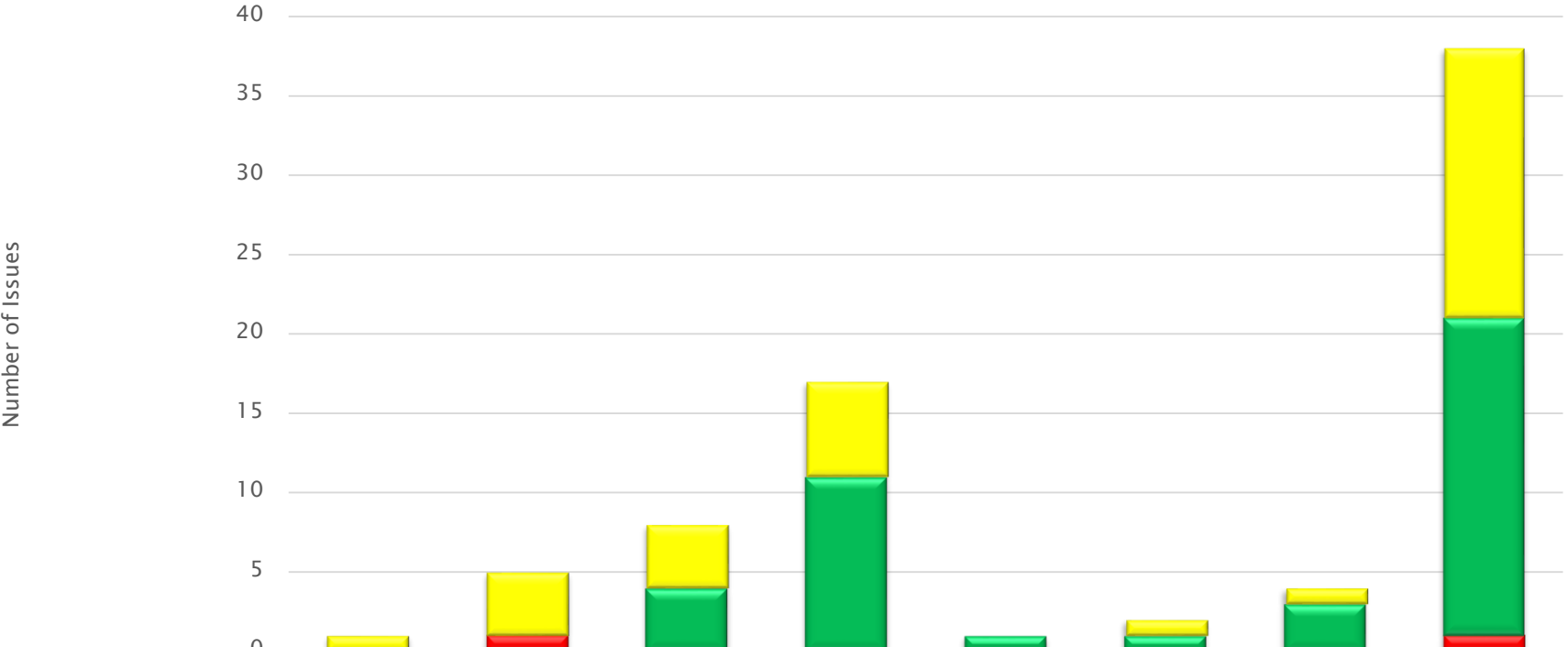
Based on the DR communications observed throughout the exercise and the IT's Quality Assurance testing results, the overall objectives, as stated in the Incident Action Plan (IAP), of the RGH Power Shutdown & IT Disaster Recovery Exercise were achieved. The IAP prepared by the WSSC Police and Homeland Security Division and IT Department allowed the DR team to evaluate the impact of the exercise and address potential issues and concerns, prior to the event. The advances in technology, updates in data storage, and new methods for backing up information worked well with the recovery and restore process for WSSC. Additionally, the changes management adopted regarding information systems and the business processes they support, continues to place the Commission in a favorable position to respond in a true disaster.

QUESTIONS?

Status Updates

Office of the Inspector General Follow-up on Management Action Plans

Management Action Plans Dashboard



	FIN	PHS	IT	GS	OSDI	PROC	PROD	Total
Open/Started	1	4	4	6		1	1	17
Implemented Pend OIG			4	11	1	1	3	20
Delinquent Items		1						1
Total	1	4	8	17	1	2	4	37

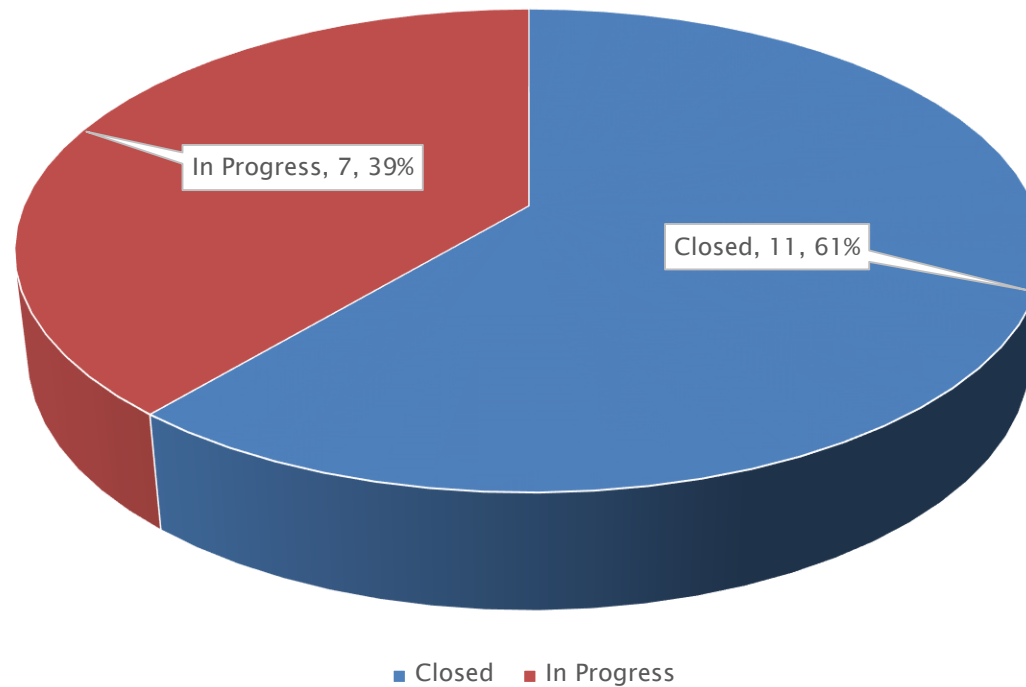
QUESTIONS?

2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

Case Status:

Investigation Case Status
2nd Quarter Fiscal Year 2019



2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

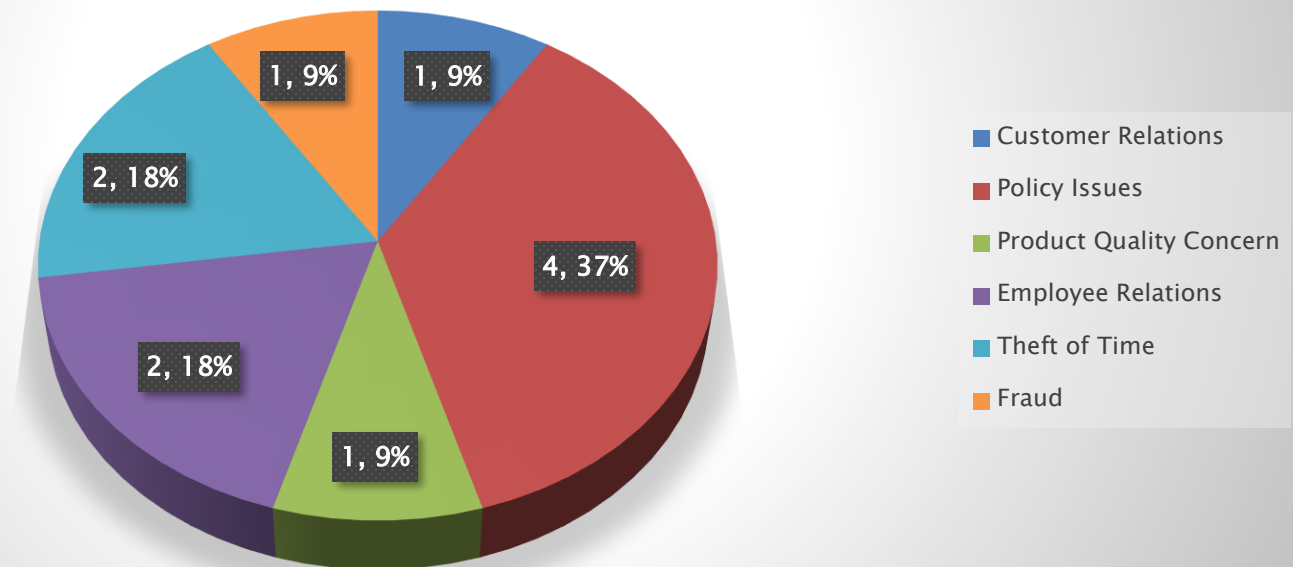
In Progress Cases:

Assignment	Number	Average # of Days in Progress
WSSC Police Department/ Investigations Section	3	25
Ethics Office	1	88
Human Resources Office	1	25
Office of the Inspector General	2	17
Quarterly Total:	7	

2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

Closed Cases:

CLOSED HOTLINE CASES
BY ALLEGATION TYPE
FY 2019 2ND QUARTER



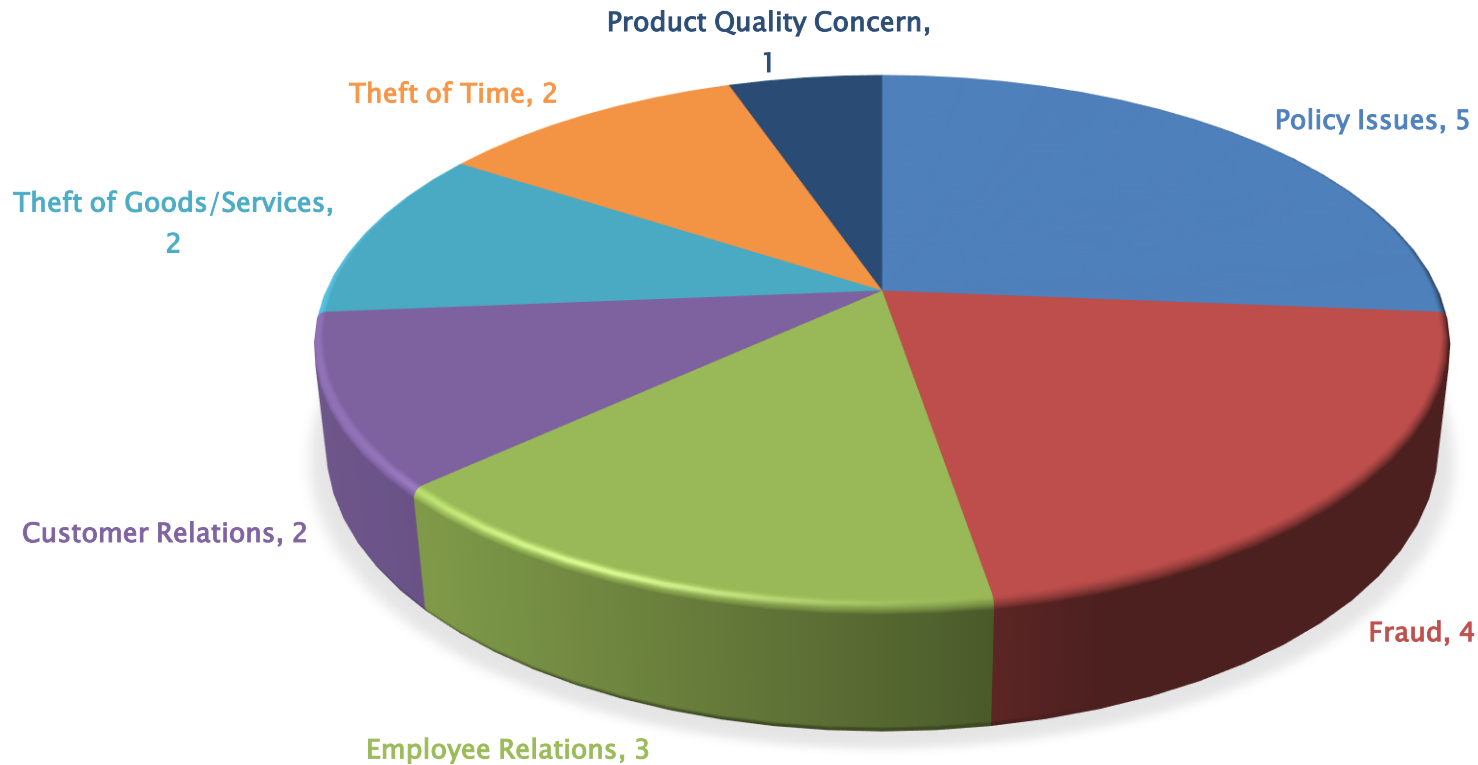
2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

Closed Cases Outcomes:

ALLEGATION TYPE	NUMBER	CONCLUSION	DISPOSITION
Policy Issues	4	<ul style="list-style-type: none"> • Management matter • Outside of OIG scope (2) • Possible OIG discretionary audit 	<ul style="list-style-type: none"> • Referred to management • Notified reporting parties • Discretionary audit planned
Customer Relations	1	Possible MPIA request	Notified Corporate Secretary
Asset Misappropriation	1	Management matter	Referred to management
Theft of Time	2	<ul style="list-style-type: none"> • Substantiated • Inconclusive 	<ul style="list-style-type: none"> • Memo to management • No further action taken
Product Quality Concern	1	Management matter	Referred to management
Employee Relations	2	<ul style="list-style-type: none"> • Management Matter • Inconclusive 	<ul style="list-style-type: none"> • Referred to management • No action taken
Quarterly Total:	11		

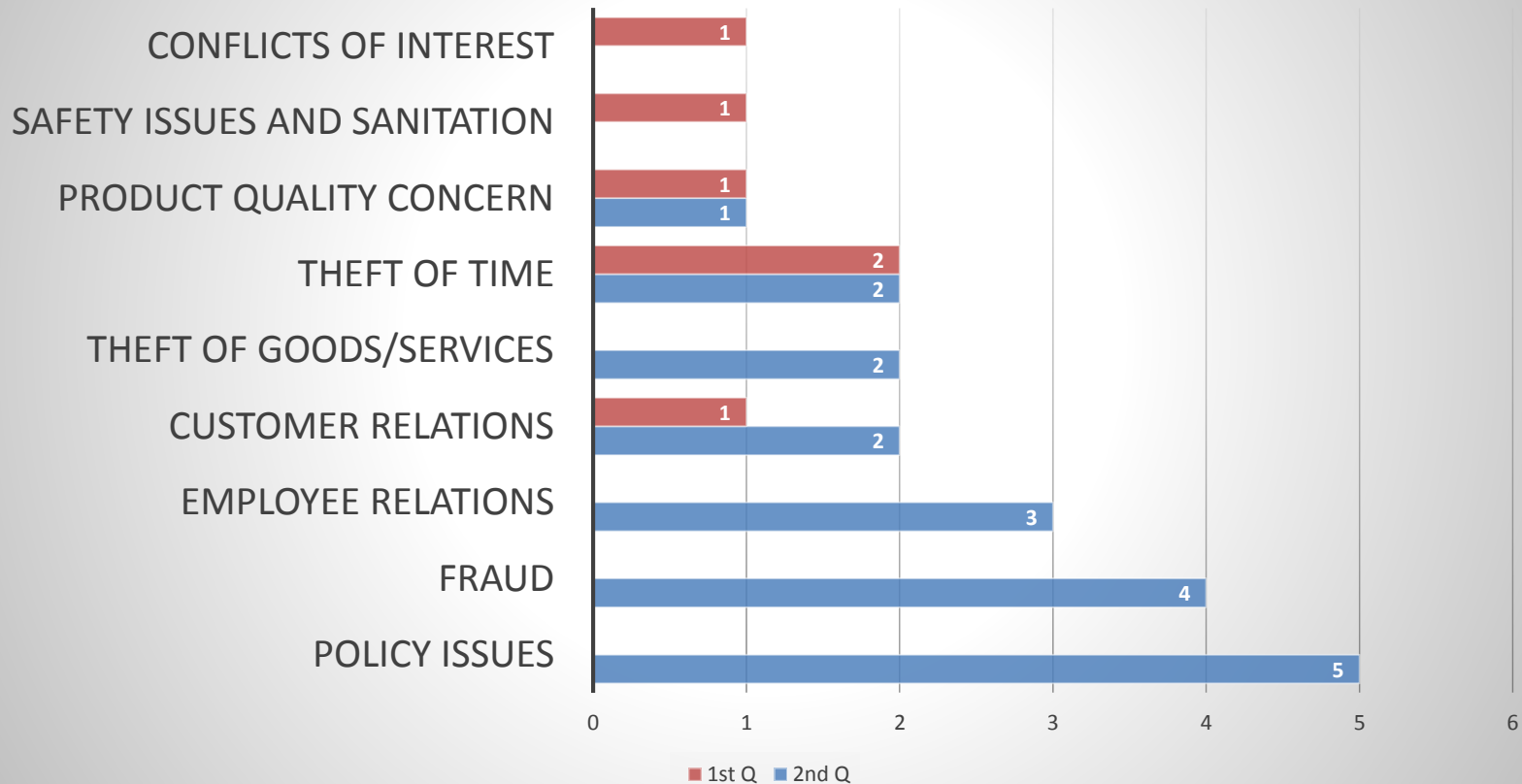
2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

Top Hotline Allegations Reported:



2nd Quarter FY'19 Fraud, Waste and Abuse Hotline Report

TOP HOTLINE ALLEGATIONS
FY 2019 1ST & 2ND QUARTER COMPARISON



QUESTIONS?