



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Daren E. [Signature]
Executive Secretary

9-3

February 1, 1994

To: Board of Directors
From: Auditor
Subject: Audit Department Report for January 1994

I. Audit Reports

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

II. General and Administrative Matters

In addition to attendance at Board and Committee meetings, general and administrative matters addressed during January included the following:

- o The Assistant Auditor attended two Executive Council meetings. I participated in other staff meetings, including an Information Systems Steering Committee meeting and meetings related to productivity matters. The Assistant Auditor participated in three meetings of the Policies and Procedures Task Force.
- o The Assistant Auditor and I prepared a revised 1993-94 Audit Work Plan, as of December 31, 1993, which was transmitted to the Special Audit Committee during the month.
- o I prepared and submitted information to Financial Services pertaining to the Audit Department's personnel and operating equipment budgets for fiscal 1994-95.

III. Completed Assignments

A limited review of the 1994 Per-Acre Annexation Charge calculation was completed during January with no significant exceptions noted. Written comments resulting from this assignment were provided to various staff for their consideration.

Also completed during January were our reviews of the District's Annual Financial Report for fiscal 1992-93 and our

information systems development review of the Seasonal Storage System software that was recently developed in-house for use by member agencies and subagencies for certification purposes. Formal reports on these two assignments were not deemed necessary.

IV. Assignments in Progress

A. Nonrecurring Assignments:

- o District Fraud Prevention and Security Policy. During the month, the Assistant Auditor met with a senior staff auditor from the Los Angeles County Auditor-Controller's office to discuss common policies regarding fraud prevention, detection, investigation, and prosecution. A presentation on the subject was subsequently presented to the Special Audit Committee on January 25, 1994.
- o Domenigoni Audit Survey/Project Scoping. During the month, the Assistant Auditor met with staff from the Domenigoni Valley Reservoir Branch to discuss the scope and audit approach to this assignment.
- o Review of Water Conservation Agreement with CTSI Corporation. During the month, the assigned auditor commenced the detailed testing of selected transactions pertaining to this agreement.
- o Review of Santa Margarita Pipeline Project. During January, the information on this project which we had requested several months ago was received from the Operations Division. Our detailed testing of the District's share of the costs of this project will commence in February.
- o Review of Information Systems Development Costs. During the month, the Principal Auditor continued assisting the Information Systems Division staff in the implementation of our recommendations pertaining to the Phase Zero Program efforts. In addition, our review work on the costs of Phase One activities and other system development projects is continuing.
- o Monitor Landscape Conservation Programs. Due to other priorities, no work aside from planning matters was performed on this assignment in January.
- o Review of Just-in-Time Purchasing Pilot Program. During the month, the assigned auditor observed a physical inventory of certain office products and supplies stored at the City of Commerce warehouse. This inventory was performed so that those items could be

turned over to a vendor in accordance with the terms of a just-in-time contract. The auditor also began the survey and preliminary planning work on other phases of this assignment.

B. EDP Auditor Activities:

Both EDP auditors attended a three-day in-house training session on the UNIX operating system utilized by the new Pyramid computer. This training was sponsored by the Information Systems Division for the Phase One technical project team members. The EDP auditors will be attending a series of technical training courses over the next several months which are related to the new computer system and applications that were acquired as part of the Information Systems Division's Phase One Program.

The EDP auditors worked on the following matters during January:

- o Disaster Recovery Testing. During the month, an EDP auditor participated in meetings convened to analyze the results of the Information Systems Division disaster recovery testing that was conducted at IBM's business recovery center in Santa Monica.
- o Phase One--UNIX Conversion Project. During January, the assigned EDP auditor met with staff from Information Systems Division and provided input into the implementation plan being developed to install the new UNIX operating system.
- o Phase One--Material Management System. During the month, the assigned EDP auditor met with project team members and provided input over the vendor selection process.
- o Phase One--General Ledger and Financial Applications Projects. The Assistant Auditor and an EDP auditor represented the Audit Department at the initial meeting of the General Ledger Task Force.
- o Phase One--Program Office Activities. The assigned EDP auditor continued to monitor activities of the Program Office team and attended two Phase One Project status meetings.
- o Monitor Development of Treasurer's Branch Information Management System (IMS). The assigned EDP auditor provided assistance to the project team during the user acceptance testing phase of this project. The EDP auditor met with the Assistant Director of Finance, the Project Manager, and the project team members to

provide input regarding various open items which need to be resolved before the implementation of a major module of this application.

C. Recurring Assignments:

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

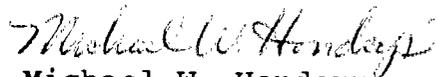
- o Review of Federal Single Audit Act Compliance for the years ended June 30, 1993 and 1994.
- o Review of the 1994-95 Annual Budget.
- o IID/MWD Water Conservation Program for the year-ended December 31, 1993.

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.
- 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:

Preliminary procedures pertaining to the external auditor's examination of the District's interim cash basis financial statements for the six months ended December 31, 1993, were performed in January. The quarterly audit work will commence in early February.


Michael W. Hondorp