

**TESTIMONY OF CHARLES C. MADDOX, ESQ.
INSPECTOR GENERAL
BEFORE THE COMMITTEE ON PUBLIC WORKS AND THE ENVIRONMENT**

DECEMBER 6, 2000

GOOD MORNING CHAIRPERSON SCHWARTZ AND MEMBERS OF THE COMMITTEE. I WELCOME THIS OPPORTUNITY TO DISCUSS AND SHARE WITH EVERYONE THE RESULTS OF THE AUDIT OF THE MANAGEMENT OPERATIONS AT THE WATER AND SEWER AUTHORITY (WASA) BLUE PLAINS FACILITY. I BELIEVE THAT SESSIONS LIKE THIS CAN PROVIDE BENEFICIAL FEEDBACK TO AGENCY PERSONNEL, AND OVERSIGHT PERSONNEL, AND THEY CAN SERVE AS A PERMANENT RECORD OF ACTION ITEMS IDENTIFIED, RESOLUTIONS REACHED, AND MILESTONES ESTABLISHED FOR ALL INVOLVED PARTIES.

SITTING WITH ME AT THE TABLE TODAY ARE WILLIAM J. DIVELLO, ASSISTANT INSPECTOR GENERAL FOR AUDITS AND CHERYL JOHNSON, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITS. I WILL BEGIN BY PROVIDING YOU WITH BACKGROUND INFORMATION TO HELP PLACE THIS AUDIT IN PERSPECTIVE, AND THEN OUTLINE THE MAJOR FINDINGS AND CONCERNS.

THE MAIN POINT THAT YOU ARE GOING TO HEAR FROM US TODAY IS THAT WASA DID NOT HAVE A VIABLE SAFETY PROGRAM. WHILE WASA HAS ATTEMPTED TO IMPLEMENT A SAFETY PROGRAM, SEVERAL FACTORS HAVE PREVENTED ITS SUCCESS. THESE FACTORS, AS DISCUSSED WITH WASA MANAGEMENT DURING EXIT MEETINGS, INCLUDE THE FOLLOWING: (1) INSUFFICIENT ATTENTION, AT TIMES, DIRECTED TO ESTABLISHING AND IMPLEMENTING A VIABLE SAFETY PROGRAM, IN LIGHT OF MANAGEMENT'S FOCUS ON ITS IMPORTANT CAPITAL IMPROVEMENT PLAN; (2) MANAGEMENT'S OVERALL LACK OF COMMITMENT TO IMPLEMENTING ITS SAFETY PROGRAM, EVIDENCED BY INSUFFICIENT STAFFING OF THE TRAINING AND OCCUPATIONAL SAFETY AND HEALTH DEPARTMENTS; (3) THE ABSENCE OF ANY REGULATORY ENFORCEMENT REMEDIES ENABLING THE ASSESSMENT OF PENALTIES FOR NONCOMPLIANCE WITH LAWS AND REGULATIONS; AND 4) LACK OF CONSISTENT ENFORCEMENT BY DISTRICT OF COLUMBIA OCCUPATIONAL HEALTH AND SAFETY ADMINISTRATION INSPECTORS.

WE BELIEVE THAT THESE CONDITIONS HAVE JEOPARDIZED THE SAFETY AND HEALTH OF WORKERS AND MAY HAVE CONTRIBUTED TO AN INCREASE IN INJURIES AND COSTS FOR WORKERS COMPENSATION AND OTHER INSURANCE RELATED PREMIUMS. WHILE WASA'S RESPONSE STATES IT HAS INITIATED CORRECTIVE ACTIONS, WE HAVE NOT PERFORMED A FOLLOW-UP AUDIT TO DETERMINE WHETHER THE

CONDITIONS HAVE BEEN CORRECTED. IF ACTIONS, HAVE, IN FACT, BEEN TAKEN, THEN WE OBVIOUSLY BELIEVE THE OIG HAS ACCOMPLISHED A MAJOR PART OF ITS OBJECTIVE.

WASA PROVIDED COPIOUS MATERIALS IN DEFENSE OF ITS SAFETY PROGRAM, INCLUDING PHOTOS DEPICTING CURRENT CONDITIONS AT THE PLANT. WE HAVE ACCEPTED WASA'S ASSERTIONS AND ACKNOWLEDGED THAT THE ACTIONS TAKEN AND PLANNED ARE RESPONSIVE TO THE INTENT OF THE RECOMMENDATIONS. ONE EXCEPTION IS THE RECOMMENDATION ADDRESSED TO THE CHAIRMAN OF WASA'S BOARD OF DIRECTORS RECOMMENDING THAT A DIRECT LINK BE ESTABLISHED BETWEEN THE DIRECTOR OF OCCUPATIONAL SAFETY AND HEALTH AT WASA AND THE BOARD. THIS LINK WOULD BE ACCOMPLISHED BY REQUIRING WASA'S SAFETY COMMITTEE TO REPORT DIRECTLY TO THE BOARD. DESPITE A SPECIFIC REQUEST FOR HIM TO COMMENT ON THIS RECOMMENDATION, WASA'S CHAIRMAN DID NOT. THEREFORE, WE CONSIDER THIS RECOMMENDATION TO BE UNRESOLVED. ADDITIONALLY, DUE TO THE VOLUME OF DATA PROVIDED, IT WAS NOT FEASIBLE TO INCORPORATE ALL MATERIALS IN THE FINAL REPORT. WE DID INCLUDE THE COMPLETE TEXT OF ALL THE LETTERS, WHICH TRANSMITTED THE DATA.

NOTWITHSTANDING SOME MANAGEMENT IMPROVEMENTS IDENTIFIED IN WASA'S RESPONSE, WE REMAIN CONCERNED THAT WASA MAY NOT BE INTENT ON CORRECTING ALL OF THE ISSUES IDENTIFIED IN OUR REPORT. HEALTH AND SAFETY ISSUES HAVE BEEN A CONSISTENT PROBLEM AT THE PLANT, AND APPEAR TO BE CHRONIC IN NATURE. IN ADDITION, EVEN UNTIL LAST NIGHT, WASA CONTINUES TO OFFER REPEATED REBUTTALS TO OUR FINDINGS.

WHY WE GOT INVOLVED

PAST REPORTS OF HEALTH AND SAFETY ISSUES HAVE BEEN OF SIGNIFICANT CONCERN TO THE COMMITTEE ON PUBLIC WORKS AND THE ENVIRONMENT. SEVERAL CITY COUNCIL HEARINGS HAVE BEEN CONDUCTED ON THE HEALTH AND SAFETY CONDITIONS AT THE BLUE PLAINS FACILITY. CONCERNS AND POTENTIAL PROBLEM AREAS WERE ALSO RELAYED TO MY STAFF DURING THE COURSE OF OUR AUDIT THROUGH DISCUSSIONS WITH THIS COMMITTEE. WE COORDINATED OUR EFFORTS TO ADDRESS MANY OF THE COMMITTEE'S CONCERNS, AND ALSO PROVIDED FEEDBACK AND STATUS BRIEFINGS AS TO OUR FINDINGS THROUGHOUT THE COURSE OF OUR AUDIT. IT IS MY HOPE THAT THE TRANSFER OF INFORMATION HAS BEEN BENEFICIAL AND THAT WE MAY PROVIDE FURTHER DETAILS REGARDING THE RESULTS OF OUR AUDIT AT THIS TIME.

WE ALSO GOT INVOLVED AS A RESULT OF EXTENSIVE MEDIA COVERAGE, PARTICULARLY WITH REGARD TO CONCERNS OF A POTENTIAL THREAT TO THE SAFETY AND HEALTH OF THE EMPLOYEES AND NEARBY RESIDENTS OF THE BLUE PLAINS WASTEWATER SEWAGE TREATMENT PLANT. THE MAYOR INSTRUCTED THE EMERGENCY MANAGEMENT AGENCY (EMA) TO PERFORM A 48-HOUR INITIAL ASSESSMENT OF THE PLANT AND PREPARE A REPORT OF OBSERVATIONS AND DEFICIENCIES. THE ASSESSMENT WAS CONDUCTED ON NOVEMBER 5, 1999. IN HIS REPORT, THE DIRECTOR OF EMA CONCLUDED THAT THERE WAS NO IMMINENT THREAT TO PUBLIC HEALTH AND/OR SAFETY AT THE PLANT. HIS CONCLUSION WAS DRAWN AFTER WASA HAD REPLACED 4 OF THE 7 REPORTED DEFECTIVE CHLORINE SENSORS AND MADE OTHER IMPROVEMENTS TO THE CHLORINE I BUILDING.

THE EMA REPORT IDENTIFIED THREE MAJOR AREAS AT THE PLANT WITH NOTED DEFICIENCIES. SPECIFICALLY, THE REPORT STATED THAT WASA NEEDED TO: (1) INCREASE PLANT SECURITY; (2) IMPLEMENT PREVENTION AND SAFETY MEASURES RELATING TO CHEMICAL PROCESSES, WORKER TRAINING, WORKER AND PLANT SAFETY, AND ENVIRONMENTAL CONCERNS; AND (3) ADDRESS PREPAREDNESS AREAS TO INCLUDE PREVENTIVE MAINTENANCE, EMERGENCY RESPONSE, AND TRAINING.

BASED ON THE ABOVE FINDINGS, THE DIRECTOR OF EMA REQUESTED THAT THE OFFICE OF THE INSPECTOR GENERAL (OIG) PERFORM A MANAGEMENT ACCOUNTABILITY REVIEW OF OPERATIONS AND PRACTICES AT THE PLANT AND ALSO REVIEW MANAGEMENT ACTIONS RELATIVE TO PAST AUDITS CONDUCTED BY REGULATORY AGENCIES AND CONSULTANTS.

PERSPECTIVE

IN ADDITION TO IMPLEMENTING ITS CAPITAL IMPROVEMENT PLAN (CIP), WASA HAS BEEN STRUGGLING WITH DEVELOPING ITS SAFETY PROGRAM AND HAS BEEN FACED WITH A MULTITUDE OF BARRIERS THAT HAVE SLOWED ITS IMPLEMENTATION. THE FIRST BARRIER WAS WASA'S LACK OF COMMITMENT TO ITS SAFETY PROGRAM, WHICH IS EVIDENCED IN PAST YEARS BY UNDERFUNDING AND UNDERSTAFFING OF THE SAFETY OFFICE. UNTIL FAIRLY RECENTLY, THERE WAS VERY LITTLE SUPPORT FOR THE SAFETY PROGRAM FROM TOP MANAGEMENT. WE BELIEVE THAT THE SAFETY PROGRAM WAS BASICALLY A MECHANISM TO SHOW OVERSIGHT AUTHORITIES THAT THERE WAS SOMETHING IN PLACE. ADDITIONALLY, MANAGEMENT'S LACK OF EMPHASIS ON SUCH ISSUES AS HOUSEKEEPING, SAFETY AWARENESS, AND COMMUNICATION HAS GIVEN THE GENERAL IMPRESSION THAT MANAGEMENT HAS NOT EXPRESSED ADEQUATE CONCERN FOR THE WELLBEING OF PERSONNEL. FINALLY, MANAGEMENT'S DECISION

NOT TO FOCUS ENERGIES TO CORRECT REPORTED HEALTH AND SAFETY DEFICIENCIES IS BASED, IN PART, ON THE BELIEF THAT MANY OF THE IDENTIFIED PROBLEMS WOULD BE ELIMINATED WITH THE IMPLEMENTATION OF ITS CIP. REPORTED DEFICIENCIES INCLUDE: INADEQUATE HOUSEKEEPING, PREVENTIVE MAINTENANCE AND ROUTINE INSPECTIONS OF PLANT BUILDINGS AND EQUIPMENT. MANAGEMENT STATED THAT THEY ALLOCATED RESOURCES, WHICH, AT TIMES, COMPETED WITH THE PRIORITIES OF ITS CIP.

OBJECTIVES

THE AUDIT OBJECTIVES WERE TO ASSESS AND REPORT ON THE OVERALL OPERATIONS AND CONTROLS AT THE PLANT. SPECIFICALLY, THE AUDIT FOCUSED ON MANAGEMENT'S EFFECTIVENESS IN ESTABLISHING, IMPLEMENTING, AND MONITORING OPERATIONS RELATED TO SAFETY AND HEALTH AND TO USE OF RESOURCES.

AUDIT APPROACH

NEXT, I WOULD LIKE TO EXPLAIN THE APPROACH USED TO CONDUCT THE AUDIT. OUR AUDITORS PERFORM ANALYSES OF MANAGEMENT'S USE OF RESOURCES, TO INCLUDE CONTROLS ESTABLISHED TO MONITOR AND REDUCE SUCH COSTS AS OVERTIME, TRAINING, AND WORKER'S

COMPENSATION. WE MADE OBSERVATIONS OF WORK CONDITIONS TO INCLUDE THE AVAILABILITY OF SELF-CONTAINED BREATHING EQUIPMENT, PROPER PROTECTIVE CLOTHING, ACCESS TO NECESSARY TOOLS AND SUPPLIES, AVAILABILITY OF DRINKING WATER, OPERABLE EYEWASHES, AND SANITARY BATHROOMS. WHEN NECESSARY, WE OBTAINED THE SERVICES OF TRAINED AND QUALIFIED INSPECTORS TO PERFORM TESTS TO IDENTIFY COMPLIANCE WITH SAFETY AND HEALTH REQUIREMENTS.

THE AUDIT SCOPE PRIMARILY COVERED TRANSACTIONS FROM FISCAL YEAR (FY) 1998 THROUGH THE THIRD QUARTER OF FY 2000.

ADDITIONALLY, WE DREW FROM THE FOLLOWING RESOURCES:

- WE OBTAINED DATA FROM THE D.C. COUNCIL COMMITTEE ON PUBLIC WORKS AND THE ENVIRONMENT FOR AUDIT FOLLOW-UP. SUCH DATA INCLUDED INFORMATION RELATED TO WASA TRAINING RECORDS, TRAINING CLASSES CONDUCTED, AND BONUSES PAID.
- WE SOLICITED THE ASSISTANCE FROM REGULATORY AGENCIES SUCH AS THE D.C. FIRE AND EMERGENCY MEDICAL SERVICES (EMS), D.C. OSHA, THE DISTRICT'S EMERGENCY MANAGEMENT AGENCY, AND THE METROPOLITAN POLICE DEPARTMENT'S (MPD) ENVIRONMENTAL CRIMES PROTECTION UNIT TO PERFORM INSPECTIONS OF PLANT

BUILDINGS AND GROUNDS TO IDENTIFY COMPLIANCE WITH FIRE AND OSHA REQUIREMENTS AND TO TEST AUDIBLE COMPONENTS OF ALARM SYSTEMS AND THE QUALITY OF DRINKING WATER AT THE PLANT.

- WE ALSO COORDINATED OUR WORK WITH FEDERAL AGENCIES, INCLUDING THE FBI, EPA, AND THE UNITED STATES COAST GUARD.
- WE REVIEWED WASA PERSONNEL AND SAFETY OPERATING POLICIES AND PROCEDURES AS WELL AS REGULATORY REQUIREMENTS ESTABLISHED BY THE EPA AND OSHA.
- WE REVIEWED MANAGEMENT CONTROLS ESTABLISHED TO ENSURE COMPLIANCE WITH INTERNAL POLICIES AND REGULATORY REQUIREMENTS.
- WE REVIEWED PRIOR CONSULTANT AND REGULATORY REPORTS OF PLANT OPERATIONS DATING BACK TO 1995 AND EVALUATED THE SUFFICIENCY OF MANAGEMENT'S ACTIONS TO CORRECT REPORTED DEFICIENCIES. WASA WAS ESTABLISHED AS AN INDEPENDENT AGENCY IN AUGUST OF 1996; HOWEVER, PRIOR TO BECOMING AN INDEPENDENT AGENCY, WASA OPERATED UNDER THE DEPARTMENT OF PUBLIC WORKS AS WASUA PERFORMING IDENTICAL PROCESSES. THEREFORE, IT FOLLOWS THAT REPORTS PREPARED ON ITS

OPERATIONS AND IDENTIFIED DEFICIENCIES AND RECOMMENDATIONS WOULD BE OF INTEREST TO THE CURRENT MANAGEMENT AND STAKEHOLDERS.

- WE CONDUCTED SEPARATE INTERVIEWS, AND GROUP MEETINGS WERE CONDUCTED WITH WASA MANAGEMENT, EMPLOYEES, CONTRACTORS, AND UNION REPRESENTATIVES TO DISCUSS THE AUDIT APPROACH, FINDINGS AND STATUS OF REQUESTS FOR INFORMATION, AND STATUS OF DEFICIENCIES REPORTED. A TOTAL OF 71 PERSONS WERE PROVIDED THE OPPORTUNITY TO DISCUSS WASA'S OPERATIONS; 20 WERE LINE MANAGERS, DIRECTORS, AND EXECUTIVE STAFF AT THE BLUE PLAINS FACILITY. ADDITIONALLY, UNION REPRESENTATIVES - MR. TOLLIVER, MR. TOLSON, AND MR. COGER - CAME FORWARD TO IDENTIFY DEFICIENCIES, EXPRESS SAFETY AND HEALTH CONCERNS, AND CONFIRM THE EXISTENCE OF REPORTED DEFICIENCIES - PAST AND PRESENT.
- WE HELD NINE MEETINGS WITH WASA'S EXECUTIVE MANAGEMENT TEAM TO DISCUSS AND FACILITATE THE AUDIT PROCESS, DISCUSS MANAGEMENT ALERT REPORTS ISSUED, AND PRESENT FINDINGS. ALL WERE EFFORTS THAT ARE PART OF OUR NORMAL PROCESS TO SHARE INFORMATION IN A TIMELY FASHION AND TO BE RESPONSIVE TO ISSUES RAISED BY WASA DURING THE COURSE OF THE AUDIT.

HIGHLIGHTS OF MAJOR FINDINGS

WE REACHED THE OVERALL CONCLUSION THAT WASA DID NOT HAVE A VIABLE SAFETY PROGRAM, BASED ON THE FOLLOWING IDENTIFIED CONDITIONS:

1. POOR HOUSEKEEPING
2. NONCOMPLIANCE WITH OSHA PROCESS SAFETY MANAGEMENT REQUIREMENTS
3. LACK OF AGGRESSIVE FOLLOW-UP ACTION TO CORRECT REPORTED DEFICIENCIES

ADDITIONALLY, WE DETERMINED THAT WASA DID NOT HAVE CONTROLS IN PLACE TO ENSURE EFFICIENT USE OF ITS RESOURCES, JUSTIFY EXPENDITURES, AND AVOID COSTS THAT WERE UNNECESSARY AND PREVENTABLE. FOR INSTANCE:

- WASA PAID IN EXCESS OF \$566,000 FOR CONSULTANT REPORTS OF ITS SAFETY PROGRAM THAT REPORTED FINDINGS OF A REPEAT NATURE.

- WASA'S COSTS RELATED TO WORKERS COMPENSATION CLAIMS EXCEEDED INDUSTRY STANDARDS BY APPROXIMATELY \$741,000 FOR CALENDAR YEAR 1999. COSTS SUCH AS THESE CAN RECUR UNTIL WASA MEETS COMPARABLE INDUSTRY STANDARDS.
- WASA FAILED TO USE THE MOST COST EFFECTIVE MEASURES WHEN PROVIDING SAFETY TRAINING TO ITS WORKERS. WE DETERMINED THAT IDENTICAL TRAINING COULD HAVE BEEN PROVIDED AT A SAVINGS OF OVER \$149,000.
- WASA DID NOT CORRECT SAFETY AND HEALTH VIOLATIONS THAT HAVE BEEN REPORTED REPEATEDLY AND COULD HYPOTHETICALLY CARRY ASSOCIATED FINES AND PENALTIES OF \$3,661,000.
- BONUSES AND OTHER RELATED EMPLOYEE BENEFITS ESTIMATED AT \$87,653 WERE PAID TO THREE MEMBERS OF WASA'S EXECUTIVE CORPS WITHOUT ADEQUATE JUSTIFICATION OR DOCUMENTATION.
- WASA PAID EMPLOYEES GAIN SHARING BONUSES IN EXCESS OF \$575,000 BASED ON QUESTIONABLE PERFORMANCE MEASURES AND WITHOUT ADEQUATE JUSTIFICATION THAT ESTABLISHED GOALS HAD BEEN ACHIEVED.

HEALTH AND SAFETY ISSUES:

DURING OUR AUDIT, WE ISSUED TWO MANAGEMENT ALERT REPORTS (MARS). AS THIS COMMITTEE IS WELL AWARE, A MAR IS A REPORT ISSUED TO THE HEAD OF AN AGENCY FOR THE PURPOSE OF IDENTIFYING SYSTEMIC PROBLEMS THAT SHOULD AND COULD BE ADDRESSED DURING AN AUDIT, INVESTIGATION, OR INSPECTION PROCESS. A MAR CAN ALSO BE USED AS A QUICK REACTION REPORT WHEN IT IS NECESSARY TO ADVISE MANAGEMENT THAT SIGNIFICANT TIME-SENSITIVE ACTION IS NEEDED.

ON FEBRUARY 7, 2000, THE OFFICE OF THE INSPECTOR GENERAL (OIG) ISSUED A MAR WHICH REPORTED, AMONG OTHER ISSUES, CONCERNS OF POTENTIAL HEALTH HAZARDS REGARDING SAFE DRINKING WATER, UNSANITARY BATHROOMS, AND POTENTIAL DISEASES FROM THE EXPOSURE TO FECAL MATTER AT THE PLANT. ACTIONS TAKEN BY WASA IN RESPONSE TO OUR MAR RELATIVE TO THESE ISSUES DID NOT SATISFY OR MEET THE INTENT OF OUR ORIGINAL RECOMMENDATIONS. THEREFORE, WE CONDUCTED A FOLLOW-UP REVIEW OF 13 LOCATIONS AT THE WASA FACILITY AND CONCLUDED THAT THE CONDITIONS ORIGINALLY REPORTED STILL EXISTED. SPECIFICALLY, THE RESULTS OF OUR OBSERVATIONS AND TESTS IDENTIFIED UNSAFE DRINKING WATER AT ONE LOCATION AND UNSANITARY BATHROOMS/INADEQUATE

FACILITIES AND SUPPLIES FOR EMPLOYEES TO WASH THEIR HANDS IN THE EVENT THAT THEY ARE EXPOSED TO HAZARDOUS CHEMICALS OR FECAL MATTER AT TEN LOCATIONS. THEREFORE, ON APRIL 28, 2000, WE ISSUED A SECOND MAR WHICH ADDRESSED THE QUALITY OF DRINKING WATER AND THE LACK OF SANITARY BATHROOMS/SUPPLIES FOR EMPLOYEES.

WASA REPLACED WATER FOUNTAINS AND CONDUCTED TESTS OF THE WATER AT SEVERAL PLANT LOCATIONS. WASA'S WATER SAMPLE TEST RESULTS CONFIRMED OUR ORIGINALLY REPORTED FINDINGS OF HIGH LEAD CONTENT AT SEVERAL PLANT LOCATIONS. HOWEVER, TO OUR KNOWLEDGE, WASA HAS NOT COMPLETED ACTION WITH REGARD TO THE WATER FOUNTAINS IN THE ADMINISTRATION BUILDING THAT HAD ELEVATED LEVELS OF LEAD CONTENT.

WITH THE ASSISTANCE OF REGULATORY AGENCIES SUCH AS THE D.C. FIRE AND EMERGENCY MEDICAL SERVICES (EMS), D.C. OSHA, THE DISTRICT'S EMERGENCY MANAGEMENT AGENCY, AND THE METROPOLITAN POLICE DEPARTMENT'S (MPD) ENVIRONMENTAL CRIMES PROTECTION UNIT, INSPECTIONS OF PLANT BUILDINGS AND GROUNDS WERE CONDUCTED. THESE INSPECTIONS IDENTIFIED FIRE AND OSHA VIOLATIONS, INADEQUATE AUDIBLE COMPONENTS OF ALARM SYSTEMS, AND UNACCEPTABLE QUALITY OF DRINKING WATER AT THE PLANT.

REPORTS OF THEIR FINDINGS WERE ISSUED BY THE D.C. OSHA AND THE D.C. FIRE AND EMS AGENCIES.

D.C. OSHA REPORT OF VIOLATIONS

THE D.C. OSHA INSPECTOR CONDUCTED AN INSPECTION ON FEBRUARY 25, 2000. THE INITIAL ASSESSMENT IDENTIFIED 15 SERIOUS VIOLATIONS IN 3 SEPARATE BUILDINGS. A FOLLOW-UP INSPECTION WAS PERFORMED ON APRIL 5, 2000, TO DETERMINE WHETHER THE INITIAL DEFICIENCIES HAD BEEN CORRECTED. IN ADDITION TO PERFORMING A FOLLOW-UP ON THE INITIAL REPORTED DEFICIENCIES, D.C. OSHA INSPECTORS REPORTED 3 REMAINING DEFICIENCIES RELATING TO WATER SAMPLES. THE SAMPLES WERE TAKEN AT THE REQUEST OF THE OIG AUDITORS.

WASA RESPONDED IN WRITING TO THE D.C. OSHA ON JULY 20, 2000. THEY STATED THT ALL REPORTED VIOLATIONS HAD BEEN CORRECTED. WE HAVE NOT PERFORMED A FOLLOW-UP REVIEW, NOR HAS D.C. OSHA, TO VERIFY THAT THE ACTIONS TAKEN WERE ADEQUATE AND THAT THEY CORRECTED THE NOTED DEFICIENCIES.

D.C. FIRE AND EMS REPORT OF VIOLATIONS

DURING AN INSPECTION CONDUCTED ON FEBRUARY 7 AND 8, 2000, THE D.C. FIRE AND EMS INSPECTOR REPORTED 123 FIRE CODE VIOLATIONS IN THE CHEMICAL LABORATORY, 12 VIOLATIONS IN THE CHEMICAL BUILDING, 11 VIOLATIONS IN THE CHLORINE BUILDING, AND 10 VIOLATIONS IN THE GRIT CHAMBER BUILDING THAT POSED A SIGNIFICANT HAZARD TO EMPLOYEES.

IN ITS COMMENTS (DATED NOVEMBER 8, 2000), REGARDING OUR FINAL REPORT, WASA STATED THAT COMPLIANCE WITH FIRE CODE VIOLATIONS ARE A TOP PRIORITY OF THE AUTHORITY (WASA). EVEN THOUGH WASA HAD NOT RECEIVED ANY NOTICE OF DEFICIENCY DIRECTLY FROM THE FIRE MARSHALL REGARDING THE DESCRIBED CONDITIONS, IT HAS ASSERTED THAT MANY OF THE NOTED DEFICIENCIES HAVE BEEN ADDRESSED. AGAIN, WE HAVE NOT PERFORMED A FOLLOWUP INSPECTION TO VERIFY WASA'S RESPONSE.

REVIEW OF PRIOR REPORTS

AS PART OF OUR REVIEW, WE OBTAINED AND REVIEWED PRIOR REPORTS ISSUED ON WASA'S SAFETY PROGRAM AND COMPLIANCE WITH PROCESS SAFETY MANAGEMENT REQUIREMENTS. OUR AUDIT DETERMINED THAT:

- PREVIOUSLY REPORTED CONDITIONS OF CHLORINE RELATED SAFETY ISSUES EXISTED AT THE PLANT;
- OSHA'S REQUIREMENTS WERE NOT ADHERED TO;
- SAFETY AND HEALTH VIOLATIONS EXISTED;
- ADEQUATE CHANNELS OF COMMUNICATION WERE NOT ESTABLISHED FOR THE TRANSFER OF INFORMATION BETWEEN WASA MANAGEMENT, EMPLOYEES, AND NEIGHBORING RESIDENTS WHO WERE AFFECTED BY WASA OPERATIONS; AND
- INFORMATION PROVIDED TO OUTSIDE PARTIES WAS INCOMPLETE OR INACCURATE.

AS STATED EARLIER, OUR REVIEW OF THESE REPORTS CONCLUDED THAT WASA ENGAGED CONSULTANTS TO PERFORM AUDITS OF ITS SAFETY PROGRAM - AT A COST OF \$566,000. THEIR FINDINGS WERE OF A REPEATED NATURE. THIS CONFIRMS THE EXISTENCE OF THESE PROBLEMS, THEIR SEVERITY, AND THE FACT THAT LITTLE PROGRESS HAD BEEN MADE TO CORRECT THEM.

REGULATORY AGENCIES AND UNION OFFICIALS HAVE ALSO REPORTED SIMILAR FINDINGS TO WASA MANAGEMENT. DEFICIENCIES REMAINED UNCORRECTED AND RECOMMENDATIONS WERE NOT FULLY IMPLEMENTED, IN PART, BECAUSE WASA HAD NOT TAKEN THE FOLLOWING ACTIONS:

- DEVELOPED A CENTRAL REPOSITORY FOR REPORTS;
- DEVELOPED POLICIES AND PROCEDURES THAT DELINEATE RESPONSIBILITY FOR FOLLOW-UP ON FINDINGS AND RECOMMENDATIONS; AND
- DEVELOPED A MANAGEMENT INFORMATION SYSTEM (MIS) TO MAINTAIN, TRACK AND FOLLOW-UP ON REPORTED FINDINGS AND RECOMMENDATIONS.

WE BELIEVE THAT WASA WOULD HAVE CORRECTED MANY PROBLEMS WHEN THEY WERE ORIGINALLY REPORTED IF MANAGEMENT REALIZED THE BENEFIT OF SUCH REVIEWS OR IF MANAGEMENT HAD ESTABLISHED PROCESSES AND PROCEDURES TO FOLLOW-UP ON PREVIOUSLY REPORTED DEFICIENCIES. IN THIS WAY, COSTS ASSOCIATED WITH ADDITIONAL REVIEWS MAY HAVE BEEN REDUCED OR EVEN ELIMINATED.

NOW I WOULD LIKE TO PROVIDE DETAILED INFORMATION ABOUT THE FOLLOWING AREAS WHICH WE FOUND TO BE DEFICIENT:

- SAFETY AND HEALTH OBSERVATIONS
- TRAINING
- OVERTIME

I HAVE SELECTED THESE AREAS OF EMPHASIS BECAUSE I BELIEVE THEY ARE INTERRELATED. FIRST, THE SAFETY AND HEALTH OBSERVATIONS ARE CRUCIAL TO THE OVERALL FINDING THAT WASA DID NOT HAVE A VIABLE SAFETY PROGRAM. SECOND, INADEQUATE TRAINING IS DIRECTLY RELATED TO WORKER SAFETY.

SAFETY AND HEALTH OBSERVATIONS

WE CONDUCTED INSPECTIONS OF THE BUILDINGS AND GROUNDS AT THE PLANT WITH THE ASSISTANCE OF D.C. FIRE AND EMS, MPD'S ENVIRONMENTAL CRIMES PROTECTION UNIT, AND D. C. OSHA INSPECTORS. WE OBSERVED HEALTH, SAFETY, AND ENVIRONMENTAL VIOLATIONS IN THE GRIT CHAMBER, CHLORINE, MAINTENANCE, EXCESS DE-CHLORINATION, NITRIFICATION CONTROL, NITRIFICATION BLOWER, LIME, SOLIDS PROCESSING, CHEMICAL, AND CHEMICAL LABORATORY BUILDINGS.

WE DETERMINED THAT THERE WAS A GENERAL LACK OF AWARENESS OR ADHERENCE TO OSHA REQUIREMENTS AT THE PLANT. ALTHOUGH WASA HAS NOW TAKEN STEPS TO DEVELOP PROGRAMS AND PROCESSES TO ENSURE COMPLIANCE WITH OSHA STANDARDS, MANY OF THESE PROGRAMS HAD NOT BEEN IMPLEMENTED AT THE TIME OF OUR AUDIT. WASA OFFICIALS CONTEND THAT THEY HAVE MADE SIGNIFICANT PROGRESS IN MEETING OSHA REQUIREMENTS. THEY ALSO STATED THAT THEY HAVE DEVELOPED SEVERAL POLICIES AND PROCEDURES, CONDUCTED SEVERAL TRAINING CLASSES, AND HIRED KEY PERSONNEL IN THE OCCUPATIONAL SAFETY AND HEALTH DEPARTMENT TO AIDE IN FURTHER IMPLEMENTATION OF ITS SAFETY PROGRAM. ADDITIONALLY, WE DISCOVERED THAT WASA HIRED A CONSULTANT TO ASSIST IN MEETING OSHA STANDARDS AND TO ADDRESS OTHER CRITICAL AREAS OF WASA'S SAFETY PROGRAM. THESE ARE STEPS IN THE RIGHT DIRECTION. HOWEVER, WITHOUT THE IMPLEMENTATION OF POLICIES AND PROCEDURES AND ADHERENCE TO PROGRAMS AND PROCESSES. WORKERS ARE PRONE TO INJURY. WE BELIEVE MANY WORKERS DO NOT KNOW WHAT TO DO WHEN FACED WITH AN EMERGENCY SITUATION; AND MANY DO NOT HAVE THE EQUIPMENT, TRAINING, OR KNOWLEDGE TO ADEQUATELY PERFORM THEIR JOB DUTIES IN A SAFE MANNER.

EXAMPLES OF POOR HOUSEKEEPING RANGED FROM UNSANITARY RESTROOMS AND THE LACK OF BASIC TOILETRIES TO SEWAGE DEPOSITS, SEWAGE-TAINTED MATERIALS, AND OTHER TRASH AND DEBRIS SCATTERED THROUGHOUT THE PLANT. WE ALSO FOUND THAT COBWEBS INFESTED THE FACILITIES AND NOTED THAT WORKER COMPENSATION CLAIMS HAVE BEEN FILED FOR SPIDER BITES. DEFICIENCIES OBSERVED COULD BE IDENTIFIED BY A LAYMAN AND HAD OBVIOUSLY EXISTED FOR A SUBSTANTIAL PERIOD OF TIME. OUR REPORT ACKNOWLEDGED THAT WASA DID TAKE ACTION TO CORRECT REPORTED DEFICIENCIES AFTER OUR CONTINUED PRESENCE AND REPEATED IDENTIFICATION OF DEFICIENCIES.

I WILL NEXT DISCUSS OUR FINDINGS IN THE AREAS OF TRAINING AND OVERTIME BECAUSE WE BELIEVE THAT LAX CONTROLS IN THESE AREAS, COUPLED WITH POOR HOUSEKEEPING, AND NONCOMPLIANCE WITH OSHA PROCESS SAFETY MANAGEMENT REQUIREMENTS, MAY HAVE CONTRIBUTED TO THE HIGH RATES OF WORKER INJURY AND ILLNESSES REPORTED AT THE PLANT.

TRAINING

OUR REVIEW OF THE SAFETY TRAINING PROGRAM AT WASA IDENTIFIED THE FOLLOWING DEFICIENCIES:

(1) WASA DID NOT HAVE A FORMAL RECORDKEEPING SYSTEM FOR TRACKING TRAINING REQUIREMENTS AND ATTENDANCE THAT WOULD ENSURE THAT:

- a) REQUIRED INITIAL, SAFETY, JOB RELATED, OR REFRESHER TRAINING HAD BEEN CONDUCTED;
- b) CERTIFICATIONS FOR SAFETY TRAINING HAD BEEN PROPERLY MONITORED AND KEPT CURRENT;
- c) EMPLOYEE DATA, AS IT RELATES TO SAFETY CLASSES COMPLETED FOR GRANDFATHERED EMPLOYEES, HAD BEEN DOCUMENTED; AND
- d) SAFETY TRAINING AND RELATED RECORDS FOR CONTRACTORS HAD BEEN OBTAINED AND REVIEWED AND PROPERLY MAINTAINED;

(2) ADEQUATE SAFETY TRAINING SCHEDULES WERE NOT MAINTAINED;

(3) THE REQUIRED NUMBER OF SAFETY TRAINING COURSES TO MEET ESTABLISHED REQUIREMENTS WERE NOT CONDUCTED; AND

(4) COST EFFECTIVE MEASURES TO PROVIDE SAFETY TRAINING WERE NOT UTILIZED.

ADDITIONALLY, WE DETERMINED THAT WASA HAD NOT EXPEDITIOUSLY FILLED CRITICAL VACANCIES. FOR EXAMPLE, WASA DID NOT HIRE A TRAINING DIRECTOR OR DIRECTOR OF OCCUPATIONAL SAFETY AND HEALTH FOR MORE THAN TWO YEARS AFTER THE POSITIONS WERE

ESTABLISHED. WE BELIEVE THESE JOB POSITIONS WERE CRITICAL TO ENSURING THAT A VIABLE SAFETY PROGRAM WAS IMPLEMENTED.

AFTER WASA'S RESTRUCTURING IN SEPTEMBER OF 1996, ORGANIZATIONAL CHARTS IDENTIFIED THE CREATION OF A TRAINING DIRECTOR. HOWEVER, THE ADVERTISEMENT TO FILL THIS POSITION WAS NOT ISSUED UNTIL TWO YEARS LATER IN OCTOBER 11, 1998. THE TRAINING DIRECTOR WAS HIRED FIVE MONTHS LATER IN MARCH 1999. WE BELIEVE IT IS DIFFICULT TO DENY THE IMPACT OF THIS DELAY. EVEN IF EXISTING STAFF PROVIDED SOME TRAINING, LEADERSHIP FROM A MANAGER WHO WAS CHARGED WITH THIS SPECIFIC FULL TIME DUTY CERTAINLY WOULD HAVE FURTHER ENHANCED THE ORGANIZATION'S ABILITY TO ADEQUATELY TRAIN ITS WORKERS.

THE LAST ISSUE I WOULD LIKE TO DISCUSS IS EXCESSIVE WORKER'S COMPENSATION CLAIMS.

WORKER'S COMPENSATION CLAIMS:

WASA'S INSURANCE COMPANY COMPLETED AN ACCIDENT AND INJURY CLAIM ASSESSMENT IN AUGUST 1999 ON ITS WORKER'S COMPENSATION PROGRAM. THIS STUDY REPORTED HIGH INCIDENCE RATES OF

OCCUPATIONAL ILLNESSES AND INJURIES AT WASA. THE STUDY GAVE LOW GRADES TO WASA ON FIVE OF THE SIX PROGRAMS EVALUATED, INCLUDING SAFETY AND PREVENTION, AND INJURY REPORTING. THE INDEPENDENT STUDY ADDRESSED WASA'S HIGH COSTS OF WORKERS COMPENSATION CLAIMS AND IDENTIFIED SOME BASIC ELEMENTS OF AN EFFECTIVE SAFETY PROGRAM THAT WERE MISSING. AMONG OTHER THINGS, THE REPORT RECOMMENDED THAT WASA ESTABLISH A SAFETY COMMITTEE, CONDUCT MONTHLY SAFETY SURVEYS WITHIN EACH DEPARTMENT, DEVELOP A FORMAL WRITTEN SAFETY PROGRAM, AND ACCURATELY REPORT AND INVESTIGATE OCCUPATIONAL ACCIDENTS AND ILLNESSES. OUR REVIEW OF WASA'S IMPLEMENTATION OF THOSE RECOMMENDATIONS SUBSEQUENT TO THAT REPORT INDICATES THAT, ALTHOUGH WASA FORMED A SAFETY COMMITTEE, MANY OF THE OTHER RECOMMENDATIONS HAD NOT BEEN IMPLEMENTED.

DURING OUR AUDIT, WE ASKED WASA TO ESTIMATE ITS ANNUAL COSTS FOR WORKERS COMPENSATION. WE WERE TOLD THAT ANNUALIZED COSTS WERE ABOUT ONE MILLION DOLLARS. THIS COST INCLUDES THE AMOUNTS PAID TO CLAIMANTS AS WELL AS COSTS TO ADMINISTER THE PROGRAM.

IN OUR FINAL ANALYSIS, WE ESTIMATED THAT WASA'S COSTS RELATED TO WORKERS COMPENSATION CLAIMS EXCEEDED

INDUSTRY STANDARDS BY APPROXIMATELY \$741,000 FOR CALENDAR YEAR 1999.

THIS FIGURE WAS DETERMINED BY MULTIPLYING THE ANNUALIZED PAYROLL - \$48 MILLION - BY AN ESTABLISHED STANDARD INDUSTRY CODE LOSS RATE. WASA'S INSURANCE COMPANY HAS IDENTIFIED A COMPARABLE INDUSTRY STANDARD CODE OF 54 CENTS PER \$100 OF PAYROLL. THIS IS TO SAY, THAT HAD WASA BEEN EXPERIENCING A WORKER'S COMPENSATION CLAIM COST COMPARABLE TO THOSE OF SIMILAR BUSINESSES, ITS COSTS WOULD HAVE ONLY BEEN \$259,000, NOT \$ 1 MILLION. THEREFORE, IF WASA HAD A VIABLE SAFETY PROGRAM, IT COULD HAVE EXPERIENCED AN ANNUAL SAVINGS OF APPROXIMATELY \$740,000 IN WORKER'S COMPENSATION COSTS.

ADDITIONALLY, THE SAME REPORT BY WASA'S OWN INSURANCE COMPANY REPORTED THAT, FOR THE PERIOD APRIL 7, 1998, TO JULY 1, 1999, WASA'S FREQUENCY RATE OF CLAIMS WAS 33 PERCENT HIGHER THAN THE STANDARD INDUSTRIAL CODE BENCHMARK FOR OTHER WASTE MANAGEMENT ORGANIZATIONS IN THE NATION. IN ADDITION, IT WAS SIX TIMES HIGHER THAN THE BUSINESS MARKET BENCHMARK FOR THE DISTRICT OF COLUMBIA AND MARYLAND. FURTHER, WASA'S LOSS RATE PER \$100 OF

PAYROLL WAS ALMOST 60 PERCENT HIGHER THAN THE COMPETITOR BENCHMARK. THUS, THE LOSS RATE WAS NEARLY FIVE TIMES HIGHER THAN THE DISTRICT OF COLUMBIA AND NEIGHBORING MARYLAND BUSINESS MARKET BENCHMARKS. THAT IS TO SAY, FOR EVERY \$100 OF PAYROLL, WASA EXPENDS 86 CENTS FOR RELATED WORKERS COMPENSATION AND SICK LEAVE COSTS WHILE OTHER SIMILARLY SITUATED BUSINESSES ONLY EXPEND 54 CENTS.

CONCLUSION

I WOULD LIKE TO MAKE CLEAR THAT I BELIEVE ONE OF THE MOST IMPORTANT ROLES OF MANAGERS IS TO IMPLEMENT RECOMMENDATIONS THEY THEMSELVES ACKNOWLEDGE CAN HELP RECTIFY PROBLEMS. MY RESPONSIBILITY AS AN INSPECTOR GENERAL IS TO FOLLOW-UP ON THEIR ACTIONS AND TO INFORM STAKEHOLDERS ABOUT PROGRESS IN IMPLEMENTING, AND ULTIMATELY, RESOLVING CRUCIAL PROBLEMS. TO THAT END, I WILL TAKE VERY SERIOUSLY MY RESPONSIBILITY TO USE THE RESOURCES OF MY OFFICE TO CONDUCT FOLLOW-UP AUDITS ON THE KEY RECOMMENDATIONS OF THIS AUDIT REPORT. AGAIN, THANK YOU FOR PROVIDING ME THE OPPORTUNITY TO ADDRESS THE ISSUES IDENTIFIED IN THIS REPORT SO THAT WE MAY BE ABLE TO COME TO RESOLUTION AND ENSURE THAT ALL THE WORKERS AT WASA ARE AFFORDED A SAFE AND HEALTHY WORK ENVIRONMENT.

THIS CONCLUDES MY DISCUSSION ON THE MAJOR POINTS OF OUR REPORT ON THE MANAGEMENT OPERATIONS AT THE BLUE PLAINS FACILITY. WE WILL BE PLEASED TO ANSWER ANY SPECIFIC QUESTIONS AT THIS TIME.