

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 2, 1993

To: Board of Directors

From: Auditor

Subject: Audit Department Report for October 1993

### **I. Audit Reports**

There were no audit reports issued to the Special Audit Committee during the month.

### **II. General and Administrative Matters**

General and administrative matters addressed during October included the following:

- o The Assistant Auditor and I attended the District Management Retreat held in Pomona on October 21-23, 1993, as well as two Executive Council meetings.
- o The Assistant Auditor and I participated in the Strategic Plan Assembly held in San Pedro on October 29 and 30, 1993.
- o In other matters relating to the draft Strategic Plan, the Assistant Auditor participated in three meetings of the Division Action Plan Council and the Principal Auditor represented the Audit Department in meetings of the Strategic Plan Integration Group.
- o The Assistant Auditor and I met with Assistant General Manager Horne to discuss the current Audit Department Work Plan and to seek management input on the Plan.
- o I met with representatives of the General Manager's staff and the Legal Department to discuss a proposed District Code of Ethics document. I subsequently drafted a Board letter on this subject for management review.
- o I attended two Productivity Council meetings in October, as well as two meetings of the Productivity Work Place Subcommittee. The Subcommittee is focussing initially on the development of guidelines and budgets for productivity efforts.

**III. Completed Assignments**

The following significant assignment matter was concluded during October:

- o Test 1993-94 Tax Levy Calculations and Schedules. Work on the annual assignment was completed with no exceptions noted.

**IV. Assignments in Progress****A. Nonrecurring Assignments:**

- o District Fraud Prevention and Security Policy. The Assistant Auditor met with the General Counsel and a member of his staff, along with the Chief Special Agent, to discuss a proposed general instruction which was drafted to set forth the District Fraud Prevention and Security Policy. This assignment was established to address Cost Objective 2.13 of the draft Strategic Plan.
- o Review of Water Conservation Agreement with CTSI Corporation. During the month, the assigned auditor continued his preliminary planning on this assignment as time permitted. Detailed testing of selected transactions pertaining to this agreement will commence in November.
- o Review of Santa Margarita Pipeline Project. During the month, the assigned auditors prepared a memo to me summarizing the results of their preliminary evaluation of potential audit issues, proposed audit plan, and information required to commence the detailed testing procedures. I forwarded this memo to the Chief of Operations for his review and concurrence.
- o Review of Information Systems Development Costs. During the month, the assigned auditor commenced his preliminary work on this assignment, which is part of a planned series of reviews of the costs of systems development projects. As part of this work, a memo was prepared to me summarizing the status of our recommendations from our previous review which was concluded in April. I transmitted this memo to appropriate management staff for their information at month-end.
- o Review of the Draft Official Statement for the Water Revenue Refunding Bonds, 1993 Series C. During the month, the assigned auditor continued testing a revised draft of the Preliminary Official Statement for the

Water Revenue Refunding Bonds, 1993 Series C, which is being prepared by the Finance Division. This assignment will continue until the Official Statement is finalized.

B. EDP Auditor Activities:

The EDP auditors and I reviewed and commented on drafts of the Information Systems Phase One Request for Proposals (RFP) pertaining to the Finance; Health, Safety, and Environmental; and Human Resources application areas. An EDP auditor attended the RFP respondent conference for the ORACLE Financials RFP.

The EDP auditors worked on the following matters during October:

- o Systems Development Review--Seasonal Storage System. During the month, the assigned EDP auditor continued to assist staff who are developing this computerized system to enable Member Agencies to prepare the Seasonal Storage certification forms electronically. In addition to performing audit testing, the auditor is helping the project team identify and address control and audit issues prior to system implementation.
- o Monitor Development of Treasurer's Branch Information Management System (IMS). The assigned EDP auditor continued to provide assistance to the project team during the parallel testing phase of this project. He also provided input regarding the new system to the newly formed management Investment Committee.

C. Recurring Assignments:

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

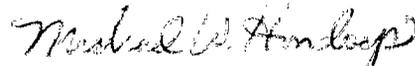
- o Review of the Draft Annual Financial Report--Fiscal Year Ended June 30, 1993.

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 Directors' and Department Heads' Expense Claim Reviews (as required by Administrative Code Section 6329(a)).
- o Monthly Review of Selected Disbursements, Including Drafts

- o Employee Expense Claim 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:

The Assistant Auditor, the Principal Auditor, and I reviewed various drafts of the audited comparative financial statements as of and for the years ended June 30, 1993 and 1992, as well as the audited cash basis financial statements as of June 30, 1993. Both statements were finalized and issued to all directors during October. Audit staff assistance to the external auditors during the review of the cash basis statements, as of and for the three months ended September 30, 1993, will commence in November. At month-end, we were awaiting a draft of the external auditors annual management letter, which should be completed and issued in November.

  
Michael W. Hondorp

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