MEMORANDUM

March 6, 1979

TO: County Council
FROM: Andrew Mansinone, Jr., Director, Office of Legislative Oversight
SUBJECT: Review of Audits of Washington Suburban Sanitary Commission

Purpose

1. The purpose of this memorandum is to respond to Council request that the Office of Legislative Oversight evaluate the status of the findings and recommendations which Touche Ross and Company issued in Management Letters of audits of the Washington Suburban Sanitary Commission for fiscal years 1974 and 1975.

Background

2. Beginning with the audit for FY 74, the Washington Suburban Sanitary Commission employed the certified public accounting firm of Touche Ross and Company. The Management Letter for that audit, which Touche Ross issued on December 18, 1974, contained several recommendations for changes and improvements in WSSC operations, especially the accounting system and procedures.

3. Touche Ross performed the audit the next fiscal year (1975). The Management Letter (dated December 11, 1975) which accompanied that audit report noted some improvements, but identified many problems within the WSSC Finance Department which remained.

4. The comments in the two Management Letters were noted by the County Council and the County Executive. During 1976, the files indicate that the Council received reports on WSSC's plans and actions to correct the deficiencies noted in the two audits. Likewise, the Chief Administrative Officer in November 1976 assigned the Director, Budget and Research the responsibility of monitoring the status of WSSC's plan of action to address the fiscal management issues raised in the Management Letters.

Discussion

5. Since the audits of FY 74 and FY 75, WSSC has continued to use Touche Ross and Company to accomplish the annual outside audit thereby maintaining continuity and demonstrating a commitment to improve operations. The Management Letters for the subsequent three years have
commented on WSSC progress on the FY 74/FY 75 findings and reflect that WSSC has taken action on many of the Touche Ross recommendations, with other major findings, particularly in the areas of organizational structure and financial reporting policies, still in the process of implementation.

6. For approximately a year after the FY 75 Management Letter was issued, WSSC provided Council and the Office of Budget and Research periodic reports on progress to implement recommendations contained in the Management Letters. Apparently, these status reports have not been issued for the past two years. However, Council has reviewed progress on some of the recommendations during the annual work sessions on the WSSC operating budget.

7. The Office of Legislative Oversight has reviewed the three Touche Ross Management Letters for the fiscal years subsequent to FY 74 and FY 75. These letters reflect a continued attention on the part of WSSC to improve financial procedures and implement or resolve the recommendations. The Management Letters include a status report on prior recommendations and reflect a persistence by Touche Ross to keep their recommendations before the Commissioners until they are implemented or resolved to the auditor's standards.

8. Subsequent to the publication of the latest Touche Ross Management Letter for the audit of FY 78, the WSSC General Manager established a formal procedure for monitoring follow-up activities on all findings and recommendations. The formal procedure assigned primary responsibility for each finding and recommendation from the Management Letter to a major WSSC department. (See attachment.) The procedure required an initial report on action taken or contemplated on each recommendation and, in the event final action was not completed, submission of a bi-weekly status report until all recommendations were adopted or otherwise resolved. The WSSC Internal Audit Manager is coordinating the reports with final review by the WSSC General Manager. It should be noted that the General Manager has primary responsibility for eight of the Touche Ross recommendations.

Conclusion/Recommendations

9. The Touche Ross and Company Management Letters for the FY 74 and FY 75 audits identified several critical areas and recommended substantial organizational, design and management improvements. Since those letters were published, WSSC management has demonstrated a positive attitude toward improving internal management and operations. For example, WSSC has retained Touche Ross and Company for the past five years to maintain continuity.
10. The General Manager of WSSC is monitoring the resolution of the Touche Ross recommendations. The Office of Legislative Oversight has established close coordination with the WSSC Internal Audit Manager who has staff responsibility for monitoring corrective action by the several WSSC departments.

11. Recommend that the Office of Legislative Oversight continue to coordinate with the WSSC Internal Audit Manager and periodically report to Council on WSSC progress in resolving the issues raised in the Touche Ross and Company Management Letters of FY 74 and FY 75. Copies of this memorandum report will be sent to the Chairman and General Manager of the Washington Suburban Sanitary Commission.

12. The WSSC Internal Audit Manager was provided a draft copy of this memorandum report for review and comment. He reported that he had reviewed the report and had no comments or recommendations.

AM:cls

Attachment

c: Robert Wilson, Chief Administrative Officer
John Short, Budget and Research
Albert Muehlberger, Management and Public Policy
Robert McDonell, Council Staff Director
Subject: Follow-up on FY 1978 Recommendations by Touche Ross

Attached are extract(s) of the Findings and Recommendations, cited in the Touche Ross Management Letter dated October 16, 1978, which are primarily applicable to your department.

The General Manager expects that each of the recommendations will receive proper consideration and that, on or before February 28, 1978, a written report will be made on the action taken or contemplated. In those instances where other offices are affected, as indicated on the attachments, your office is expected to coordinate the matter with those and any other offices affected.

On those recommendations which are not adopted, a brief explanation as to the reasons therefor should be reported. In the event that final action cannot be taken by February 28, it is requested that a report be made on a bi-weekly basis until all recommendations are adopted or otherwise resolved.

Your report on each of the recommendations should be made on the "Corrective Action" portion of the attachment(s). The General Manager has directed that the reports requested above be made to this office, for later review and coordination with the General Manager.

Attachments
# INDEX

## I Summary

## II General

| A | Centralization of Financial Responsibilities |
| B-1 | Funds Structure and Financial Reporting |
| B-2 | Financial Reporting |
| B-3 | Peat, Marwick Report |
| B-4 | Accounting Policy - Studies, etc. |
| C | Data Processing/Finance Dept. Coordination |
| D | Improved Cost/Benefit Analysis |
| E-1 | Permits Processing - Review of Applications |
| E-2 | Permits Processing - Deposit Delays |
| E-3 | Permits Processing - Filing System |
| E-4 | Permits Processing - File Reconciliation |
| F | Personnel Services - Payroll Withholding |
| G-1 | Data Base for Customers and Permits |
| G-2 | Management Exchange Program |
| G-3 | Operations Review (i.e. Management Audit) |
| G-4 | FPBC Studies |

## III Finance Department

| A | Assessments |
| B | Materials and Supplies |
| C | Overhead Systems |
| D | Accounts Payable |
| E | Utility Plant |
| F | Unbilled Water/Sewer Revenue |
| G | Accounting Manual |
| H | Bank Reconciliations |
| I | Collateral on Bank Deposits |

## IV Internal Audit

## V Data Processing

| A | Batch Submission and Control Procedures |
| B | Computer Operations Schedule |
| C | Payroll and Accounting Systems |
| E | DP Systems Development Staffing |
| F | Back-up Facilities |
| G | User Participation in Systems Dev. |

 sik = Primary Office  
 Note:  
 GM = General Manager  
 Engr = Engineering  
 IA = Internal Auditor  
 M & O = Maintenance and Operations
MEMORANDUM

December 6, 1979

TO: County Council

FROM: Andrew Mansinne, Jr., Director, Office of Legislative Oversight


Purpose: The purpose of this memorandum is to provide Council a final report on the status of findings and recommendations issued by Touche Ross & Company in Management Letters concerning audits of the Washington Suburban Sanitary Commission for fiscal years 1974 and 1975.

Background: Beginning with the audit for FY 74, the Washington Suburban Sanitary Commission employed the certified public accounting firm of Touche Ross & Company. The Management Letter which accompanied that audit (issued on December 18, 1974) contained recommendations for changes and improvements in WSSC operations, especially in the accounting system and procedures.

Touche Ross performed the audit the next fiscal year (1975). The Management Letter which accompanied that audit (issued on December 11, 1975) noted some improvements, but identified remaining problems within the WSSC Finance Department.

The two Management Letters were noted by Council and the County Executive. Files indicate that Council received reports in 1976 on WSSC's plan to correct the deficiencies noted in the two audits. The Chief Administrative Officer in November 1976 assigned the Director, Office of Budget and Research the responsibility of monitoring the status of WSSC's plan of action to address the fiscal management issues raised in the Management Letters.

In September 1978, Council Resolution 8-2170, subject, FY 79 Work Program of the Office of Legislative Oversight, directed OLO review the findings and recommendations in the Touche Ross Management Letters for FY 74 and FY 75 and provide Council a status report on WSSC's actions.
Discussion: Since the audits of FY 74 and FY 75, WSSC has continued to use Touche Ross & Company to accomplish the annual outside audit thereby maintaining continuity and demonstrating a commitment to improve operations. The Management Letters for the subsequent years have comments on WSSC progress on the FY 74/FY 75 findings and reflect WSSC actions on the Touche Ross recommendations.

For approximately a year after issuance of the FY 75 Management Letter, WSSC provided Council and the Office of Budget and Research periodic reports on progress to implement recommendations contained in the Management Letters. Status reports were not issued after 1976; however, Council received information on some of the recommendations during the annual worksessions on the WSSC operating budget.

The Office of Legislative Oversight review of the three Touche Ross Management Letters for the fiscal years subsequent to FY 74 and FY 75 reveals a persistence by Touche Ross to keep the findings before the Commissioners and a commitment on the part of WSSC to improve financial procedures and resolve the recommendations.

Subsequent to publication in December 1978 of the latest Touche Ross Management Letter for the audit of FY 78, the WSSC General Manager established a formal procedure for monitoring follow-up activities on all findings and recommendations. The procedure assigned primary responsibility to a major WSSC department for each finding and recommendation in the Management Letter. The procedure required an initial report on action taken or contemplated on each recommendation and, in the event final action was not completed, submission of a bi-weekly status report until all recommendations were adopted or otherwise resolved. The WSSC Internal Audit Manager coordinated the reports with final review by the WSSC General Manager.

In April and November 1979 the Chairman, WSSC provided Council and the County Executive (also the Prince Georges County Council and Executive) status reports on those findings. Review of these reports reveal that corrective action has either been completed on all recommendations or are in the process of long term implementation. Progress has been such that Chairman Scotton sees no need to submit further status reports.

Conclusion/Recommendations: The Touche Ross & Company Management Letters for the FY 74 and FY 75 audits identified several critical areas and recommended substantial organizational, design and management improvements. Since those letters were published, WSSC management has demonstrated a positive attitude toward improving internal management and operations to include retaining Touche Ross & Company to maintain continuity.
Since initiation of the OLO review in September 1978, WSSC has provided Council and the Executive detailed reports on corrective actions relating to Management Letter findings and recommendations.

The Chairman, WSSC has reported that, since corrective action has been completed on most recommendations and the remainder are in the process of long term implementation, further progress reports are no longer needed.

Recommend that:

Council acknowledge WSSC efforts in resolving the Touche Ross & Company findings and recommendations contained in the audit Management Letters;

Council inform the Chairman, WSSC that there is no need to continue submitting status reports to the County Council; and

Council request the County Executive monitor progress on recommendations requiring long term implementation as part of normal program review activities of the Office of Budget and Research.

AM: cls

cc: County Executive
Chief Administrative Officer
Director, Office of Budget and Research
David R. Scotton, Chairman, WSSC
Mel Schwartz, Internal Audit Manager, WSSC
Robert McDonell, Council Staff Director
Robert S. McGarry, General Manager, WSSC