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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

David Chen
for EXECUTIVE SECRETARY

February 12, 1996

To: Board of Directors (Special Audit Committee--Information)
(Finance and Insurance Committee--Information)

From: Auditor *Michael W. Hurlburt*

SUBJECT: Single Audit Reports for the Fiscal Year Ended June 30, 1995

RECOMMENDATION(S)

For information only.

DETAILED REPORT

The Federal Single Audit Act of 1984 (Single Audit Act) (P.L. 98-502) requires state or local government units that receive, directly or indirectly, \$100,000 or more of federal financial assistance in any one year to have an audit conducted for that year. The District's accrual basis financial statements are audited annually by the firm of KPMG Peat Marwick, CPAs, in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA). In the event that a so-called "Single Audit" is required to be conducted for a particular year, the cost of such an audit is included as part of the required audit services provided by that firm under its agreement with the District.

Auditors who conduct audits pursuant to the Single Audit Act are required to comply with government auditing standards issued by the Comptroller General of the United States (the so-called "Yellow Book"), as well as requirements of the Single Audit Act and OMB Circular A-128, Audits of State and Local Governments. These standards require that various reports be issued by the external auditor in addition to the traditional auditor's report on the entity's general purpose financial statements. The AICPA has established authoritative guidance on the form and content of the reports required by the Single Audit Act.

Due to the magnitude of federal source monies received, directly or indirectly, during the fiscal year ended June 30, 1995, the District was required to have a Single Audit performed. The necessary additional auditing procedures were performed by staff from KPMG Peat Marwick and the required audit reports, dated February 2, 1996, were issued by the firm prior to the statutory deadline of July 31, 1996. Copies of these audit reports were then transmitted by my office to the respective agencies who require such reports, namely:

- The State Controller of California
- U.S. Bureau of Reclamation
- The U.S. Federal Emergency Management Agency
- The U.S. Environmental Protection Agency
- The U.S. Bureau of the Census

Copies of the required Single Audit Act audit reports from KPMG Peat Marwick are attached to this letter for information purposes.

Attachment