



November 29, 2022

VEOLIA UTILITY BENCHMARK AND ORGANIZATIONAL EFFICIENCY REVIEW REPORT FOLLOW-UP AUDIT



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Project #22-VUB-01

A Report to:

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**Washington Suburban
Sanitary Commission**


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Interoffice Memorandum

TO: TODD ALLEN, CHIEF STRATEGY AND INNOVATION OFFICER
STRATEGY AND INNOVATION OFFICE

THRU: JON T. RYMER, INSPECTOR GENERAL  DS
OFFICE OF THE INSPECTOR GENERAL

THRU: MAXENE M. BARDWELL, ASSISTANT INSPECTOR GENERAL FOR AUDIT  DS
OFFICE OF THE INSPECTOR GENERAL

FROM: JAMES A. WALL, JR., SUPERVISORY AUDITOR  DS
DAISY QIAN, AUDITOR
OFFICE OF THE INSPECTOR GENERAL

DATE: NOVEMBER 29, 2022  DS

SUBJECT: OFFICE OF THE INSPECTOR GENERAL AUDIT REPORT
VEOLIA UTILITY BENCHMARKING AND ORGANIZATIONAL
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Background

In accordance with the Washington Suburban Sanitary Commission’s (WSSC) Office of the Inspector General’s (OIG) Fiscal Year 2022 Risk-Based Work Plan and the authority granted to it pursuant to Public Utilities Article (“PUA”), § 17-605 (a)(6) of the Annotated Code of Maryland, the OIG conducted a performance audit¹ related to the June 2016 Veolia Utility Benchmarking and Organizational Efficiency Review (Veolia report) of the WSSC. The OIG conducted the audit in accordance with Generally Accepted Government Auditing Standards, except for the peer review requirement.

In December 2015, the WSSC management commissioned a benchmarking study performed by Veolia Water North America Operating Services, LLC (Veolia), and its methodology focused on five areas: 1) Gaining an understanding of WSSC; 2) Identification of metrics; 3) Formation of peer utility groups; 4) Comparison of peers; 5) Effectiveness of

¹ See U.S. Government Accountability Office (GAO), "Government Auditing Standards 2018," page 12 (stating that the purpose of a performance audit is to provide information to improve public accountability and facilitate decision-making).

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business operations; and, 6) Workforce staffing levels.² Further, Veolia purportedly assessed the business practices in each functional WSSC group, through a series of document reviews, data evaluation, and staff interviews. Veolia evaluated these business practices using a standardized scoring system from 1 (basic performance) to 5 (industry best) to baseline to determine WSSC's performance.³ To assist in identifying which business practices have the largest opportunity for improvement, a second score was identified as a near-term improvement goal. This score is determined to be where WSSC could be in less than 24 months with some additional focus and effort, given the current landscape within the organization.⁴ The difference between actual performance and the near-term performance goal forms the basis of a gap analysis that is then used to prioritize areas that have the potential for additional improvement.⁵

Veolia communicated its findings and recommendations to WSSC management in the form of a report at WSSC's June 2016 Commission meeting. The WSSC Commissioners accepted the report as informational, and WSSC's management's actions to address the report's findings and recommendations were nonbinding.

Objective

The audit's objective was to determine whether WSSC management has addressed the findings and recommendations of the Veolia report.

Scope and Methodology

The audit scope covered management's actions in response to the Veolia report findings and recommendations from June 2016 to October 2021.

To accomplish the audit objective, the OIG auditors read the Veolia report. We made inquiries of management, obtained confirmation or evidence to verify the recommendations had been addressed, and where appropriate, performed tests to ensure the solutions implemented by management were active and functioning as intended.

² See Veolia Final Report: WSSC Utility Benchmarking and Organizational Efficiency Review (June 13, 2016).

³ *Id.*

⁴ *Id.*

⁵ *Id.*

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Conclusion

The Veolia report contained sixty-three (63) recommendations and seven (7) findings. The audit results revealed that management had satisfactorily addressed fifty-one (51), or 73%, of the findings and recommendations.

The OIG did not identify any significant or material deficiencies in the internal controls. The OIG acknowledges management's satisfactory compliance with the audit's objectives. The OIG has determined; however, that the overall operational efficiency, effectiveness, and transparency could be enhanced by implementing improvements in certain areas. Less significant internal control deficiencies (low-rated findings) associated with this engagement have been communicated to appropriate WSSC management in a separate OIG Memorandum.

cc: Corporate Secretary, (J. Montes De Oca)
Deputy GM - Administration, (J. Price)
Deputy GM - Operations, (J. Beach)
Deputy GM - Strategy and Partnerships, (M. Johnson)