



OFFICE OF THE INSPECTOR GENERAL

LAUREL, MARYLAND

**WATER FUND PROGRAM AUDIT
FOLLOW-UP REVIEW
CUSTOMER SERVICE & COMMUNITY RELATIONS
DEPARTMENT**



OIG PROJECT NUMBER 23-WFA-01

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FROM: DIGDEM (DEE) TOK, AUDITOR
OFFICE OF THE INSPECTOR GENERAL

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DATE: NOVEMBER 28, 2023

SUBJECT: WATER FUND PROGRAM AUDIT FOLLOW-UP REVIEW

We have performed a review of the Water Fund Program. The detailed report is attached for your review. The OIG performed the work in accordance with the Association of Inspectors General, *Principles and Standards for Offices of Inspectors General, Quality Standards for Inspections, Evaluations, and Reviews*. We have already discussed with management issues of concern and their action plans are included in this report.

We appreciate the assistance provided by management and other personnel. We hope the information and recommendations presented in our report are helpful.

Attachment

cc: Chief of Staff, (C. Knight-Lee)
Performance & Accountability Director, (R. Maloney)
Customer Service & Community Relations Director, (J. Curry)
Customer Engagement and Advocacy Division Manager, (K. Caplan)
Revenue Division Manager, (W. Cook)

EXECUTIVE SUMMARY



Why The OIG Did This Audit

In accordance with the Washington Suburban Sanitary Commission (WSSC) Office of the Inspector General's (OIG) Fiscal Year (FY) 2023 Risk-Based Work Plan and the authority granted to it pursuant to Public Utilities Article, § 17-605 (a)(6) of the Maryland Annotated Code, the OIG conducted a follow-up review of the WSSC's Water Fund Program Audit performed in FY 2009. The OIG conducted the audit in accordance with the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*.

The Water Fund (Fund) was established in 1994 by WSSC employees to assist residential customers experiencing financial difficulties in paying their water bills. WSSC executed the Water Fund Agreement (Agreement) with The Salvation Army (SA) to administer the Fund's donations for an annual fee of twelve percent of the total funds disbursed during a 12-month period.

Although SA is the Fund's administrator, WSSC's Customer Relations (Customer Engagement and Advocacy), Accounting and Revenue Divisions play an integral role in the processing and documenting of contributions received, disbursed, and credited to a customer's account. Under the SA Guidelines, eligibility for participation in the program is based on income, family size, and the federal poverty guidelines. An applicant must demonstrate that his or her household does not have adequate income to pay the water bill.

Strategic Alignment

This report addresses WSSC's Priority: Spend Customer Dollars Wisely.

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WATER FUND PROGRAM WARRANTS SOME IMPROVEMENTS

What the OIG Found

The review's objective is to assess the adequacy, effectiveness, and timeliness of actions taken by WSSC Management to address the recommendations identified in the 2009 Water Fund Program Audit Report.

During this review, the documentary evidence disclosed that two of the four previous audit recommendations have been resolved and demonstrate an improvement in the operation of the Fund since the last audit. However, the facts also disclosed that some previous deficiencies identified in the 2009 Water Fund Audit Report were not adequately addressed. Specifically, the Fund warrants improvement to assure compliance and consistency with WSSC policies and procedures, Agreement, and SA Guidelines. The OIG noted the following:

- Maximum threshold amount was exceeded for 28 accounts;
- The SA Guidelines for fund disbursements are not consistently followed; and,
- The Water Fund's Administration Procedures are outdated.

The OIG presented the following recommendations to the Department's management to enhance its policies and procedures:

- Comply with the Internal Administrative Procedures in the WSSC's Chapter 3.65 Water Fund Administration;
- Follow the SA Guidelines; and,
- Update the Water Fund Administration Procedures.

WSSC management has addressed each of the OIG's recommendations, and where applicable, presented operational improvements or provided corrective action plans with anticipated due dates.

OIG accepts management's response and will track the status of management's remediation plan.



Table of Contents

Background4

Objective5

Scope and Methodology.....6

Conclusion6

Finding 1: Maximum threshold amount was exceeded for 28 accounts.....7

Finding 2: SA Guidelines for fund disbursements are not consistently followed9

Finding 3: The Water Fund’s Administration Procedures are outdated.....10

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 4

BACKGROUND

In accordance with the Washington Suburban Sanitary Commission (WSSC) Office of the Inspector General's (OIG) Fiscal Year (FY) 2023 Risk-Based Work Plan and the authority granted to it pursuant to Public Utilities Article, § 17-605 (a)(6) of the Maryland Annotated Code, the OIG conducted a follow-up review of the WSSC's Water Fund Program Audit performed in FY 2009. The OIG performed the work in accordance with the Association of Inspectors General, *Principles and Standards for Offices of Inspectors General, Quality Standards for Inspections, Evaluations, and Reviews*.¹

The Water Fund (Fund) was established in 1994 by WSSC employees to assist residential customers experiencing financial difficulties in paying their water bills.² WSSC executed the Water Fund Agreement (Agreement) with the Salvation Army (SA) to administer the Fund's donations for an annual fee of twelve percent of the total funds disbursed during a 12-month period.³ The Agreement is effective for a 12-month period and shall continue for subsequent years until it is terminated by either party via written notice, but not less than 60 days prior to the end of any successive period.⁴

Although SA is the Fund's administrator, WSSC's Customer Relations (Customer Engagement and Advocacy), Accounting and Revenue Divisions play an integral role in the processing and documenting of contributions received, disbursed, and credited to a customer's account.⁵ For example, when a WSSC customer calls and explains that he or she is unable to pay his or her water and sewer bill, a Customer Care Agent (CCA) will refer the customer to the SA for possible assistance from the Fund.⁶ The CCA is also required to explain the maximum assistance provided per rolling 12-month period, and whether the customer's bill exceeds the amount of assistance provided by the Fund.⁷ The Revenue Division provides Customer Relations (Customer Engagement and Advocacy) with copies of checks received, along with account numbers and the amounts credited to customer accounts.⁸

To guide the administration of the Fund, the SA developed the "Salvation Army Caseworker Guidelines for Administering the WSSC Water Fund" (SA Guidelines), which was incorporated into the Agreement. According to the SA Guidelines, only residential customers who rent or own property in the Washington Suburban Sanitary District (Montgomery and

¹ In March 2023, an independent external peer review was conducted of the OIG in accordance with the U.S. Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS), and a satisfactory rating was assessed.

² See Chapter 3.65, WSSC Manual of Standard Procedures (Manual) (describing the internal procedures for monitoring the Water Fund and authorizing administration by an external organization).

³ See Water Fund Agreement Amendment No. 1 (April 23, 2020) (amending Section B of the July 18, 2011 Agreement to increase the administrative fee from 10% to 12%).

⁴ See Water Fund Agreement, § E.1 (July 18, 2011).

⁵ See WSSC SP, § 3.65.030.

⁶ See WSSC SP, § 3.65.040 (a).

⁷ See *Id.*

⁸ See WSSC SP, § 3.65.040 (e).

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 5

Prince George's Counties) and who have not received assistance from the Fund in the past 12 months are eligible for assistance from the Fund.⁹

Further, under the SA Guidelines, eligibility for participation in the program is based on income, family size, and the federal poverty guidelines. An applicant must demonstrate that his or her household does not have adequate income to pay the water bill. According to Chapter 3.65 Water Fund Administration (Chapter 3.65) of the WSSC Manual of Standard Procedures (SP), an eligible household may receive up to a maximum of \$300 per rolling 12-month period, and the assistance should not result in a credit balance on the customer's account.¹⁰ The SA Caseworker shall verify with a WSSC CCA that an applicant has not reached the \$300 maximum during the rolling 12-month period.¹¹ In 2020, the SA Guidelines held that the maximum amount of assistance that could be provided under the Fund to a customer is \$500 per rolling 12-month period.

On February 2, 2009, WSSC's Internal Audit Office¹² (IAO) issued the Water Fund Program Audit Report, setting forth the following recommendations:

- 1) Create a WSSC Standard Procedure for the administration of the WSSC Water Fund to clearly outline the roles and responsibilities of all parties involved throughout the process;
- 2) Update the Agreement and the SA Guidelines to protect the integrity of the Fund;
- 3) Strengthen the internal controls for administering the Fund to help prevent violations of the SA Guidelines and ensure fairness in the assistance provided to customers; and
- 4) Regularly monitor the United Way Campaign donations to the Water Fund and related fees.

OBJECTIVE

The review's objective is to assess the adequacy, effectiveness, and timeliness of actions taken by WSSC Management to address the recommendations identified in the 2009 Water Fund Program Audit Report.

⁹ See SA Guidelines for Administering the WSSC Water Fund, § A (2011).

¹⁰ WSSC SP, § 3.65.040 (a) states that the maximum assistance is \$300 per rolling 12-month period that the customer is responsible for any remaining balance not covered by the assistance provided by the Fund.

¹¹ See SA Guidelines, § B.1; *see also* WSSC SP, § 3.65.040 (b) (obligating SA to provide CCA with the customer's name, account, and amount pledged).

¹² In 2018, the Internal Audit Office transitioned into the OIG pursuant to Title 17, Subtitle 6 of the Maryland Annotated Code, Public Utilities Article.

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 6

SCOPE AND METHODOLOGY

The review's scope included the 2009 Water Fund Audit Report, management's remediation of the findings identified in the audit report. To achieve the review's objective, the OIG engaged in the following tasks:

- Examined customers' files to assess compliance with the SA Guidelines;
- Initiated the review by enhancing our knowledge of the systems, processes, and procedures related to the administration of the Water Fund. This included identifying and documenting our understanding of WSSC Water Fund Program management and the SA's processes;
- Interviewed WSSC employees from the Customer Engagement and Advocacy, Revenue, Accounting Divisions, and staff at the Salvation Army headquarters Washington, D.C. and the Salvation Army office at the county level to further understand the relevant processes and identified related internal controls.

Additionally, we requested and reviewed the following documentary evidence:

- 2009 Water Fund Audit Report;
- Water Fund Agreement (July 18, 2011);
- SA Guidelines for Administering the WSSC Water Fund, Exhibit A (2011);
- SA Guidelines for Administering the WSSC Water Fund, Exhibit A (2020);
- Water Fund Agreement Amendment No. 1 (April 23, 2020);
- Water Fund Agreement Amendment No. 2 (May 27, 2021);
- Chapter 3.65 of the WSSC Manual of Standard Procedures; and
- Other related documents provided by WSSC Management.

CONCLUSION

During this review, the documentary evidence disclosed that two of the four previous audit recommendations have been resolved and demonstrate an improvement in the operation of the Fund since the last audit. However, the facts also disclosed that some previous deficiencies identified in the 2009 Water Fund Audit Report were not adequately addressed. Specifically, the Fund warrants improvement to assure compliance and consistency with WSSC policies and procedures, Agreement, and SA Guidelines. The OIG noted the following:

- Maximum threshold amount was exceeded for 28 accounts;
- The SA Guidelines for fund disbursements are not consistently followed; and
- The Water Fund's Administration Procedures are outdated.

The OIG appreciates the cooperation received from internal and external parties throughout this review process.

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 7

FINDINGS, MANAGEMENT RESPONSES AND ACTION PLANS

Finding 1: Maximum threshold amount was exceeded for 28 accounts

Risk Rating: HIGH

According to WSSC's SP, § 3.65.040 (a) when a WSSC customer calls and explains that he or she is unable to pay his or her water and sewer bill, the CCA will refer the customer to the Fund Administrator for possible assistance from the Fund. Additionally, the CCA will also explain (1) that the maximum assistance payment is \$300 per rolling 12-month period, and (2) that if the bill exceeds the amount of assistance approved by the Fund Administrator, then the customer is responsible for remitting payment for any remaining balance.¹³ The Revenue Division is responsible for validating the customer account to ensure that payment does not exceed the \$300 allotted amount per account and/or will not result in a credit balance on the account.¹⁴ Although Chapter 3.65 of the WSSC SP has established that the maximum amount of assistance that can be provided under the Fund is \$300 per rolling 12-month period, according to WSSC Management and the SA Guidelines, the current practice is to provide a maximum amount of \$500.

The review revealed that under the current \$500 maximum amount threshold that has been established but not reduced to a written policy, 28 customer accounts received distributions in excess of \$500. Additionally, 5 out of the 28 customer accounts received SA pledges that resulted in credit balances on their WSSC accounts.

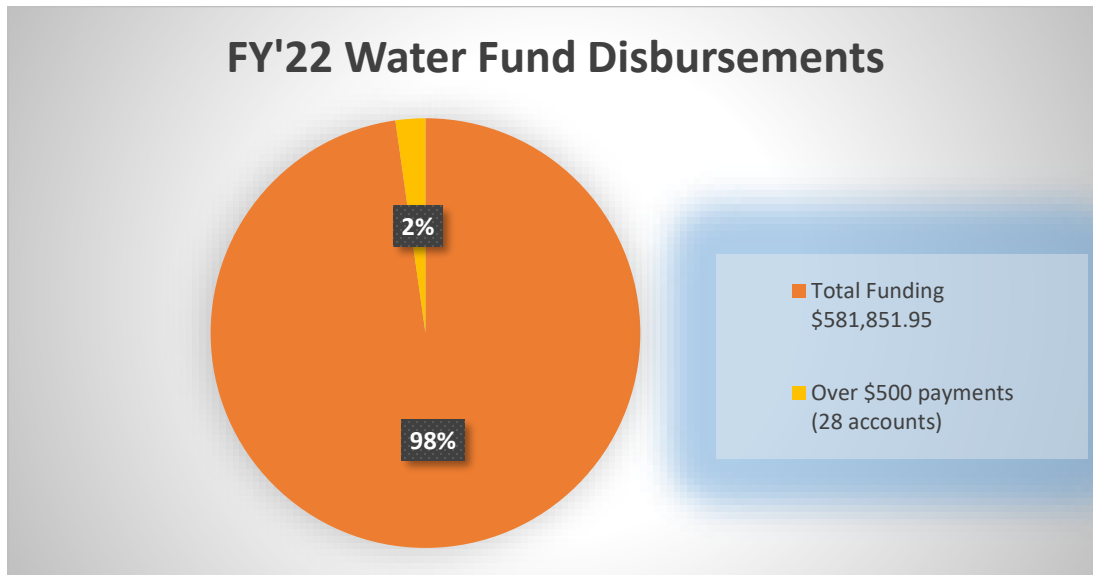
We inquired about the 28 accounts that received distributions in excess of the \$500 and the Customer Engagement and Advocacy management indicated that they would need to conduct further analysis to properly address the issue. WSSC management also concluded that the discrepancy is due to a lack of account validations.

As illustrated in the chart below, the 28 double-pledged accounts resulted in approximately \$13,336.25 (2.3% of the total funding) in overpayments. As a consequence, the customers were able to keep the overpayments in their accounts for subsequent bills, contrary to the objectives of the Fund identified in Chapter 3.65 of the WSSC SP. Non-compliance with the established standard procedure causes a decrease in efficiency and an increase in error rates.

¹³ OIG confirmed with the WSSC Management and Salvation Army that the current maximum assistance amount is now \$500.

¹⁴ See WSSC SP, § 3.65.050 (c)(3).

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 8



Recommendation 1: Comply with the Internal Administrative Procedures in the WSSC's Chapter 3.65 Water Fund Administration

The OIG recommends compliance with Chapter 3.65 of the WSSC SP or the Agreement between WSSC and SA to avoid surpassing the maximum assistance amount per rolling 12-month period and the reconciliation of customer accounts when funds are applied to prevent credit balances. Adhering to procedures will assist in minimizing account discrepancies.

Management Response and Action Plan (including anticipated due date):

Management agrees with the recommendation to comply with the procedures set forth in Chapter 3.65 of the Manual of Standard Procedures as well as the Water Fund Agreement. In the 2011 Water Fund Agreement, Paragraph F.2 established that the General Manager/CEO could increase the maximum disbursement amount by letter. In accordance with this, the increase from \$300 to \$500 was accomplished by letter in May of 2019. Therefore, disbursements of \$500 have been authorized since that time. While the maximum disbursement amount was mentioned in Chapter 3.65, the purpose of that document was to only govern internal WSSC Water Procedures for managing the Water Fund and was never intended to set the terms under which The Salvation Army distributes the funds. The following actions will be instituted to address Recommendation 1:

- WSSC Water will partner with The Salvation Army to update the Water Fund application to include attestation to comply with the policy by March 1, 2024.
- The Customer Service and Community Relations Department will develop an internal control to review Water Fund assistance payments received in the last 12-months by no later than June 30, 2024.
- The Department will also update Chapter 3.65 Standard Procedure (SP) by no later than June 30, 2024, and then review and update the SP at least every three year

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 9

Finding 2: SA Guidelines for fund disbursements are not consistently followed
Risk Rating: HIGH

According to the Agreement, which has incorporated the SA Guidelines for Administering the Water Fund, disbursements should be made strictly in accordance with it, including the maximum amount of assistance that can be provided and verification requirements.¹⁵ Initially, the SA Guidelines stated that an eligible household may receive up to a maximum of \$300 per rolling 12-month period.¹⁶ In 2020, the SA Guidelines stated that the maximum amount was \$500. Further, the SA Guidelines require that each time a household applies for assistance, the applicant must provide proof of residency and proof of income; such as pay stubs, social security, check stubs, W-2s, or tax returns, for all members of the household. The SA Caseworker must verify with WSSC that the applicant has not reached the \$500 maximum disbursement during the rolling 12-month period.

OIG auditors identified 28 instances where multiple payments exceeded the maximum amount allowed under the SA Guidelines. Additionally, supporting documentation for proof of residency and income verification were either missing or incomplete in the local SA office files. OIG Auditors also found that two customers had multiple files at the local SA office in Montgomery County, which resulted in multiple pledges.

During the walkthrough with the local SA Fund Manager, OIG Auditors were informed that SA Caseworkers confirmed customers' account balances through the WSSC's automated customer service line because speaking with a WSSC CCA would involve long wait times. Thus, the SA Caseworker was not verifying the information with the WSSC CCA before disbursing funds. Additionally, the SA Fund Manager did not provide any explanation for the missing or incomplete documentation required to verify a customer's eligibility. As a result, some customers were granted assistance more times than the maximum amount allowable for the period.

Recommendation 2: Follow the SA Guidelines

The OIG recommends WSSC Management require the SA to follow its guidelines when processing WSSC Water Fund pledges and maintain consistent documentation in each customer's file. Adhering to established guidelines will help ensure consistent business practices in the Water Fund Administration.

¹⁵ See Water Fund Agreement, § A.2.

¹⁶ See SA Guidelines, § B.1.

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 10

Management Response and Action Plan (including anticipated due date):

Management agrees with the recommendation for the Salvation Army to follow the SA Guidelines. The following measures will be implemented to ensure adherence to the SA Guidelines:

- The Customer Service and Community Relations Department will implement a checklist to evidence compliance with procedures in collaboration with The Salvation Army by March 1, 2024 and conduct an annual mandatory refresher training for The Salvation Army team by April 1, 2024.

Finding 3: The Water Fund's Administration Procedures are outdated
Risk Rating: MEDIUM

According to Chapter 3.65 of the WSSC SP, which sets forth the internal administrative procedures for the Fund, the maximum assistance is \$300 per rolling 12-month period. The SA Guidelines incorporated into the 2011 Agreement are consistent with Chapter 3.65 of the WSSC SP, as it also provides that the maximum assistance per rolling 12-month period is \$300.¹⁷ The Agreement was revised in 2020 to increase the percentage amount paid to SA for administrative fees and in 2021 to ensure compliance with the state of Maryland's non-discrimination provision.¹⁸ The SA Guidelines attached to the 2020 revised Agreement, however, included a provision that stated the maximum assistance per rolling 12-month period is \$500.

In addition, the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (2014), states that "management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations."¹⁹

Chapter 3.65 has not been amended or revised since 2010. During this review, OIG auditors were informed by WSSC Management that the current maximum assistance provided to a customer is \$500 per rolling 12-month period. This amount exceeds the \$300 limit stated in Chapter 3.65 of the WSSC SP by \$200. While the SA Guidelines attached to the 2020 amended Agreement did include a provision stating that the maximum amount was \$500, that change was not recognized in the amendment to the Agreement; only the administration fee to the SA was increased. WSSC Management's documentation of the increase from \$300 to \$500 maximum assistance was acknowledged in the unofficial Customer Engagement and Advocacy's Internal Operating Procedure (IOP). However, the IOP for Water Fund Administration was not approved until January 6, 2023 (after the commencement of this review), and is still contrary to Chapter 3.65 of the WSSC SP which supersedes the IOP.

¹⁷ See generally Water Fund Agreement Amendment No. 1.

¹⁸ See Water Fund Agreement Amendment No. 2 (May 27, 2021).

¹⁹ See GAO-14-704G, *Standards for Internal Control in the Federal Government*, OV2.02.

WATER FUND PROGRAM AUDIT
NOVEMBER 28, 2023
PAGE 11

The Customer Engagement and Advocacy Division management did not provide a cause for the delay in updating Chapter 3.65 of the WSSC SP and finalizing the proposed IOP to reflect the current practice of providing a maximum of \$500 assistance under the Fund. The Customer Engagement and Advocacy Division management also stated they collaborated with the General Counsel's Office (GCO), and the Revenue and Accounting Divisions to draft an updated manual, which was completed in January 2023. According to management, they were counseled by GCO to wait until this review was completed before posting the updated manual.

Although the current business practice and the proposed IOP by WSSC Management permit a maximum amount of \$500 to be provided to a customer per rolling 12-month period, in keeping with the Agreement, Chapter 3.65 of the WSSC SP expressly states that the maximum amount of assistance that can be provided per rolling 12-month period is \$300.

Recommendation 3: Update the Water Fund Administration Procedures

The OIG recommends management review and update Chapter 3.65 of the WSSC SP governing the Water Fund Administration, IOPs and all other related policies or procedures periodically to reflect the current practices and procedures for administering the Fund. This will help ensure current practices align with governing policies, procedures, and guidelines; and promote the consistent administration of donated funds by WSSC Management and the SA.

Management Response and Action Plan (including anticipated due date):

Management agrees with the recommendation to review and update Chapter 3.65 of the WSSC SP governing the Water Fund Administration, IOPs and other related policies or procedures. As stated in Recommendation 1, the maximum disbursement amount was governed by Paragraph F.2. of the Agreement and WSSC complied with Paragraph F.2. when it increased the amount from \$300 to \$500 in May of 2019. The Customer Service and Community Relations Department will update Chapter 3.65 Standard Procedure, IOPs and all other related policies or procedures no later than June 30, 2024 and will then review and update these documents at least every three years.