



● **Board of Directors**
Executive Committee

April 11, 2000 Board Meeting

8-8

Subject

Revisions to Auditor and Assistant Auditor Position Titles and Increase in Auditor's Contracting Authority Limit

Description

In November 1999, Deloitte & Touche, LLP, conducted a Quality Assurance Review (QAR) of the Audit Department and issued a report thereon, dated November 30, 1999. The firm's QAR report was transmitted to all directors on that date by the Auditor and the results of the QAR were presented to the Special Audit Committee at its meeting on December 7. The QAR report contained 15 recommendations for consideration by the Special Audit Committee and the Auditor.

In a letter to the Special Audit Committee, dated January 31, 2000, the Auditor outlined his perspectives on the QAR process and his specific responses to the various recommendations contained in the detailed QAR report. This matter was discussed with the Special Audit Committee at its February 15, 2000, meeting. In summary, the Auditor expressed concurrence with all but two of the Deloitte & Touche recommendations. Of the 13 recommendations with which the Auditor concurred, two would, in order to be implemented, require the concurrence of the Special Audit Committee and further Board action. Those two recommendations pertained to: (1) increasing the Auditor's contracting authority, and (2) changing the titles of the positions of Auditor and Assistant Auditor to General Auditor and Assistant General Auditor to be more descriptive of their role in the organization, consistent with other department head titles.

The Special Audit Committee discussed those two recommendations at some length on February 15. The committee then voted unanimously to recommend to the Executive Committee that it recommend Board approval of changes in the position titles of Auditor and Assistant Auditor to General Auditor and Assistant General Auditor, respectively. The committee also approved a motion, with two members dissenting, to recommend to the Executive Committee that it recommend Board approval of an increase in the Auditor's contracting authority from its present level of \$25,000 per contract per year to a new level of \$40,000 per contract per year. This motion was passed with the understanding that such increase pertains to activities within the context of the Auditor's normal work plan and duties and that other reporting requirements pertaining to the exercise of such authority would remain unchanged. Both recommendations, if approved by the Board, would require changes to various sections of the MWD Administrative Code (in particular Sections 6450 and 6451 pertaining to Auditor and Assistant Auditor Duties, respectively, and Section 6452 pertaining to Contracting Authority). Approval of the recommendations would require and authorize the Legal Department to amend the Administrative Code where necessary to effectuate such actions.

Policy

Existing policy contained in Administrative Code Section 2561(a)(1) and 2561(b) specifies that the Special Audit Committee shall study, advise and make recommendations with regard to reports of external auditors and that such recommendations shall be directed to the Executive Committee.

Board Options/Fiscal Impacts

Option #1

Approve the February 15, 2000, recommendations of the Special Audit Committee as described herein.

Option #2

Reject or modify one or both of the Special Audit Committee's February 15, 2000, recommendations.

Fiscal Impact: None as to change of position titles; negligible as to contracting authority since the Auditor is required to report the exercise of such authority to the Special Audit Committee and since the recommendation does not authorize additional contract funding to the Audit Department's existing budget.

Staff Recommendation

1. To authorize that the titles of the positions of Auditor and Assistant Auditor be revised to General Auditor and Assistant General Auditor, respectively.
2. To authorize an increase in the Auditor's contracting authority outlined in Administrative Code Section 6452 from \$25,000 to \$40,000 per contract per year.



Michael W. Hondorp
Auditor

3/23/2000
Date