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**OFFICE OF THE INSPECTOR GENERAL**

**FISCAL YEAR 2020**

**AUDIT PLAN**



## Inspector General Message to the Board of Commissioners



I am pleased to present the Office of Inspector General (OIG) Annual Plan for fiscal year (FY) 2020. This document describes how the OIG will achieve its statutory mission to:

- Assist the Commission by providing independent evaluation and recommendations regarding opportunities to: (i) preserve the Commission’s reputation; and (ii) improve the effectiveness, productivity, or efficiency of Commission programs, policies, practices, and operations;
- Ensure public accountability by preventing, investigating, and reporting instances of fraud, waste, and abuse of Commission property or funds;
- Examine, evaluate, and report on the adequacy and effectiveness of the systems of internal controls and their related accounting, financial, technology, and operational policies;
- Report noncompliance with and propose ways to improve employee compliance with applicable law, policy, and ethical standards of conduct;
- Conduct audits as required under § 25-405 (of the Public Utilities Article); and
- Conduct other audits related to the operation of the Commission.<sup>1</sup>

Further, it shows how the OIG will promote the goals and objectives of WSSC Water’s Strategic Plan.

This OIG Annual Plan identifies mandated and discretionary assignment topics continuing from FY 2019, mandated and discretionary assignments scheduled to start during FY 2020, and tentative FY 2021 and FY 2022 projects. Additionally, the OIG performs unanticipated work based on legislative mandates and hotline complaints. It is important that we remain flexible to address these and other priorities as they arise.

The OIG is committed to implementing this plan through audits, evaluations and investigations in compliance with the WSSC Inspector General Act of 2018, and applicable professional auditing and investigation standards. I encourage a review of the OIG website, [www.WSSCWater.com/OIG](http://www.WSSCWater.com/OIG), to view OIG reports implementing this Annual Plan. We welcome feedback on the quality and value of our products and services.

Criteria used to support the aims identified in the OIG Annual Plan include goals and objectives articulated in the WSSC Water FY 2020 Strategic Plan, results of OIG risk assessments conducted across WSSC Water programs and operations based on prior OIG work, and priorities identified by our stakeholders.

*Arthur A. Elkins, Jr.*

Arthur A. Elkins, Jr.  
Inspector General

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<sup>1</sup> Maryland Public Utility Article, Title 16, § 17-605

# Table of Contents

Authority -- Mission -- Values.....	4
OIG Fiscal Year 2020 Risk Assessment Process Overview .....	4
Audit Project Code Definitions .....	5
Abbreviations .....	6
Fiscal Year 2020 Audit Plan.....	7
Future OIG Audit Plan Projects.....	8
Fiscal Year 2020 Audit Plan Breakdown by Aligned Primary Strategic Priority.....	9
OIG Staff Complement and Fiscal Year 2020 Approved Budget .....	12
OIG Fraud, Waste and Abuse Hotline.....	12
Contact Information .....	13

### Our Authority

The Inspector General's authority is established under Chapter 130, Establishing the WSSC Water Office of the Inspector General (Maryland House Bill 419) of the State of Maryland Annotated Code with oversight by the WSSC Water Board of Commissioners. Operating independently from management, the OIG assists the Board of Commissioners by providing an independent evaluation of the agency and providing recommendations that will preserve WSSC Water's reputation and improve the efficiency of its programs, policies, practices and operations.

### Our Mission

To help WSSC Water meet its objectives in a fiscally transparent, sustainable, and ethically responsible manner, by conducting independent audits, evaluations and investigations; making evidence-based recommendations to promote economy, efficiency and effectiveness; and prevent and detect fraud, waste, abuse, mismanagement and misconduct within WSSC Water programs and operations.

### Our Values

Accountability – Ensure public accountability by preventing, investigating, and reporting instances of fraud, waste, and abuse of agency's property or funds.

Integrity – Maintain the highest professional and ethical standards in the performance of our official duties.

Transparency – Publish audit reports and summaries of the audits and investigations generated by the OIG (except those expressly prohibited from disclosure under the Public Information Act.)

## OIG Fiscal Year 2020 Risk Assessment Process Overview

To maximize the use of its available resources and provide the best possible return on investment, the OIG conducts risk assessments to prioritize its audit work and investigations. The OIG's risk assessments are not designed to determine WSSC Water's risk appetite, risk management, or risk response. OIG agency-wide risk assessments include input from senior management and the agency's Board of Commissioners. We also consider information from various sources, including the Washington Suburban Sanitary District community, OIG's Fraud, Waste and Abuse Hotline, prior audits (internal/external), audits in other OIG jurisdictions, management questionnaires, informational interviews, OIG staff suggestions, and other relevant sources. Following a risk impact and probability analysis to identify high, medium, and low risk areas of the agency, we prioritize our audits and align them with WSSC Water's strategic priorities.

## WSSC Water's FY 2020 Strategic Priorities:

<b>Enhance Customer Experience</b>	<ul style="list-style-type: none"> <li>• Deliver Safe, Reliable and Consistent Service</li> <li>• Provide Timely Response to Customer Queries</li> <li>• Be a Good Citizen Within Our Communities</li> </ul>
<b>Optimize Infrastructure</b>	<ul style="list-style-type: none"> <li>• Achieve industry-Leading Reliability and Asset Integrity</li> <li>• Expand Resilience and Balance Risk</li> </ul>
<b>Spend Customer Dollars Wisely</b>	<ul style="list-style-type: none"> <li>• Improve Operational Efficiency</li> <li>• Improve Fixed Asset Utilization</li> <li>• Improve Financial Process Efficiency and Fiscal Sustainability</li> </ul>
<b>Protect our Resources</b>	<ul style="list-style-type: none"> <li>• Resolve and Learn from Past Incidents</li> <li>• Maintain Best-in-Class Operating Environment Safety for Employees</li> <li>• Plan Proactively with Community Stakeholders</li> <li>• Secure the Commission's Critical Infrastructure</li> </ul>
<b>Transform Employee Engagement</b>	<ul style="list-style-type: none"> <li>• Acquire the Best People</li> <li>• Retain Top Performers</li> <li>• Develop and Grow Talent</li> <li>• Communicate Effectively</li> </ul>

## Audit Project Code Definitions

**Nonaudit Services (N)** – These types of services are often provided in response to a statutory requirement, at the discretion of the authority of the audit organization, or to an engaging party rather than a responsible party, and would generally not create a threat to independence. Examples include investigations of alleged fraud, periodic audit recommendation follow-up engagements, and identifying best practices or leading practices for use in advancing the practices of government organizations. *Source: Generally Accepted Government Auditing Standards (GAGAS)*

**Carryover Audit** - Audit projects started in a prior fiscal year that are still in progress during a subsequent fiscal year.

**Continuous Auditing (C)** - Continuous audits are recurring and/or special review audits. The need to accelerate audit activities has led to the increased adoption of continuous auditing as a vital monitoring tool. Continuous auditing is therefore designed to enable auditors to report on a subject matter within a much shorter timeframe than under the traditional model. The ability to provide management with real-time auditing on the functioning of controls and on financial transactions can enhance significantly management's ability to make key business decisions. *Sources: Institute of Internal Auditors (IIA) & Information Systems Audit and Control Association (ISACA)*

**Discretionary Audits/Assurance Services (D)** - Discretionary audits are nonmandatory audits and are based on the decision of the OIG. “Assurances services – These services provide an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.” *Source: IIA International Professional Practices Framework*

**Fraud, Waste & Abuse Investigations (N)** - Throughout each fiscal year the OIG receives allegations, complaints, and inquiries through various means, including its 24-Hour Fraud, Waste and Abuse Hotline. These matters are nonaudit services and handled according to the priority in which they are received and/or level of severity of risk exposure to WSSC Water’s resources, operations, and governance processes.

**Mandatory Audits (M)** - Mandatory audits are required by statute or regulation.

**Performance Audits /Program Audits (P)** - Performance Audits - Are engagements that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. *Source: Generally Accepted Government Auditing Standards (GAGAS)*. Program Audits - Generally determine whether an entity is using resources economically and efficiently, achieving desired program results, and complying with applicable laws and regulations. *Source: Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation*

**Special Audits (S)** - These are one-time audits of identified problem areas that are performed on a priority basis.

## Abbreviations

<b>A/P</b>	Accounts Payable	<b>MJUF</b>	Multi-Jurisdiction Use Facility
<b>BIG</b>	Business Investment and Growth Program	<b>O&amp;M</b>	Operations and Maintenance
<b>CIP</b>	Capital Improvement Program	<b>P-Card</b>	Procurement Card
<b>DC Water</b>	District of Columbia Water and Sewer Authority	<b>SDC</b>	System Development Charges
<b>DR</b>	Disaster Recovery	<b>WWTP</b>	Wastewater Treatment Plant

The matrices appearing on the following pages reflect how our planned audits and reviews are aligned with WSSC Water’s FY 2020 strategic priorities. Please note WSSC Water’s future year strategic priorities are subject to change and may impact our portfolio of future audits.

## Fiscal Year 2020 Audit Plan

FY 2020 OIG Audit Projects	WSSC Water Strategic Priorities					Project Code
	Spend Customer Dollars Wisely	Protect Our Resources	Optimize Infrastructure	Enhance Customer Experience	Transform Employee Engagement	
Procurement Office Performance Audit-Phase I*	X					P
Sustainability and Support Services Vendor Management Review	X					P
Commission Office Compliance Audit*	X					S
Claims Checking Account Close-Out Audit*	X					S
Safe Drinking Water Act Compliance Audit		X				D
DC Water Blue Plains WWTP O&M and Capital Indirect Billing Audit for Fiscal Year 2017* and 2018	X					D
DC Water MJUF O&M Billings Audit for FY 2017* and 2018	X					D
Retiree Benefits Audit *	X					D
CIP Public Outreach Policy Compliance Audit				X		D
Talent Acquisition Audit					X	D
Year-end Payroll Audit	X					D
Bi-weekly Payroll Reviews	X					C
Semi-Annual P-Card Reviews	X					C
Physical Inventory Count Observation(s)	X					C
Contract Reviews	X					C
System Development Charges (SDC) Compliance Audits	X		X			M
FW&A Investigations/Asst.		X		X		N
Disaster Recovery (DR) Exercise Observation(s)		X				N
Financial Statements Audit	X					M
Audit Follow-Up	X	X				N

\* = Carryover Audit

## Future OIG Audit Plan Projects

Future OIG Audit Projects (FYs 21&22)	WSSC Water Strategic Priorities					Project Code
	Spend Customer Dollars Wisely	Protect Our Resources	Optimize Infrastructure	Enhance Customer Experience	Transform Employee Engagement	
Water Fund Program Audit	X					P
Maryland State Records Management Code Compliance	X					P
Veolia Utility Benchmarking Review Follow-Up				X		S
Project Cornerstone Phase I Post-Implementation Review	X					S
Clean Water Act Compliance Audit	X					D
DC Water Blue Plains WWTP O&M and Capital Indirect Billing Audit for Fiscal Year 2019	X					D
DC Water MJUF O&M Billings Audit for Fiscal Year 2019	X					D
Business Investment and Growth (BIG) Program Audit	X					D
Community Outreach Program Review				X	X	D
Talent Development Audit					X	D
Employee & Labor Relations					X	D
Year-end Payroll Audit	X					D
Bi-weekly Payroll Reviews	X					C
Semi-Annual P-Card Reviews	X					C
Annual Accounts Payable (A/P) Review	X					C
Physical Inventory Count Observation(s)	X					C
Contract Reviews	X					C
System Development Charges (SDC) Compliance Audits			X			M
FW&A Investigations/Asst.		X				N
Disaster Recovery (DR) Exercise Observation(s)		X				N
Financial Statements Audit	X					M
Audit Follow-Up	X	X				N



## Fiscal Year 2020 Audit Plan Breakdown by Aligned Primary Strategic Priority

### Spend Customer Dollars Wisely

*Improve operational efficiency; improve fixed asset utilization; and improve financial process efficiency and fiscal sustainability.* The following audit projects align with this strategic priority:

**DC Water Blue Plains WWTP Operations & Maintenance (O&M) and Capital Indirect Billings Compliance Audit for Fiscal Year 2017 & 2018** -- In accordance with the Blue Plains Intermunicipal Agreement (IMA), WSSC Water (as a Party to the Agreement) is authorized to audit, examine, inspect, or reproduce the books, accounts, records, documents, and other evidence supporting Blue Plains operating and maintenance costs and user fees. We conduct an audit at our discretion to ascertain whether adjustments are warranted for previously remitted quarterly and year-end adjustment payments from WSSC Water to DC Water. We are in the final stage of the FY 2017 audit and expect to finalize our audit of FY 2018 O&M Billings and Indirect Cost Allocations for Capital Billings before the 2020 fiscal year-end.

**DC Water Multi-Jurisdiction Use Facility(ies) (MJUFs) O&M Billing Compliance Audit for Fiscal Years 2017 & 2018**-- MJUF is a term that recognizes that more than one jurisdiction's sewer flows are treated by or pass through a facility(ies) and that the costs associated with those facilities are shared among the parties. In accordance with the Blue Plains Intermunicipal Agreement (IMA), WSSC Water (as a Party to the Agreement) is authorized to audit, examine, inspect, or reproduce the books, accounts, records, documents, and other evidence supporting Blue Plains operating and maintenance costs and user fees. DC Water Enabling Legislation identified only 19 Joint Use Facilities, but more MJUFs were discovered than had been identified in the Enabling Legislation and the 1985 IMA. The 1985 IMA was replaced by the 2012 IMA and the Capital MJUF Study coincided with preparation of the 2012 IMA and was referenced as the guide for Capital Cost Allocation for MJUF facilities that are shared outside of Blue Plains. An audit of DC Water's Fiscal Year 2017 Billing to WSSC Water for its share of MJUFs costs will be finalized during fiscal year 2020 and an audit for 2018 will commence.

**Retiree Benefits Performance Audit** – The mission of the Benefits Division is to strategically develop comprehensive benefit and wellbeing programs to improve the health and wellbeing for all Commission employees, retirees, and dependents. A discretionary audit of WSSC Water's retiree benefits will be finalized and has been undertaken to assess the associated Division's performance and compliance with WSSC Water policies and procedures, which are designed to enforce/support external rules, laws, and regulations.

**Procurement Office Performance Audit (Phase I)** – The WSSC Water Procurement Office is responsible for consolidation of all WSSC Water's procurement as well as working in partnership with the Office of Supplier Diversity & Inclusion and delivering the right goods and services to the right place, at the right time, at the right cost through an effective and well managed supply chain. We will conduct an audit to assess the Procurement Office's performance and operational efficiency.

**Sustainability and Support Services Vendor Management Review** – The Support Service Division manages office services, such as reprographics and mail services, records management, sustainability services and space planning for the Commission. The SSD conducts business with several small and large vendors utilizing multiple contracts. A performance audit of the WSSC Water General Services Support Services Division (SSD) will be undertaken to ensure internal controls are adequate to comply with federal, state, county, and WSSC Water regulations.

**Commission Office Compliance Audit** – We will finalize a special audit of the Commission Office to confirm its compliance with WSSC Water standards, policies, procedures, and best practices regarding transparency and accountability. The audit scope will focus on the operations of the Commission Office and related activities between the Commission Office and Corporate Secretary’s Office.

**Year-End Payroll Audit** – Each fiscal year we perform a compliance audit of an element associated with the WSSC Water’s payroll system. Past audits have disclosed monetary impacts between \$10,000 - \$50,000.

**Claims Checking Account Close-out Audit** – The Finance Department and Claims and Emergency Services (an Office of the General Counsel’s Office), have agreed to transfer the responsibility of processing and disbursing checks for damage claims. The Disbursements Department will assume the responsibility for processing all remittances on behalf of WSSC Water, with the exception of filing and other minimal fees paid directly by the General Counsel’s Office. This is expected to streamline check processing operations and strengthen internal controls. As a result, Disbursement Department management has requested a special audit of the close-out procedures for the Claims Checking account and the performance of other auditing procedures to ensure that the changeover is finalized appropriately, and all activities and transactions are properly accounted for.

**Fiscal Year 2020 Financial Statements** – In accordance with Public Utilities Article, § 17-401(b)(2), Annotated Code of Maryland, the Commission shall employ a certified public accountant (CPA) licensed to practice in the State to audit the books and accounts of the Commission. The Audit Committee is responsible for the oversight of the financial statements audit and has delegated the financial services contract management responsibilities to the OIG.

**Continuous Auditing** - The areas designated for continuous auditing (biweekly payroll reviews, contract reviews, accounts payable, P-Cards, and physical inventory counts) are highly susceptible areas for fraudulent activities. Audits of these specified areas will be conducted routinely throughout this fiscal year.

**Audit Follow-Up** – We will provide nonaudit services to follow-up on all agreed upon audit recommendations. Special emphasis will be given to recommendations that, according to management, have been implemented and are pending audit verification/examination.

## Protect our Resources

*Resolve and learn from past incidents; maintain best-in-class operating environment safety for employees; plan proactively with community stakeholders; and secure the Commission’s critical infrastructure.* The following audit projects and activities align with this strategic priority:

**Safe Drinking Water Act Compliance Audit** - The Safe Drinking Water Act (SDWA) is the federal law that protects public drinking water supplies throughout the nation. The Safe Drinking Water Act (SDWA) was established to protect the quality of drinking water in the U.S. This law focuses on all waters actually or potentially designed for drinking use, whether from above ground or underground sources. The Act authorizes EPA to establish minimum standards to protect tap water and requires all owners or operators of public water systems to comply with these primary (health-related) standards. We will conduct an audit of the Commission’s Water Storage Tank Rehabilitation Program to ensure compliance with the SDWA and related WSSC Water policies.

**Fraud, Waste and Abuse Investigations** – The OIG Audit Division dedicates hours each fiscal year to conduct or assist in the investigations of alleged fraud, waste and abuse. This practice will continue throughout FY 2020.

**Disaster Recovery Exercise Observation** - This fiscal year we will observe the recovery of WSSC Water’s mission critical systems after a simulated disaster or other extraordinary business event has occurred. This is a nonaudit service and does not impair auditor independence.

**Optimize Infrastructure**

*Achieve industry Leading reliability and asset integrity; and expand resilience and balance risk.* The following audits align with this strategic priority:

**System Development Charges Audits** - As required by Public Utilities Article, Section 25-405(d), we will review and approve the actual costs incurred by developers who help build WSSC Water’s infrastructure. At the end of Fiscal Year (FY) 2019, we had eleven (11) SDC audit requests in our possession. These audit requests are expected to be initiated and/or completed during FY 2020. However, these audit requests are ongoing, and this number is expected to fluctuate throughout this fiscal year.

**Enhance Customer Experience**

*Deliver safe, reliable and consistent service; provide timely response to customer queries; and be a good citizen within our communities.* The following audit aligns with this strategic priority:

**Capital Improvement Program Public Outreach Policy Compliance Audit** – The principal objective of the Capital Improvements Program (CIP) is the six-year programming of planning, design, land acquisition, and construction activities on a yearly basis for major water and sewerage infrastructure projects and programs. These projects and programs may be necessary for system improvements for service to existing customers, to comply with federal and/or state environmental mandates, or to support new development in accordance with the counties’ approved plans and policies for orderly growth and development.

Following a comprehensive review, work sessions are conducted by the WSSC Water Budget Division with the Prince George’s and Montgomery County Governments, Maryland-National Capital Park and Planning Commission (M-NCP&PC), and local municipality representatives to solicit their input, and a draft document is presented to the WSSC Water’s Commissioners for their consideration. Draft CIP Public Hearing documents are published and distributed each August and the Commissioners’ host public hearings in each County in September. The hearings are advertised in a major newspaper circulated in Prince George’s and Montgomery Counties, through our webpage and social media, and special notices are sent to the Prince George’s and Montgomery Counties’ State Senators and Delegates, County Executives, County Council members and County Government staff. In addition, a notice is included with each water bill mailed to WSSC Water customers throughout the months of June, July, and August inviting them to participate in the public hearings. After considering all relevant comments, the Commissioners approve the Proposed CIP document for transmittal to both county governments before October 1, in accordance with state law. A compliance audit of the CIP public hearing outreach efforts is scheduled for the 2020 fiscal year.

## Transform Employee Engagement

*Acquire the best people; retain top performers; develop and grow talent; and communicate effectively.* The following audit aligns with this strategic priority:

**Talent Acquisition Division Audit** - The Talent Acquisition Division strives to source highly skilled talent, within and outside of the Commission, in support of its business goals and challenges. The Talent Acquisition Division provides the following strategic services:

- Recruitment Strategy Development
- Process Management
- Applicant Tracking & Management
- Assessment Testing
- Salary Negotiation
- Selection Consultation
- Pre-Onboarding Compliance
- Temporary Services Administration

We will undertake a compliance audit of the Commission's talent acquisition process. Talent Acquisition is the strategic process of identifying and attracting top talent.

## OIG Staff Complement and Fiscal Year 2020 Approved Budget

The OIG has an approved FY 2020 budget of \$1,572,084 that supports eleven (11) full-time equivalent (FTE) positions. Staffing consists of the Inspector General, Audit Director, Audit Manager, OIG Counsel, OIG Criminal Investigator, three (3) Senior Auditors, two (2) Auditors, and an Administrative Professional. The operating budgets displayed in the table below represent our budgeted resources for the past two fiscal years. The increase between fiscal year 2019 and 2020 is primarily due to the addition of three (3) FTEs and other operational needs of the OIG.

Fiscal Year	Salaries and Wages	Operating Expenditures	Total
2020	\$1,339,644	\$232,440	\$1,572,084
2019	\$1,098,642	\$249,500	\$1,348,142

## OIG Fraud, Waste and Abuse Hotline

In accordance with Public Utilities Article, § 17-604(a)(1), Annotated Code of Maryland, the Inspector General may investigate mismanagement, misconduct, fraud, waste, and abuse at the Commission. The OIG investigates allegations, complaints, and inquires originating from various sources, such as private citizens; WSSC Water employees; OIG audits and reviews; and vendors.

If reasonable grounds exist to believe that a serious violation of federal, state, or local law or Commission regulations has occurred, the inspector general shall report the allegation to:

1. an appropriate law enforcement agency;
2. the State Ethics Commission;
3. the Commission Board of Ethics; or
4. any other agency with jurisdiction to enforce the law.

The Office of the Inspector General provides a Fraud, Waste & Abuse Hotline (Hotline) for the reporting of suspected mismanagement, misconduct, fraud, waste, abuse, and ethical improprieties. The Hotline is available to employees and the public 24 hours a day, 7 days per week, and 365 days per year. All such matters can be reported anonymously via the telephone at 1-877-WSSCFWA (1-877-977-2392) or the web [www.reportlineweb.com/wssc](http://www.reportlineweb.com/wssc).



## Contact Information

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