



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-3

December 2, 1993

To: Board of Directors

From: Auditor

Subject: Audit Department Report for November 1993

**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 November included the following:

- o The Assistant Auditor and I participated in two Executive Council meetings and a meeting of the Employee Guidebooks Task Force. I also participated in other staff meetings, including an Information Systems Steering Committee meeting and several Productivity Council meetings.
- o In matters relating to the draft Strategic Plan, the Assistant Auditor and the Principal Auditor represented the Audit Department in meetings of the Division Action Plan council and the Strategic Plan Integration Group.
- o In response to their request, the Assistant Auditor and I met with consultants to the Blue Ribbon Committee to provide input and respond to questions raised in that process.
- o I prepared several Board letters outlining recommendations from the Special Audit Committee concerning Auditor and Assistant Auditor compensation, as well as the Auditor's performance evaluation and contracting authority.

**III. Completed Assignments**

There were no assignment matters of significance concluded during November.

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

- o District Fraud Prevention and Security Policy. Very little Audit Department activity took place on this assignment during November. We are awaiting input from the Legal and General Manager departments before proceeding with the final draft document.
- o Review of Water Conservation Agreement with CTSI Corporation. Little time was spent on this assignment in November due to the assigned auditor's other activities. Detailed testing of selected transactions pertaining to this agreement will commence in December.
- o Review of Santa Margarita Pipeline Project. Detailed testing on this assignment has been deferred pending receipt of certain requested information from Operations Division management. Field work is now expected to commence in early 1994.
- o Review of Information Systems Development Costs. During the month, the Principal Auditor and I discussed issues related to the accounting, funding, and management of the Information System's Phase One Program with various staff. In addition, we requested an update on the status of our prior recommendations pertaining to the Phase Zero Program efforts.
- o Review of the Draft Official Statement for the Water Revenue Refunding Bonds, 1993 Series C. Audit work on this assignment was suspended in November pending receipt of a revised draft of the Preliminary Official Statement from the Finance Division once market conditions improve.
- o Monitor Landscape Conservation Programs. During the month, the assigned auditor started his survey work and preliminary planning on this assignment. That preliminary work is expected to be completed during December and detailed testing will commence in January.

**B. EDP Auditor Activities:**

An EDP auditor and I reviewed and commented on drafts of the Information Systems Phase One Request for Proposal (RFP) pertaining to the Material Management Areas, as well as a Request for Information (RFI) on Technical Support Services.

An EDP auditor attended the Phase One Material Management Project Team kick-off meeting and accompanied the project team on a site visit to Central Stores to obtain an overview of inventory operations.

An EDP auditor attended a three-day UNIX auditing training session and a two-day UNIX workshop focussing on audit and control techniques for UNIX-based computer systems. This training was undertaken in anticipation of the new UNIX client/server computers that the District acquired.

The EDP auditors worked on the following matters during November:

- o Systems Development Review--Seasonal Storage System. During the month, an EDP auditor continued to assist staff who developed this computerized system to enable member agencies to prepare the Seasonal Storage certification forms electronically. Prior to the release of this software to member agencies in late November, the EDP auditor retested program modifications to ensure that they were properly implemented, and helped resolve any remaining control and audit issues.
- o Phase One UNIX Conversion--During November, the assigned EDP auditor met with Information Systems Division staff to discuss methods to secure the UNIX operating system and ORACLE database management system. This effort is being undertaken in preparation for the implementation of the Phase One applications scheduled to commence in January 1994.
- o Monitor Development of Treasurer's Branch Information Management System (IMS). I issued a memo to Assistant General Manager Horne summarizing the status of various issues that remain to be addressed on the project. The assigned EDP auditor continued to provide assistance to the project team during the parallel testing phase of this project.
- o Power Billing System (H-10). The assigned EDP auditor participated in the kick-off meeting of this new project and provided the Project Manager with a draft of the audit requirements covering general control guidelines for systems under development.
- o Integrated Computerized Maintenance Management System (ICMMS)--As part of the preliminary planning phase of this assignment, an EDP auditor requested various documents from the Operations Division pertaining to this new system development project.

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 Draft Annual Financial Report--Fiscal Year Ended June 30, 1993.
- o Review of the 1994-95 Annual Budget.

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:

During the month, the audit staff continued their assistance to KPMG Peat Marwick personnel in the examination of the District's interim cash basis financial statements for the three months ended September 30, 1993. This review should be completed in December.

The Assistant Auditor, the Principal Auditor, and I also reviewed draft copies of the KPMG Peat Marwick management letter and other audit matters. The management letter, which relates to work done for the year-ended June 30, 1993, was circulated for District staff comments in late November and will be finalized in December.

  
Michael W. Hondorp

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