

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

April 30, 1993

*To:* Board of Directors  
*From:* Auditor  
*Subject:* Audit Department Report for April 1993

**I. Audit Reports**

The following audit report was issued to the Special Audit Committee during the month:

- o Review of Information Systems Development Costs, dated April 7, 1993.

**II. General and Administrative Matters**

General and administrative matters addressed during April included the following:

- o Assistant Auditor Lindhout and I attended the all day staff Strategic Planning Study Workshop in Pasadena on April 6. We subsequently attended meetings and provided input to the cost/productivity and process analysis work groups which were established at the workshop.
- o The Assistant Auditor and I prepared an updated Audit Work Plan, as of March 31, 1993, together with a survey for directors to complete re Audit Assignment matters. This material was sent to the Special Audit Committee at month-end.
- o I provided written information to the Special Audit Committee re Local Area Networks Security.
- o I presented the Audit Department's O&M budget for Fiscal Year 1993-94 to the Special Budget Committee on April 19. I subsequently responded in writing to the Special Budget Committee's request for information on planned or pending audit assignments which have been deferred due to insufficient staff resources. A copy of that response was provided to all directors.

- o I attended two meetings of the Information Systems Steering Committee for Phase Zero during the month. The Assistant Auditor and I met with Information Systems management and Assistant General Manager Horne to discuss funding and accounting issues pertaining to the Phase Zero project.
- o I submitted comments to Office Engineering concerning possible revisions to two Program Request Statements in the Fiscal Year 1993-94 Capital Budget.
- o I met with staff from Purchasing and Payroll to discuss contracting matters.
- o I attended several division staff meetings dealing with budget, building security, and other subjects.

### **III. Completed Assignments**

The following significant assignment matter was concluded during April:

- o We completed our review of certain Information Systems development costs as of November 30, 1992, and issued a report thereon, dated April 7, 1993. (See Audit Reports Section)

### **IV. Assignments in Progress**

#### **A. Nonrecurring Assignments:**

During the month, staff time was spent on the following nonrecurring financial and compliance reviews:

- o Follow-up Review of Draft Controls and Testing of Selected Draft Disbursements. During the month, the assigned auditor tested draft transactions at various field office locations. This assignment will continue during May.
- o Review of the 1993 Refunding Water Revenue and Refunding General Obligation Bond Issues--Series B. During April, a staff auditor tested various drafts of the Preliminary Official Statements for the Refunding Bond Issues, which are being prepared by the Finance Division. This assignment will continue until the official Statements are finalized and our required "comfort" letters to the underwriters have been issued.
- o Review of Selected Construction Contracts. During the month, a staff auditor began his preliminary work on review of a construction contract at the suggestion of the Chief of Operations.

B. EDP Auditor Activities:

The Assistant Auditor and I, together with the EDP auditors, reviewed various drafts of Phase Zero deliverable documents and had meetings with the consultants to discuss our input. Staff continued to participate in various Phase One planning meetings where implementation planning approaches for Phase One were considered. An EDP auditor participated in a client site visit where the to-be-acquired Payroll/Human Resources application was installed.

The EDP auditors worked on the following matters during April:

- o EDP Review--Accounts Payable (AP) Laser Check Printing System. An EDP auditor monitored the implementation of the PC-based laser check printing system located in the Treasurer's vault.
- o EDP Review--Procurement System. During the month, an EDP auditor provided input to the project team regarding new payment processing procedures used for handling single-line blanket orders.
- o Monitor Development of Treasurer's Branch Information Management System (IMS). The assigned EDP auditor started to perform independent testing of various area of concerns. The auditor's findings and recommendations were provided to staff. In addition, the EDP auditor provided assistance to the project team during the conversion phase of this Project.
- o EDP Review--Monitor Development of Power Billing System (H10). The assigned EDP auditor continued to consult with the project team and provided his input relating to several audit and control issues.

C. Recurring Assignments:

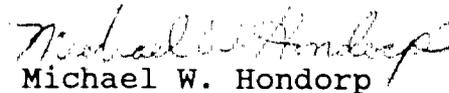
Work is currently being performed on the following recurring annual financial and compliance reviews as time permits:

- o Review of IID Program for the year-ended December 31, 1992.
- o Review of the 1993-94 Annual Budget.
- o Review of Single Audit Act Compliance--Fiscal Year 1991-92.

Work is performed on the following recurring financial and compliance reviews on a periodic basis (monthly or quarterly, as applicable) as staff availability permits:

- o Monthly Financial Report Reviews.
  - o Monthly Directors' and Department Heads' Expense Claim Reviews (as required by Administrative Code Section 6329(a)).
  - o Employee Expense Claim Reviews (Quarterly).
  - o Budget vs. Cost Report Reviews (Quarterly).
  - o Water Inventory and Deferred Water Rights (Quarterly).
  - o Review of Quarterly Lobbying Reports.
  - o Review of Work Orders (Quarterly).
- D. Assistance to External Auditors:

During the month, staff auditors commenced work pertaining to the examination of the District's interim cash basis financial statements for the nine months ended March 31, 1993. This quarterly audit work is expected to be completed in mid-May. The Assistant Auditor and I also met with the KPMG partner and manager in charge of the District's audit to discuss issues related to the upcoming year-end audit.

  
Michael W. Hondorp

MWH/LJO:10