**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-14

March 30, 1992

To: Board of Directors (Executive Committee--Action)  
(Special Committee on Legislation--Action)

From: General Manager

Subject: Assembly Bill 3304 (Moore--Los Angeles County)

Report

This bill would require the Auditor General to perform an audit of Metropolitan and the San Diego County Water Authority relating to their operations, planning, management, budgeting and finances. The bill also provides that the audit should be completed on or before December 31, 1993. With specific reference to the Water Authority, the bill also requires the Auditor General to include the subject of cost recovery and rate design and practices. The bill also specifically requires the Auditor General to review the efficiency with which Metropolitan and the Water Authority meet their objectives, and the impact of the policies and practices of the agencies on population growth. Finally, the bill provides that Metropolitan and the Water Authority shall pay for the audits.

As the Board is aware, Metropolitan has an internal audit department and also retains KPMG Peat Marwick as its independent external auditor. While there is no objection to yet another level of audit oversight, staff has serious reservations regarding the provision that Metropolitan and the Authority shall pay for the work performed by or on behalf of the Auditor General. The amount of such costs are unknown and could be quite substantial. Accordingly, AB 3304 should be opposed unless amended to delete the provisions which would require Metropolitan and the Water Authority to pay for the audits.

Board Committee Assignments

This letter is referred for action to:

The Executive Committee because of its responsibility for legislation affecting the District, pursuant to Administrative Code Section 2417, subdivision (a); and

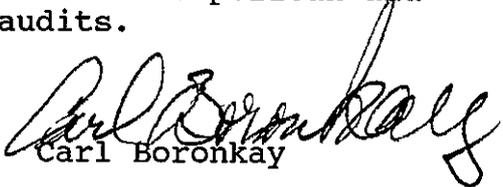
March 30, 1992

The Special Committee on Legislation because of its responsibility to review staff recommendations for a position on legislation that may affect the District, pursuant to Administrative Code Section 2581, subdivision (b).

Recommendation

**EXECUTIVE COMMITTEE AND SPECIAL COMMITTEE ON LEGISLATION FOR ACTION.**

It is recommended that the Board oppose AB 3304 unless amended to delete the provision that Metropolitan and the Water Authority shall pay for the audits.

  
Carl Boronkay

JWM:gm  
bdltr\AB3304.JWM

Attachment

CALIFORNIA LEGISLATURE—1991-92 REGULAR SESSION

**ASSEMBLY BILL****No. 3304****Introduced by Assembly Member Moore**

February 20, 1992

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An act relating to audits.

## LEGISLATIVE COUNSEL'S DIGEST

AB 3304, as introduced, Moore. Audits: Metropolitan Water District of Southern California and the San Diego County Water Authority.

(1) Existing law provides for audits to be conducted of various state agencies by the Auditor General in accordance with prescribed provisions.

This bill would require the Auditor General to perform prescribed audits and a review relating to the Metropolitan Water District of Southern California and the San Diego County Water Authority, thereby imposing a state-mandated local program by requiring those public agencies to pay for the audits and review. The bill would require the Auditor General to submit copies of the audits and the review to the Legislature and other specified entities.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates which do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to those statutory procedures and, if the statewide

cost does not exceed \$1,000,000, shall be made from the State Mandates Claims Fund.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. (a) The Auditor General shall perform  
2 an audit of the Metropolitan Water District of Southern  
3 California and the San Diego County Water Authority  
4 relating to the operations, planning, management,  
5 budgeting, and finances of the two public agencies. The  
6 audit shall be completed on or before December 31, 1993.  
7 (b) With respect to the audit of the San Diego County  
8 Water Authority the Auditor General shall include an  
9 audit relating to the cost recovery and rate design  
10 practices of that authority.  
11 (c) In addition, the Auditor General shall, on or before  
12 December 31, 1993, review both of the following:  
13 (1) The efficiency with which the Metropolitan Water  
14 District of Southern California and the San Diego County  
15 Water Authority meet their objectives.  
16 (2) The impact of the policies and the practices of the  
17 Metropolitan Water District of Southern California and  
18 the San Diego County Water Authority on population  
19 growth.  
20 (d) The Metropolitan Water District of Southern  
21 California and the San Diego County Water Authority  
22 shall pay for the audits and the review described in  
23 subdivisions (a), (b), and (c).  
24 (e) The Auditor General shall submit copies of the  
25 audits and the review to the Legislature, the  
26 Metropolitan Water District of Southern California, the  
27 San Diego County Water Authority, and the member  
28 agencies of these public agencies.  
29 SEC. 2. Notwithstanding Section 17610 of the  
30 Government Code, if the Commission on State Mandates  
31 determines that this act contains costs mandated by the  
32 state, reimbursement to local agencies and school  
33 districts for those costs shall be made pursuant to Part 7

1 (commencing with Section 17500) of Division 4 of Title  
2 2 of the Government Code. If the statewide cost of the  
3 claim for reimbursement does not exceed one million  
4 dollars (\$1,000,000), reimbursement shall be made from  
5 the State Mandates Claims Fund. Notwithstanding  
6 Section 17580 of the Government Code, unless otherwise  
7 specified in this act, the provisions of this act shall become  
8 operative on the same date that the act takes effect  
9 pursuant to the California Constitution.