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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

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January 31, 1995

To: Board of Directors
From: Auditor
Subject: Audit Department Report for January 1995

This report highlights significant activities or accomplishments of the Audit Department during January 1995. Transmitted as an attachment is a listing of audit assignments for which staff effort was expended during the month.

Several audit assignments were completed during January. Formal reports were issued to the Special Audit Committee on two of these; namely, our reviews of the Landscape Conservation Program and the District's agreements with Kosmont & Associates. Reports are expected to be issued in February on two other audits which were nearing completion at month-end.

Assistant Auditor Lindhout and I spent time in January reviewing mid-year work status and reviewing priorities for the balance of the fiscal year with the audit staff. Revisions to the department's Audit Work Plan for 1994-95 were then prepared based on year-to-date results and expected efforts over the next six months. A copy of this document was discussed with Deputy General Manager Wiley Horne and copies will be transmitted to directors in early February. This matter will be discussed by the Special Audit Committee at its next meeting on February 21.

Finally, during January, I entered into an agreement with the Institute of Internal Auditors to conduct a Quality Assurance Review of the Audit Department as required periodically by professional auditing standards. I also entered into an agreement with the District's external audit firm, KPMG Peat Marwick, to conduct a comparative analysis of various aspects of the Audit Department's operations to internal audit functions of other entities. Both of these engagements were previously approved by the Special Audit Committee and each will result in the issuance of a report to the Special Audit Committee by early April.

Michael W. Hondorp
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Attachment

ACTIVITIES IN PROGRESS

Financial/Compliance Audits and Reviews			
Assignment Name	Description	Status or Estimated Completion	Significant Events
Director/Department Head Expense Claims	Determine the propriety of expense claims of directors and department heads, as required by Administrative Code Section 6329.	Reviews completed for expense reports processed through November 1994.	
Selected Disbursements, Including Drafts	Test the validity of a sampling of disbursement transactions on a monthly basis.	Review is completed of transactions through November 1994.	
Selected Work Orders	Test a selection of new work orders, change orders and completion orders on a quarterly basis for propriety and compliance.	Transactions review for quarter-ended September 30, 1994, was completed.	
Single Audit Act Compliance	Monitor program activities and federal source funding for fiscal years 1994 and 1995 to ensure compliance with requirements of the Federal Single Audit Act of 1984.	Schedule of Federal Financial Assistance for fiscal 1993-94 was obtained from Finance Division staff and transmitted to KPMG Peat Marwick. Review and issuance of Federal Single Audit Reports is scheduled for completion by June 30, 1995.	
Amortization of SWP Participation Rights	Test calculations of amortization of SWP Participation Rights for accuracy.	Review was completed in January with satisfactory results.	
Annual Budget	Review accuracy and overall reasonableness of FY 1995-96 annual budget documents prior to approval by the Board of Directors.	Commenced preliminary procedures; review is scheduled for substantial completion by June 1995.	
Water Standby Charges/Refunds	Review the propriety of the transactions to record fiscal 1994-95 water standby charges and refunds.	Currently scheduled for March 1995 completion.	
Assist External Auditor -- Quarterly Audits	Assist KPMG Peat Marwick in the fiscal 1994-95 quarterly audits of cash basis financial statements.	Commenced assistance required for quarter-ended December 31, 1994.	
Completed Minor Capital Projects	Evaluate the adequacy and propriety of financial and administrative records pertaining to capital projects under \$250,000.	Scheduled for completion in February.	Revised draft report was issued to staff for comment.
Monitor Domenigoni Valley Reservoir Project	Document controls over Domenigoni Valley Reservoir Project (DVR); develop plan to ensure adequate audit coverage of DVR in future years; perform audits of selected DVR contracts.	Initial contract audit planning was completed. Detailed audit testing to commence in February.	

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ACTIVITIES IN PROGRESS

Information Systems Audits and Reviews			
Assignment Name	Description	Status or Estimated Completion	Significant Events
Phase I -- General Ledger/Cost Accounting Systems	Monitor the implementation of the Oracle Financial Systems software pertaining to General Ledger, Cost Accounting and Budget as specified in the project plans.	Continuing assignment; reviewed several deliverables and project status reports.	
Human Resources/Payroll Systems	Monitor the implementation of the Peoplesoft System software pertaining to Human Resources/Payroll as specified in the project plans.	Continuing assignment; reviewed draft deliverables.	
Materials Management Systems	Monitor the implementation of the Oracle Systems software pertaining to Procurement, Accounts Payable and Materials Inventory as specified in the project plans.	Continuing assignment; monitored user acceptance testing and data conversion.	
Phase One Program Office Activities	Monitor Information Systems' Phase One Program Office activities, including participation on Steering Committee, reviewing quarterly status reports, and assessing system integration matters.	Continuing assignment; discussions with Program Office re interface, testing and scheduling concerns.	
Conversion to UNIX Environment	Monitor the conversion to the new Unix operating system environment in connection with the IS Phase One Program and assess controls, security and other relevant areas.	Continuing assignment; attended several meetings on planning new system cutover to production environment.	
Fixed Asset System	Monitor the implementation of the Oracle Systems software pertaining to Fixed Assets and Equipment Tracking as specified in the project plan.	Continuing assignment; meetings with project manager to review status. Performed audit testing with project team.	
Preventive Maintenance System	Monitor the development and implementation of computerized preventive maintenance management system in accordance with the project plan.	Continuing assignment; attended Steering Committee meeting.	
Travel Expense Accounting System	Monitor the development and implementation of a new travel expense accounting and reporting system in accordance with the project plan.	Continuing assignment; attended preliminary design meetings and demonstration of travel expense software.	

ACTIVITIES IN PROGRESS

Information Systems Audits and Reviews			
Assignment Name	Description	Status or Estimated Completion	Significant Events
Monitor Implementation of New Water Information System	Monitor the development and implementation of a new Water Information System in accordance with the project plan.	Continuing assignment; met with Project Manager re: Project Plan.	
Minor EDP Assignments & Contingencies	Perform miscellaneous information systems reviews whenever required; contingency time for new priorities and budget adjustments.	Continuing assignment; LAN matters and miscellaneous Audit Department technical support.	

Special Audits and Other Services			
Assignment Name	Description	Status or Estimated Completion	Significant Events
Administrative Assistance to Board/Management/Staff	Provide advice and assistance to the Board, management or staff, and participate in meetings or other activities as required.	Continuing assignment.	
Business Resumption Task Force	Participate in the development of a District-wide comprehensive Business Resumption Plan for responding to natural disasters or other emergency situations.	Attended Business Resumption Plan kickoff meeting; Business Resumption Plan is due by June 1995.	
Surmise or Review Contracts	Review drafts of contracts, certain Board letters and other relevant matters prior to their completion.	Continuing assignment	
Boulder Canyon Project Audit	Provide assistance, as needed, to Metropolitan representative on the Project Audit Committee.	Project Initial Audit scheduled for completion by end of calendar 1995; reviewed and provided input to RFP for Initial Audit.	New assignment established in January in response to staff request for assistance.

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