



July 16, 2020

Commission Office Compliance Audit

Project #18-COCA-01

A Report to:

Commissioners:

Chair, Howard A. Denis
Vice Chair, Keith E. Bell
Fausto R. Bayonet
T. Eloise Foster
Chris Lawson
Sandra L. Thompson

General Manager/CEO:

Carla A. Reid

Corporate Secretary:

Sheila R. Finlayson, Esq.

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Interoffice Memorandum

TO: CHAIR DENIS, VICE CHAIR BELL,
COMMISSIONER BAYONET, COMMISSIONER FOSTER,
COMMISSIONER LAWSON, AND COMMISSIONER THOMPSON

CORPORATE SECRETARY FINLAYSON
COMMISSION OFFICE

THRU: ARTHUR A. ELKINS, JR., INSPECTOR GENERAL ^{DS} AE
OFFICE OF THE INSPECTOR GENERAL

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

FROM: JANE N. LEWIS, SUPERVISORY AUDITOR ^{DS} JL
JAMES A. WALL, JR., SUPERVISORY AUDITOR ^{DS} JW
OFFICE OF THE INSPECTOR GENERAL

DATE: JULY 16, 2020

SUBJECT: OFFICE OF THE INSPECTOR GENERAL AUDIT REPORT
COMMISSION OFFICE COMPLIANCE AUDIT

Background

In accordance with the Fiscal Year 2019 Risk-Based Audit Plan, the Washington Suburban Sanitary Commission's (WSSC) Office of the Inspector General (OIG) performed a compliance audit of the Commission Office at the request of WSSC's Board of Commissioners (Board).

WSSC is a bi-county water utility serving Montgomery and Prince George's County residents. WSSC's headquarters is in Laurel, Maryland. WSSC was established over 100 years ago on May 1, 1918, and is now one of the largest water utilities in the United States of America, serving nearly two million customers and managing over 5,700 miles of pipelines for freshwater and sewer services.

WSSC's Board is responsible for the overall governance of WSSC. The Board consists of six Commissioners, three from each of the representative counties served. The County Executives of Montgomery and Prince George's Counties are responsible for appointing individuals to serve as Commissioners for four-year terms, subject to the confirmation of the respective County Council. A Commissioner's term is staggered, but a Commissioner may continue to serve until a new Commissioner is appointed, confirmed and takes the oath of office. WSSC's Board has a chairperson represented by one county and a vice-chairperson represented

COMMISSIONERS
CORPORATE SECRETARY
OFFICE OF THE INSPECTOR GENERAL AUDIT REPORT
COMMISSION OFFICE COMPLIANCE AUDIT
JULY 16, 2020
PAGE 2

by the other county. The positions of chairperson and vice chairperson are rotated each fiscal year. The Commissioners may vote on matters before them, and those matters take effect upon a majority vote of the Commissioners. The majority vote must include a vote from a least one Commissioner from each county. In the absence of a quorum of four Commissioners, a vacancy on the Board does not prevent the remaining Commissioners from acting on matters or issues before WSSC.

The Commissioners are responsible for the overall governance of the agency and provide leadership, guidance and oversight of WSSC, including setting the strategic direction for the agency, establishing general policy and guidelines for WSSC's operations and supervising three direct reports: The Corporate Secretary, General Manager/Chief Executive Officer (General Manager), and the Inspector General. The Corporate Secretary manages the Commission Office and is primarily responsible for coordinating and directing WSSC's corporate functions and business-related activities, to include: arranging Commission meetings, recording meeting minutes, serving as the liaison for the Commissioners to WSSC's management, and certifying and keeping official documents as WSSC's official custodian of records. The General Manager is responsible for the overall management and daily operations of WSSC. In accordance with Title 17, Subtitle 6 of the Public Utilities Article (PUA) of the Annotated Code of Maryland, which established the OIG, the Inspector General is responsible for conducting independent audits and investigations of WSSC's activities and programs.

WSSC and its employees are subject to the Washington Suburban Sanitary District (WSSD) Laws of the Maryland Annotated Code. WSSC was subject to WSSD Laws as first enacted in 1918. There have been numerous changes or iterations of these laws over the years. The current governing law is WSSD Laws, 2017 Edition, Division II of the Public Utilities Article of the Maryland Annotated Code (Statutory Law), including its latest 2018 Supplement. WSSC is also governed by the Code of Regulations (Code) and WSSC Manual of Standard Procedures (Manual), effective January 1, 2019. The Code contains all the regulations adopted by the Commissioners, which is available to the public on WSSC's website. The Manual is an internal document that includes policies, processes, and procedures that address the functions of WSSC's operations and the obligations of the personnel to implement those responsibilities. The Manual is available to WSSC's employees.

WSSC and its Commissioners are subject to other laws such as the Maryland Public Ethics Law, effective October 1, 2018, and the Maryland Open Meetings Act, as referenced in Title 3 of the General Provisions Article of the Maryland Code, effective 2014 (including the 2016 Supplement).

The references to laws, regulations, policies, and procedures throughout this document do not represent a complete listing of all the governing documents WSSC is subject to;

COMMISSIONERS
CORPORATE SECRETARY
OFFICE OF THE INSPECTOR GENERAL AUDIT REPORT
COMMISSION OFFICE COMPLIANCE AUDIT
JULY 16, 2020
PAGE 3

however, the governing documents noted herein relate specifically to the issues noted in this audit report.

Objective and Scope

The audit objective was to confirm the Commission Office complies with WSSC standards, policies and procedures, applicable Maryland state laws and best practices regarding transparency and accountability.

The audit focused on the operations of the Commission Office as well as the related activities between the Commission Office and the Corporate Secretary's Office. The audit covered accessibility to Commission Office records and information, including any information from the Corporate Secretary's Office relating to the Commission Office, from July 1, 2017 through December 31, 2018.

Conclusion

Overall, the Commission Office has complied with WSSC's standards, policies and procedures, applicable laws, and best practices. In accordance with Subchapter 9.36 of the generally accepted government auditing standards (GAGAS), the OIG did not identify any significant areas of noncompliance in the internal controls.¹ The OIG acknowledges the Commission Office and the Corporate Secretary's Office's satisfactory compliance with the audit objectives, and has issued an audit report comparable to an unqualified opinion.² The OIG has determined; however, that the overall operational efficiency, effectiveness, and transparency of the Commission Office could be enhanced by implementing improvements in certain areas. These areas are less significant than audit observations, and the OIG will communicate these issues to the Commission Office in a separate audit memorandum.

cc: General Manager, (C. Reid)

¹ In accordance with PUA § 17-605(c), of the Annotated Code of Maryland, this Office applied Subchapter 9.36 of GAGAS, Chapter 9: Reporting Standards for Performance Audits, GAO-18-568G (2018). Subchapter 9.36 states that [a]uditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that noncompliance with provisions of laws, regulations, contracts, and grant agreements either has occurred or is likely to have occurred that is significant within the context of the audit objectives.

² The American Institute of Certified Public Accountants (AICPA), Inc., in the *Statement of Auditing Standards (SAS) No. 58 (AU Section 508)*, defines an "unqualified opinion" as an auditor's statement that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.