DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

Board of Directors

Audit and Risk Committee

July 28, 2022

9:30 a.m.

Microsoft Teams Meeting
Join on your computer or mobile app
Click here to join the meeting
Or call in (audio only)
+1 202-753-6714,,995752376#
Phone Conference ID: 995 752 376#

1. **Call to Order**……………………………………….. ....Floyd Holt, Chairperson

2. **Roll Call**…………………………………….......................Linda Manley, Board Secretary

3. **Enterprise Risk Management Briefing**......... .. Wayne Griffith, EVP Strategy & Performance

4. **Internal Audit Update**………..……….……… .... Dan Whelan, RSM, Auditor General
   A. FY 2022 Internal Audit Plan Status Update
   B. Status Update on Prior Audit Findings
   C. Strategic Plan Monitoring Internal Audit
   D. Expenditures Analytics Assessment
   E. Hotline Update

5. **Executive Session*** ………………………….........................Floyd Holt, Chairperson

6. **Adjournment**………………………………………........................Floyd Holt, Chairperson

1The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss certain matters, including but not limited to: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); terms for negotiating a contract, including an employment contract, under D.C. Official Code § 2-575(b)(2); obtain legal advice and preserve attorney-client privilege or settlement terms under D.C. Official Code § 2-575(b)(4)(A); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security matters under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); third-party proprietary matters under D.C. Official Code § 2-575(b)(11); train and develop Board members and staff under D.C. Official Codes § 2-575(b)(12); adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters or violations of laws or regulations where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14); and other matters provided under the Act.

Strategy & Performance
Enterprise Risk Management Briefing to Audit & Risk Committee

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY   **Wayne Griffith, EVP Strategy & Performance**

Agenda

1. Phase 2 of Enterprise Risk Management

   - What we look to achieve in this upcoming phase
   - Three (3) *tier 1* enterprise risks for deep dive analysis
   - Phase 2 schedule
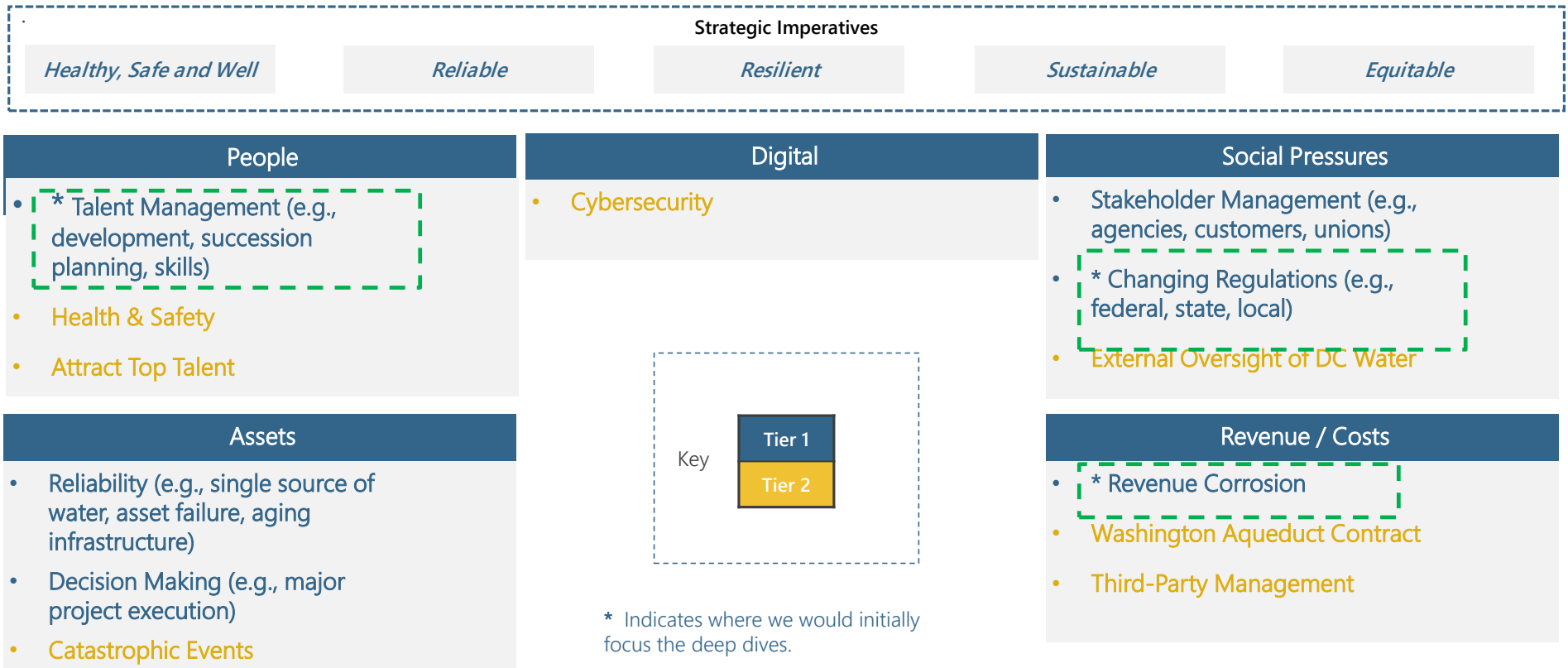
What we want to accomplish in Phase 2

Desired Outcomes | ERM

- **Deeper understanding** of top enterprise risks, their **underlying root causes** and drivers, and associated risk indicators to enable more effective **risk-informed decision making**.

- Clear understanding of **potential gaps** in risk mitigation plans for the Authority's top enterprise risks.

- Ability to **report on top enterprise risks** that face the Authority along with their trends to better **inform senior leadership** and **Board members**.

- Methods to **promote a strong risk-aware culture** at DC Water to advance risk thinking and awareness, **drive engagement**, and bolster risk understanding across the Authority.

- Leverage the **Origami Solution** for **automation** of ERM processes.

DC Water Top Enterprise Risks

Below is the prioritized list of top enterprise risks. This is the output at the end of the top-down enterprise risk assessment. Using a combination of identification methods: surveys and interviews with DC Water Leadership and specific board members, and internal and external research, top risks to DC Water were identified and ranked.

Strategic Imperatives

| Healthy, Safe and Well | Reliable | Resilient | Sustainable | Equitable |

People

- * Talent Management (e.g., development, succession planning, skills)
- Health & Safety
- Attract Top Talent

Assets

- Reliability (e.g., single source of water, asset failure, aging infrastructure)
- Decision Making (e.g., major project execution)
- Catastrophic Events

Digital

- Cybersecurity

Key

| Tier 1 |
| Tier 2 |

* Indicates where we would initially focus the deep dives.

Social Pressures

- Stakeholder Management (e.g., agencies, customers, unions)
- * Changing Regulations (e.g., federal, state, local)
- External Oversight of DC Water

Revenue / Costs

- * Revenue Corrosion
- Washington Aqueduct Contract
- Third-Party Management

Phase 2 | Proposed Schedule

Activity	Q1 FY23			Q2 FY23			Q3 FY23
	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	April 23
Initiate Deep Dive Analysis for 3 Enterprise Risks • Collaborate with DC Water SMEs to gather information on risk causes, and specific risk drivers • Facilitate working sessions with risk owners and SMEs to finalize and prioritize key risk drivers as well as identify initial risk response action plans and potential gaps to consider	▬	▬	▬	▬			
Summarize the insights and findings from the deep dive workshops, including: • Prioritized risk drivers, risk response plans and KRIs • Executive dashboard example for Management reporting based on risk deep dive summary that tracks progress on risk response activities and KRIs		▬	▬	▬	▬		
Work with the Origami team to configure the ERM module for DC Water. Specifically, configure: • Risks Scoring methodology • Risk forms & Risk Assessment workflow • Standard dashboards and ERM reports	▬	▬	▬	▬	▬		
Develop Origami Solution training guides for end-users that align with ERM processes				▬	▬	▬	▬

Appendix

ERM Program | Highlighted activities for Phase 2
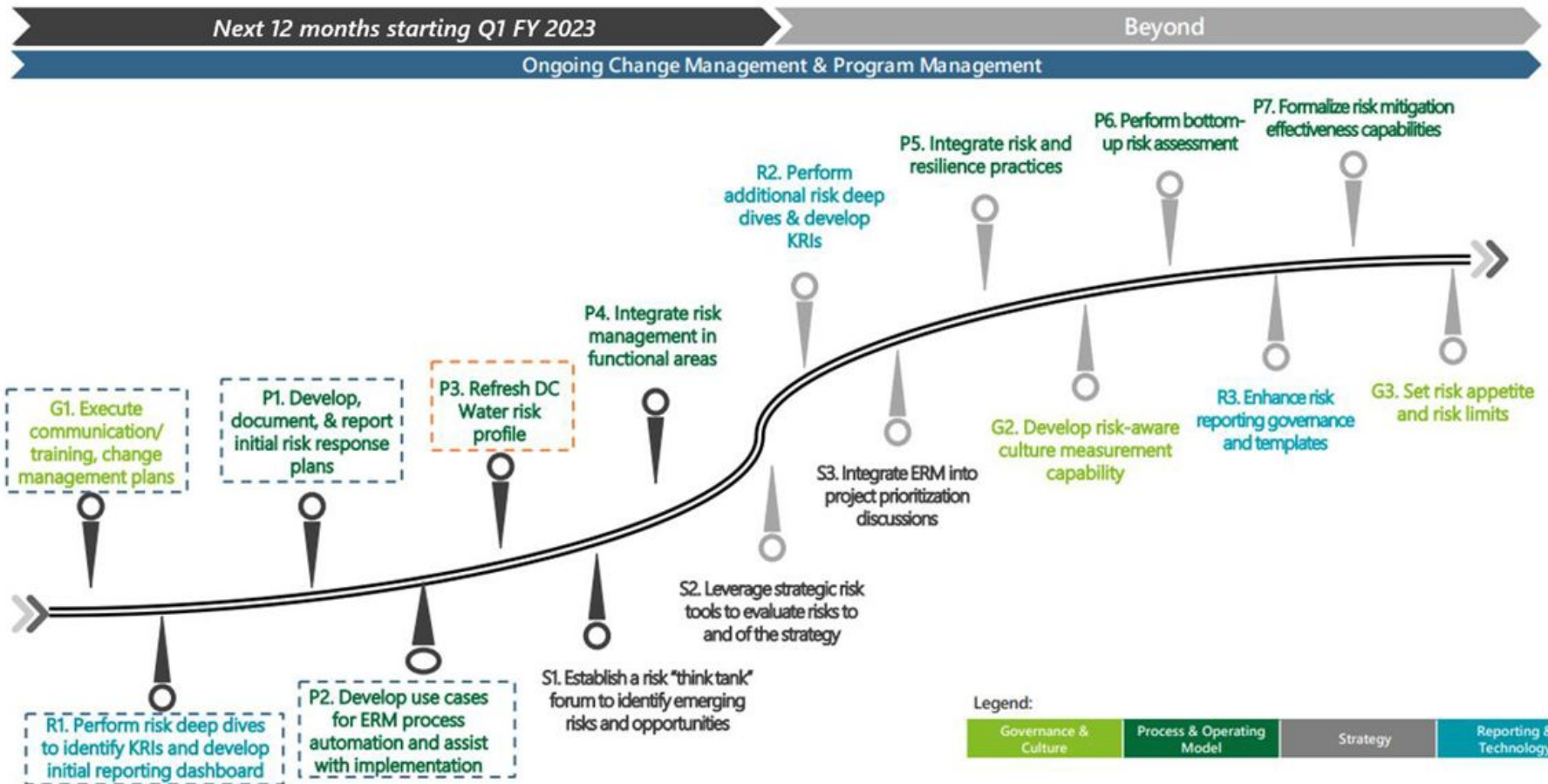
DC WATER

Audit & Risk Committee Meeting

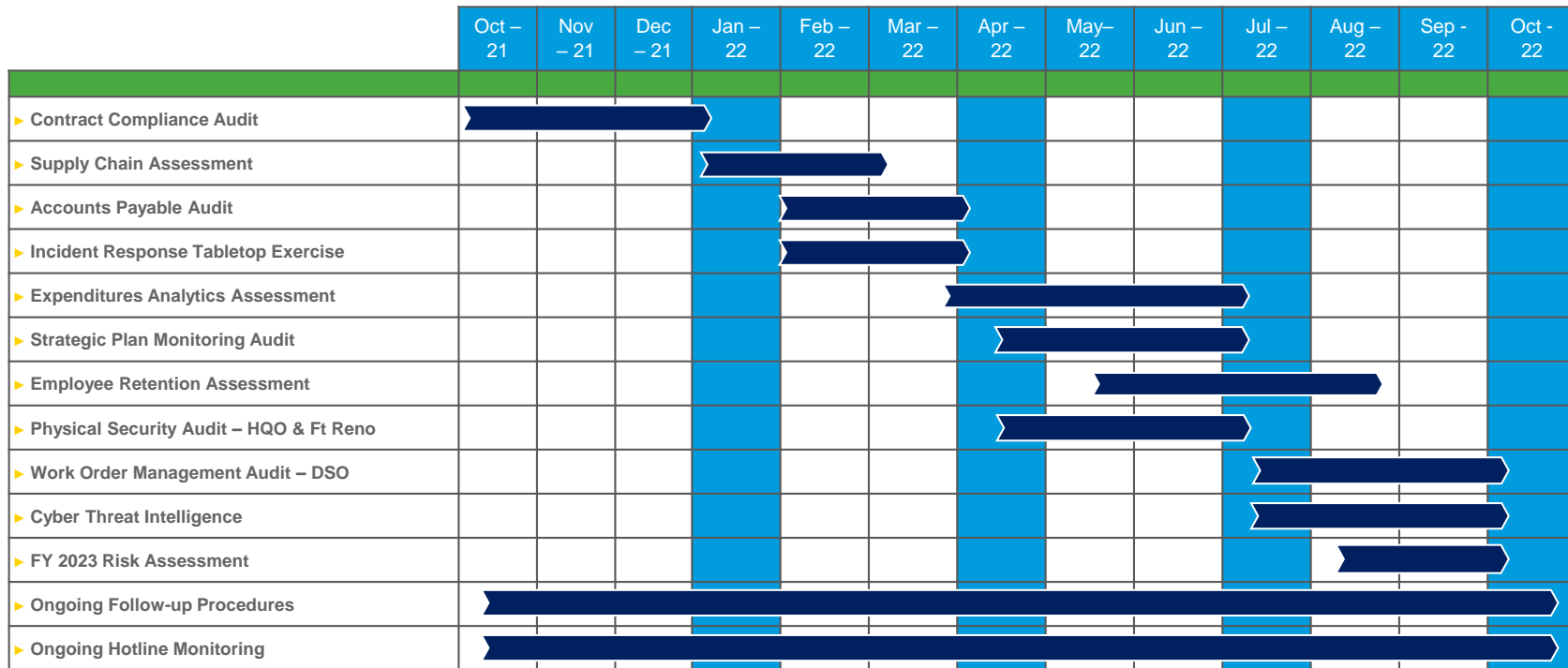July 28, 2022

RSM

Agenda

- FY 2022 Internal Audit Plan Status Update

- Status Update on Prior Audit Findings

- Report on Completed Audits
  - Strategic Plan Monitoring Internal Audit
  - Expenditures Analytics Management Assessment

- Hotline Update

- Executive Session
  - Physical Security Penetration Testing - HQO & Ft. Reno

2

RSM

AUDIT PLAN STATUS UPDATE

RSM

Internal Audit Plan Status Update

Audit	Status
FY 2022	
Contract Monitoring & Compliance Audit	Report Complete
Supply Chain Assessment	Report Complete
Accounts Payable Audit	Report Complete
Incident Response Tabletop Exercise	Report Complete
Expenditures Analytics Assessment	**Report Complete**
Strategic Plan Monitoring Audit	**Report Complete**
Employee Retention Assessment	Fieldwork in Progress
Physical Security Audit – HQO & Ft. Reno	**Report Complete**
Work Order Management Audit – DSO	Planning in Progress
Cyber Threat Intelligence	Planning in Progress
FY2023 Risk Assessment	Not Started
Remediation & Follow Up	On-going
Hotline Management	On-going

4

RSM

Internal Audit Plan FY 2022 Timeline

	Oct – 21	Nov – 21	Dec – 21	Jan – 22	Feb – 22	Mar – 22	Apr – 22	May– 22	Jun – 22	Jul – 22	Aug – 22	Sep - 22	Oct - 22
▶ Contract Compliance Audit	███	███	███										
▶ Supply Chain Assessment				███	███								
▶ Accounts Payable Audit					███	███							
▶ Incident Response Tabletop Exercise					███	███							
▶ Expenditures Analytics Assessment							███	███					
▶ Strategic Plan Monitoring Audit							███	███					
▶ Employee Retention Assessment								███	███	███			
▶ Physical Security Audit – HQO & Ft Reno							███	███					
▶ Work Order Management Audit – DSO										███	███		
▶ Cyber Threat Intelligence										███	███	███	
▶ FY 2023 Risk Assessment											███	███	
▶ Ongoing Follow-up Procedures	███	███	███	███	███	███	███	███	███	███	███	███	
▶ Ongoing Hotline Monitoring	███	███	███	███	███	███	███	███	███	███	███	███	

RSM

5

PRIOR AUDIT FINDINGS – FOLLOW UP STATUS

RSM

Open High Risk Prior Audit Findings

No open high risk findings to report. All high risk prior audit findings are in pending testing or closed status as of July 2022.

7

RSM

Status Update on Prior Audit Findings

Audit Report/Subject	Report Issue Date	Corrective Actions			
		Total	Open	Closed	Pending Testing[1]
Prior to FY21 Audit Findings					
Training, Licensing & Certification	7/28/2016	7	0	6	1
HR/Employee Privacy Review	4/27/2017	7	0	7	0
Entity Level Review	10/26/2017	7	0	6	1
Integrated Work Order Management Audit	1/24/2019	10	0	8	2
Fleet Management Review	1/24/2019	3	1	2	0
Occupational Safety and Health	4/25/2019	4	1	2	1
Asset Management Review	1/23/2020	2	0	2	0
SCADA ICS Review	10/22/2020	16	0	16	0
Customer Billing and Collections Audit	10/22/2020	3	1	2	0
Total		**59**	**3**	**49**	**5**

FY16 – FY20 Prior Audit Findings Status
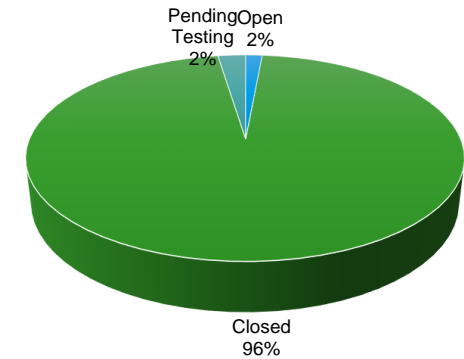
Pending Testing 2%
Open 2%
Closed 96%

[1] "Pending Testing" indicates that Management represents that the Action Plan is Completed, but Internal Audit has not yet performed testing to validate the status.

Note that the audit findings reported above only represent findings prior to FY21 with the status of "Pending Testing" or "Open". Audits conducted prior to FY21 for which all findings have been closed are not represented in this table. However, the pie chart to the right includes status of all audit findings FY16 – FY20.

8

Color Key
At least 1 original remediation target date has been extended

RSM

Status Update on Prior Audit Findings

Audit Report/Subject	Report Issue Date	Corrective Actions			
		Total	Open	Closed	Pending Testing[1]
FY21 Audit Findings					
Work Order Management – DMS Audit	1/28/2021	1	0	1	0
Procurement Audit	4/22/2021	2	0	1	1
Succession Planning Review	4/22/2021	1	1	0	0
Remote Workforce Security Review	4/22/2021	2	1	1	0
Contract Compliance Audit	7/22/2021	3	0	2	1
PCS Review	10/28/2021	8	0	8	0
Materials Management Audit	10/28/2021	1	0	1	0
Total		**18**	**2**	**14**	**2**

FY21 Prior Audit Findings Status

Pending Testing 11%
Open 11%
Closed 78%
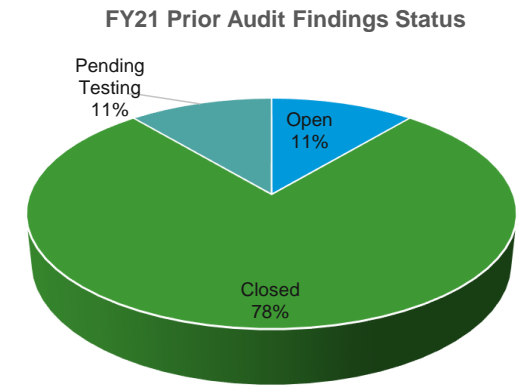
Color Key	
■	At least 1 original remediation target date has been extended

[1] "Pending Testing" indicates that Management represents that the Action Plan is Completed, but Internal Audit has not yet performed testing to validate the status.

In total, 95% of all prior audit findings from FY16 – FY21 are closed. Management's target closure rate is 90%.

9

RSM

STRATEGIC PLAN MONITORING INTERNAL AUDIT

RSM

Strategic Plan Monitoring Internal Audit

Purpose

The purpose of this review was to obtain an understanding of how the strategic plan is monitored and assess whether the system of internal controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives. Our procedures were performed in accordance with the internal audit scope and approach set forth in our audit notification letter and were limited to those procedures described therein. The testing period was January 2022 through June 2022.

Scope

The audit scope was based upon the following objectives:

- Evaluate how the strategic plan is managed at the imperative-level, including the monitoring and documentation of assigned goals;

- Determine how the strategic plan is monitored for completion, including what tools, templates, and metrics/deliverables are utilized to monitor the imperatives and goals;

- Validate that estimated completion of goals can be supported;

- Determine how the progress of the strategic plan is communicated and reported to management and the Board; and

- Identify process improvement opportunities and recommend internal control enhancements to improve the overall monitoring of the strategic plan.

11

RSM

Strategic Plan Monitoring Internal Audit

Blueprint 2.0 Imperatives:

DC Water's Blueprint 2.0 strategic plan is comprised of 5 imperatives, 25 themes, and 123 goals, the development of each of which were driven by a combination of employee, leadership, and stakeholder input.

Ownership:
- **Imperative Accountable Owners (IAOs)** own imperatives. Appointed by the CEO, IAOs are members of the Senior Executive Team (SET) and are tasked with the delivery of the imperative and overseeing the development of themes and goals.
- **Theme Responsible Owners (TROs)** own themes. Selected by the IAOs, are responsible for all activities within the theme to which they have been assigned, including the incorporation and monitoring of Key Performance Indicators (KPIs) related to the specific goals.
- **Working Support Teams (WSTs)** collaborate across themes within individual imperatives to support goal development, enhance communication, and improve transparency into daily plan management activities.

12

RSM

Strategic Plan Monitoring Internal Audit

Observations	Risk Rating
1. Missing, incomplete, or outdated data	High

Management Action Plan:

- The Strategic Management Team has enhanced the control environment by adding an "as of" field within the *Goal Master List* designed to more easily monitor the timeliness of the inputs from the business units.

  - Targeted Management Action Plan milestones due date: October 2022

- The Strategic Management team will look to develop formalized standard operating procedures designed to address the following:

  - Notification procedures to notify TROs (and, if necessary, escalate to the IAOs) when the "goal master list" is not updated according to the established frequency

  - Targeted Management Action Plan milestones due date: January 2023

- The Strategic Management team is currently developing a process to validate the completeness, accuracy, and quality of the data used to measure the progress of the DC Water's strategic goals align to the Blueprint 2.0.

  - Targeted Management Action Plan milestones due date: March 2023

Responsible Party: Strategic Management Team

Target Date: March 2023

13

One additional low risk finding is included in the full report.

RSM

EXPENDITURES ANALYTICS MANAGEMENT ASSESSMENT

RSM

Expenditures Analytics

Purpose

The purpose of this review was to analyze expenditures at the Authority. Internal Audit identified trends to inform further management review of transactions and/or facilitate process improvement opportunities and internal control enhancements. Our procedures were performed in accordance with the internal audit scope and approach set forth in our audit notification letter and were limited to those procedures described therein. The procedures were performed on datasets from January 1, 2021 through December 31, 2021.

Scope

The scope was based upon the following objectives:

- **Vendor master data and disbursements:** Analyzing vendor master files and disbursements over the applicable time period to identify any anomalies (i.e., vendors receiving increasing work, payments in round dollar amounts, lack of appropriate approvals, vendor and employee relationships, etc.). To include PCard, TCard, and petty cash data analysis. Additional analysis available based on preliminary findings.

- **Work order management**: Analyzing work order records for time and materials cost. Examine averages based on job type, identify outliers, and search for supervision / qualifications as required by company policies.

- **Time and expense:** Analyzing time and expense records for all employees to identify any anomalies (i.e., abnormal time charges, authorization of overtime, unusual expense reports, etc.).

Note: The assessment was analytics-driven and did not include transactional testing to determine operating effectiveness of internal controls. Internal Audit's ability to perform procedures noted above was based upon the availability of complete and accurate data.

15

RSM

Expenditures Analytics

Procedures:

- Internal Audit performed various analytical procedures on the following data sets:
  - PCard transaction data
  - Employee expense reimbursement data
  - Vendor spend data and vendor master listing
  - Employee master listing
  - Employee time data
  - Work order data for DPO, DSO, DWO, and WWT departments

- Internal Audit created interactive Tableau dashboards for management. The dashboards will allow management to scrutinize abnormal transactions, identify trends, and inform decision-making.

Internal Audit's analytical procedures are not created to identify instances of fraud, but merely identify outliers and abnormalities.

16

RSM

HOTLINE UPDATE

RSM
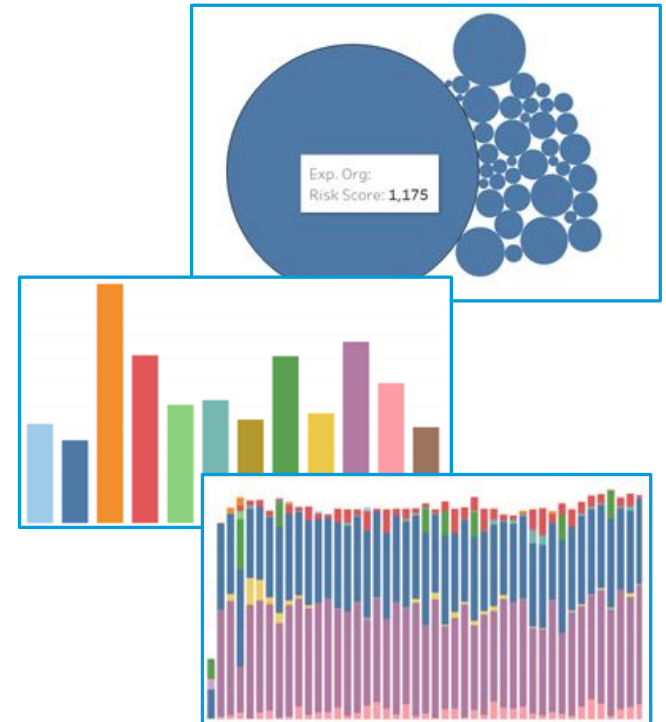
Hotline Update

Three new calls have been received since last Audit Committee meeting.
As of 7/14/22:

FY 22 Hotline Call Summary	
FY 22 Calls Received	12
FY 22 Cases Closed	12
FY 22 Calls Open	0

Total calls by Fiscal Year:

Year	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY19	FY20	FY21
# of calls	10	20	16	36	31	21	28	10	7
Action Taken	0	2	7	7	2	0	1	0	0

*the numbers in the chart above may be inflated based on repeat calls regarding the same matters

18

RSM

QUESTIONS
AND ANSWERS

19

RSM US LLP

1250 H St NW
Washington, DC 20005

+1 800 274 3978
www.rsmus.com

DC WATER

Strategic Plan Monitoring Audit

July 2022

Table of Contents

RSM

EXECUTIVE SUMMARY, BACKGROUND AND APPROACH

RSM

Executive Summary and Objectives

Objective and Scope

The purpose of this review was to obtain an understanding of how the strategic plan is monitored and assess whether the system of internal controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives. Our procedures were performed in accordance with the internal audit scope and approach set forth in our audit notification letter and were limited to those procedures described therein.

The audit scope was based upon the following objectives:
- Evaluate how the strategic plan is managed at the imperative-level, including the monitoring and documentation of assigned goals;
- Determine how the strategic plan is monitored for completion, including what tools, templates, and metrics/deliverables are utilized to monitor the imperatives and goals;
- Validate that estimated completion of goals can be supported;
- Determine how the progress of the strategic plan is communicated and reported to management and the Board; and
- Identify process improvement opportunities and recommend internal control enhancements to improve the overall monitoring of the strategic plan.

Fieldwork was performed April 2022 through June 2022.

Overall Summary and Highlights

There is one high-risk observation to report. All observations identified during our assessment are listed below and outlined in more detail on pages **8 - 12**:

1. Missing, Incomplete, or Outdated Data

2. Timely Review of 5-15 Report

These observations are described in the detailed observations section of the report. We assigned relative risk or value factors to each observation. Risk ratings are the evaluation of the projected likelihood of an adverse event occurring and the potential impact an occurrence could have on the operations of each item. Observations will require management action plans with estimated completion dates that will be included in the routine follow up of internal audit observations.

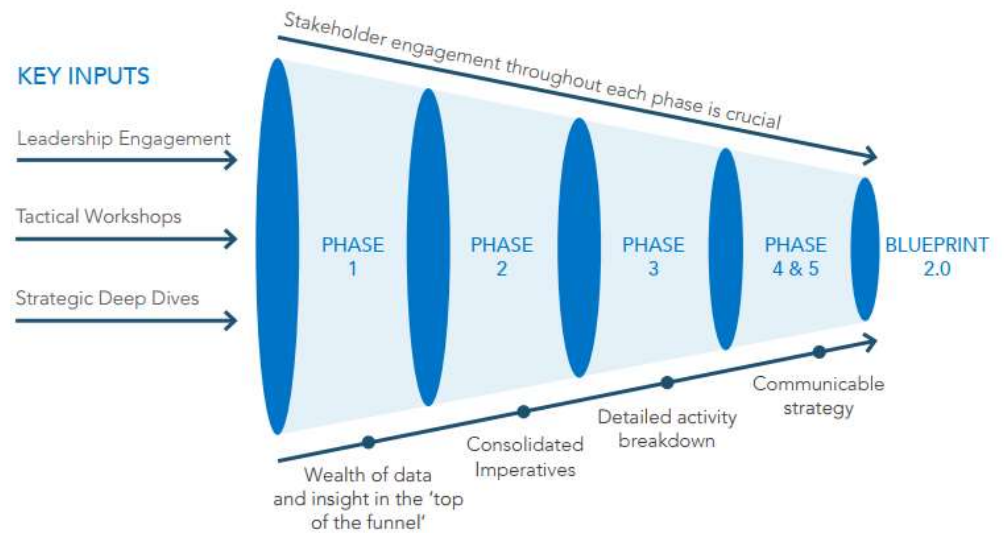| Summary of Observation Ratings *(See Appendix for risk rating definitions)*		
Number of Observations by Risk Rating		
High	Moderate	Low
1	-	1

We thank all DC Water team members who assisted us throughout this review.

4

RSM

Background

Strategic Plan Development: In 2018, DC Water and Sewer Authority (DC Water) contracted third-party consultants to aid in the development of an Authority-wide strategic plan (Blueprint). Utilizing existing frameworks to develop an initial environmental scan, Blueprint primarily considered input from Board members. Following transition in DC Water leadership, management integrated staff into the planning process and conducted extensive meetings with leadership, stakeholder groups, etc. Under the new emphasis of leadership-driven strategic management, management finalized Blueprint 2.0 at the end of fiscal year 2021. Through 2027, Blueprint 2.0 will serve as DC Water's strategic plan to address immediate and unforeseen challenges, improve alignment between strategic priorities and financial budgets, and increase participation and accountability from all levels of employees.

Blueprint 2.0: DC Water's Blueprint 2.0 strategic plan is comprised of 5 imperatives, 25 themes, and 123 goals, the development of each of which were driven by a combination of employee, leadership, and stakeholder input. Imperative Accountable Owners (IAOs) and Theme Responsible Owners (TROs) own the imperatives and themes, respectively. Appointed by the CEO, IAOs are members of the Senior Executive Team (SET) and are tasked with the delivery of the imperative and overseeing the development of themes and goals. TROs, selected by the IAOs, are responsible for all activities within the theme to which they have been assigned, including the incorporation and monitoring of Key Performance Indicators (KPIs) related to the specific goals. Working Support Teams (WSTs) collaborate across themes within individual imperatives to support goal development, enhance communication, and improve transparency into daily plan management activities.

5

Background (Continued)

Blueprint 2.0 Imperatives:

Plan Monitoring: Theme Responsible Owners (TROs), with the assistance of the Working Support Teams (WSTs), support the development and progression of goals. WSTs are responsible for monitoring KPIs, milestones, progress communication, imperative workshops, and other goal-related activities. To monitor and track goal progress, the Strategy & Performance Team developed the Blueprint 2.0 Dashboard. The Dashboard is a repository of all the information related to each goal and is maintained in SharePoint. Progress is updated in the Dashboard through a combination of manual and automatically-populated updates. Data that is automatically applied to the Dashboard is pulled from the goal master list, which is a separate database also maintained in SharePoint. TRO approval is required for updates made to goal language, targets, timelines, milestones, etc. The Strategy & Performance Team monitors both the Dashboard and the goal master list for completeness and accuracy purposes.

Plan Reporting: The Board of Directors receives monthly CEO reports that provide high-level updates on imperative progress and overall strategy alignment. Additionally, with the aid of the WSTs, the TROs prepare monthly "5-15" reports (<15 mins to complete and <5 to read). TROs complete the 5-15 reports to inform IAOs of progress, obstacles, opportunities, and additional requests to help fulfill goal KPIs. On a quarterly basis, the IAOs meet with the TROs and WSTs to further discuss goal progress and theme development. Following these meetings, the IAOs present detailed updates during the quarterly Board of Directors meeting. Furthermore, on an annual basis, goals are reassessed and revised where necessary following in-depth internal discussions with all involved parties.

6

Approach

Our audit approach consisted of the following phases:

Understanding of the Process
The purpose of this phase was to review policies and procedures, internal monitoring mechanisms, reporting standards, and any other key process information available to further our understanding of the strategic plan monitoring process. Internal Audit conducted walkthrough interviews with process owners to obtain a detailed understanding of operating functions and responsibilities related to plan management.

Detailed Testing
The purpose of this phase was to test internal controls related to strategic plan management based on our understanding of all steps of the process from admin/ownership to reporting. As the strategic plan monitoring function is currently in its initial release, our review and testing has covered the period from January 2022 through June 2022.
- For each of the goals selected, Internal Audit confirmed that the assigned TRO is an active employee, per the latest employee roster.
- For each of the goals selected, Internal Audit reviewed available data and conducted the following testing:
    - Verified that the goal's KPI data is properly supported and reasonable;
    - Verified the goal's KPI reporting frequency was defined;
    - Verified that the KPI data is up-to-date for the most recent period;
    - Confirmed that escalation actions occurred for goals that were behind target;
    - Verified through the review of the goal performance narrative that the goal remains on track;
    - Verified that sufficient supporting evidence is available if the goal is not on track; and
    - Verified that the goal status level, as noted in the master list, is reflective of actual data available per KPI support.
- Inspected the notification system to ensure that the TROs and Strategy & Performance Team are notified when updates are made to the goal master list.
- Inspected the automatic feed between the master list and Reporting Dashboard to confirm that the data is properly linked.

Reporting
At the conclusion of the audit, we summarized our observations, recommended internal control enhancements, and have reviewed the results of our testing with management.

7

RSM

OBSERVATIONS AND RECOMMENDED ACTION

Observation 1: Missing, Incomplete, or Outdated Data

Risk Rating: High

Observation: There is no established process to validate or review the completeness and accuracy of the data used to measure the progress of goal metrics. There is no "as of" field captured for each goal within the goal master list to easily monitor timeliness of "current score" updates, and there are no documented procedures or requirement to notify the TROs (and, if necessary, escalate to the IAOs) when the goal master list is not updated according to the established frequency.

During our testing of goal metrics, we identified 11 out of 20 samples tested where data was missing, incomplete, or outdated. Through follow-up discussion, it was noted that there is an expectation in place that the TROs validate the data prior to upload. However, at present there is no process in place for verifying that the data validation was completed in each instance.

Root Cause Analysis: This is a new process for the Strategy & Performance Team that is still being refined and subject to amendment. Goals were finalized in January 2022 and data collection and dashboarding development continued through FY Q2 and Q3. As such, certain controls, policies, and procedures remain under development. The design and structure of this process has not previously been tested.

Impact Analysis: Without a defined process to independently verify the completeness and accuracy of source data, incomplete data could potentially produce inaccurate conclusions, misrepresent goal progress, prohibit attainment of the Authority's objectives, and decrease accountability. In cases where inaccurate data is presented to the Board of Directors, invalid conclusions can become part of the public record and may mis-inform critical business decisions.

9

RSM

Observation 1: Missing, Incomplete, or Inaccurate Data (continued)

Recommendation:

For individual goal performance tracking:

- For automated metrics, Internal Audit recommends documenting and implementing a process to verify the accuracy of the data on an annual basis, as well as any occasion in which the source data or reporting is modified or changed.

- For each manual calculation, Internal Audit recommends identifying and documenting an independent reviewer to validate the completeness and accuracy of the data and the accuracy of the manual calculations.

- For goals within the development stage, Internal Audit recommends completing the process of identifying all data sources and methods for calculating all Key Performance Indicators (KPIs).

Additionally, Internal audit recommends implementing the following overarching controls:

- Add an "as of" field for the "current score" reported on each goal within the goals master list.

- Define and document procedures for notifying the proper individuals (IAOs, TROs, etc.) when a goal is not updated at the required frequency. Escalatory instructions should be a part of these procedures for scenarios in which updates to the goal are still not completed after initial notification.

RSM

Observation 1: Missing, Incomplete, or Inaccurate Data (continued)

Management Action Plan:

- The Strategic Management Team has enhanced the control environment by adding an "as of" field within the *Goal Master List* designed to more easily monitor the timeliness of the inputs from the business units.

    - Targeted Management Action Plan milestones due date: October 2022

- The Strategic Management team will look to develop formalized standard operating procedures designed to address the following:

    - Notification procedures to notify TROs (and, if necessary, escalate to the IAOs) when the "goal master list" is not updated according to the established frequency

        - Targeted Management Action Plan milestones due date: January 2023

- The Strategic Management team is currently developing a process to validate the completeness, accuracy, and quality of the data used to measure the progress of the DC Water's strategic goals align to the Blueprint 2.0.

    - Targeted Management Action Plan milestones due date: March 2023

Responsible Party: Strategic Management Team

Target Date: March 2023

11

RSM

Observation 2: Timely Review of 5-15 Report

Risk Rating: Low

Observation: The 5-15 report is not reviewed and approved prior to its presentation to leadership during quarterly Stat meetings.

We noted that the report is prepared on a monthly basis by the TRO, but that no independent review is required or performed prior to quarterly report outs to leadership. Per subsequent discussion with the Strategy & Performance Team, there was a field added in SharePoint to indicate the completion of review by the IAO and notifications have been enabled to notify IAOs when reports are ready for review. However, this review procedure has not yet been used to indicate or evidence review. Additionally, there is no current process in place to verify the review occurred in each instance.

Root Cause Analysis: This is a new process for the Strategy & Performance Team that is still being refined and subject to amendment. Goals were finalized in January 2022 and data collection and dashboarding development continued through FY Q2 and Q3. As such, certain controls, policies, and procedures remain under development. The design and structure of this process has not previously been tested.

Impact Analysis: Inaccurate data and/or invalid conclusions are contained within the report, presented to leadership, and may ultimately inform Board reporting.

Recommendation: Internal Audit recommends defining and documenting independent review procedures to be performed by an appropriate individual prior to the distribution of the 5-15 report. At a minimum, the review process should specify the following: timing and frequency, required level of reviewer, depth of review, and verification process to confirm all themes were reviewed. Internal Audit recommends that similar reporting review processes be established for any future reporting implemented (i.e. Board reporting). Management may consider the establishment of an SOP depending on the volume of reporting and depth of review required.

12

RSM

Observation 2: Timely Review of 5-15 Report (continued)

Management Action Plan:
- The Strategic Management Team is developing the review process to ensure the monthly reports prepared by the TROs are reviewed prior to the quarterly readouts to Leadership.
  - Targeted Management Action Plan milestones due date: October 2022
- The Strategic Management Team is establishing routine review meetings to inspect and update the reports before the briefing to Leadership.
  - Targeted Management Action Plan milestones due date: December 2022
- The Strategic Management Team will document, communicate & institutionalize the review process into the overall strategic planning monitoring operating procedures.
  - Targeted Management Action Plan milestones due date: March 2023

Responsible Party: Strategic Management Team

Target Date: March 2023

13

RSM

APPENDIX

RSM

Appendix – Rating Definitions

RSM defined observations based on the following risk rating definitions:

Observation Risk Rating Definitions	
Rating	**Definition**
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within **12 months** (if related to external financial reporting, must mitigate financial risk within two months unless otherwise agreed upon).
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within **nine months** (if related to external financial reporting, must mitigate financial risk within two months).
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed **six months** (if related to external financial reporting, must mitigate financial risk within two months).

15

RSM

RSM US LLP

1250 H St NW
Washington, DC 20005

+1 800 274 3978
www.rsmus.com