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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Baron E. Duff* 9-3  
EXECUTIVE SECRETARY

November 29, 1994

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

This report highlights significant activities or accomplishments of the Audit Department during November 1994. Transmitted as an attachment is a listing of audit assignments for which staff effort was expended during the month.

Audit work was commenced on the review of the District's cash basis financial statements as of and for the three months ended September 30, 1994. This required work will be completed in December.

A draft of the external auditors' annual letter to management was reviewed and discussed with KPMG Peat Marwick representatives. It was then submitted to management and staff for comment prior to being finalized and transmitted to the Special Audit Committee on November 28, 1994.

The Special Audit Committee met on November 14. Among the matters considered was the fiscal 1994-95 Supplemental Audit Work Plan, which had been prepared at the Committee's request. A copy of that document has been provided to all directors as an attachment to the minutes of the Committee's November 14 meeting.

At this date, a written response from the General Manager to our audit report, dated October 5, 1994, re Review of Certain Ultra-Low-Flow Toilet Program Agreements, remains pending. There has been strong director interest in this audit and our report, together with management's response, will be presented at the December 6, 1994, meeting of the Special Audit Committee. The Finance and Insurance Committee has also requested a presentation on this matter.

*Michael W. Hondorp*  
Michael W. Hondorp

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Attachment

## ACTIVITIES IN PROGRESS

<b>Financial/Compliance Audits and Reviews</b>	
<b>Assignment Name</b>	<b>Description</b>
Director/Department Head Expense Claims	Determine the propriety of expense claims of directors and department heads, as required by Administrative Code Section 6329.
Selected Disbursements, Including Drafts	Test the validity of a sampling of disbursement transactions on a monthly basis.
Employee Expense Claims	Determine the propriety of a selection of employee expense claims on a quarterly basis.
State Water Project Contract Matters	Perform general monitoring of State Water Project contract activities, including accounting, auditing and financial matters.
Water Inventory/Deferred Water Rights	Review the computations for water inventory and deferred water rights accounts for accuracy and compliance on a quarterly basis.
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.
Annual Financial Report and CAFR	Review the format and content, including text, tables and schedules, of the FY 1993-94 Annual Financial Report and Comprehensive Annual Financial Report.
Water Standby Charges/Refunds	Review the propriety of the transactions to record fiscal 1994-95 water standby charges and refunds.
Assist External Auditor -- Annual Audit	Assist KPMG Peat Marwick in the audit of the accrual basis financial statements as of June 30, 1994.
Assist External Auditor -- Quarterly Audits	Assist KPMG Peat Marwick in the fiscal 1994-95 quarterly audits of cash basis financial statements.
Completed Minor Capital Projects	Evaluate the adequacy and propriety of financial and administrative records pertaining to capital projects under \$250,000.
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.
CTSI Corp Agreements	Test contract compliance by vendor assisting MWD with Ultra-Low-Flow toilet rebate program and controls over program administration.
Just-in-Time Purchasing Pilot Program	Monitor rollout of Just-in-Time (JIT) pilot program and subsequent additions to the scope of the JIT program.
Review Kosmot & Assoc. Contract	Test compliance with services agreement relating to search for new headquarters facility
Consulting Agreement Audits	Develop an ongoing plan for ongoing audits of consulting service agreements beginning in 1994-95; conduct selected agreement audits.
Landscape Conservation Program Compliance	Review activities and compliance related to landscape conservation programs sponsored by the District.

## ACTIVITIES IN PROGRESS

<b>Financial/Compliance Audits and Reviews</b>	
<b>Assignment Name</b>	<b>Description</b>
Compliance with Office/Warehouse Space Leases	Test District's compliance with terms of various leases of office and warehouse space.
Operating Equipment Inventory (Biennial)	Test the accuracy of the 1994 comprehensive physical inventory of District operating equipment.
Automated Systems Development Costs	Test costs related to various systems development projects for reasonableness and compliance with established accounting policies.
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Develop District Fraud Policy	Assist management in the development of a comprehensive fraud policy document and implementation of related compliance procedures.
Minor Financial Reviews & Contingencies	Perform miscellaneous reviews of financial areas whenever required in the circumstances; contingency time for new priorities and budget adjustments.

<b>Information Systems Audits and Reviews</b>	
<b>Assignment Name</b>	<b>Description</b>
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.
Human Resources/Payroll Systems	Monitor the implementation of the Peoplesoft System software pertaining to Human Resources/Payroll as specified in the project plans.
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.
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.
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.
Fixed Asset System	Monitor the implementation of the Oracle Systems software pertaining to Fixed Assets and Equipment Tracking as specified in the project plan.

## ACTIVITIES IN PROGRESS

<b>Information Systems Audits and Reviews</b>	
<b>Assignment Name</b>	<b>Description</b>
Preventive Maintenance System	Monitor the development and implementation of computerized preventive maintenance management system in accordance with the project plan.
Travel Expense Accounting System	Monitor the development and implementation of a new travel expense accounting and reporting system in accordance with the project plan.
Monitor Implementation of New Water Information System	Monitor the development and implementation of a new Water Information System in accordance with the project plan.
Minor EDP Assignments & Contingencies	Perform miscellaneous information systems reviews whenever required; contingency time for new priorities and budget adjustments.

<b>Special Audits and Other Services</b>	
<b>Assignment Name</b>	<b>Description</b>
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.
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.
Surname or Review Contracts	Review drafts of contracts, certain Board letters and other relevant matters prior to their completion.