

- **Board of Directors**
Executive Committee
Audit Subcommittee

March 11, 2003 Board Meeting

8-8

Subject

Approve amendments to Metropolitan Water District Administrative Code regarding the Internal Audit Department

Description

This letter transmits changes to Division VI, Article 4, General Auditor, of the Administrative Code in connection with the General Auditor's review and evaluation of the Audit Department. The amendments to the Administrative Code address: (a) committee changes, (b) reliance on Audit Business Plan, and (c) Assistant General Auditor position.

The proposed substantive amendments are set forth in [Attachment 1](#), with strikeouts showing deletions and underlining showing additions. [Attachment 2](#) shows the new version of § 6450 and § 6451 of the Metropolitan Water District Administrative Code, as it would read upon board approval.

Policy

Metropolitan Water District Administrative Code § 11300: Purpose of Administrative Code

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because the proposed action involves continuing administrative activities such as personnel-related actions, general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA per Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and approve the changes to the Administrative Code set forth in [Attachment 1](#).

Fiscal Impact: None

Option #2

Defer approval of the changes to the Administrative Code as set forth in [Attachment 1](#).

Fiscal Impact: None

Staff Recommendation

Option #1


Gerald C. Riss
General Auditor

2/20/2003
Date

Attachment 1 – Administrative Code Amendments showing additions and deletions

Attachment 2 – Administrative Code Amendments in final form

BLA #2076

Article 4**GENERAL AUDITOR**

Sec.

6450. Powers and Duties

6451. Assistant General Auditor

6452. Authority to Obtain Professional Services

§ 6450. Powers and Duties.

(a) The District's independent internal auditing function is governed by provisions of the California Government Code and by policies established by the Board of Directors. The scope of internal auditing activities is subject to Board review and approval, but shall not otherwise be restricted. The ~~Audit, Budget and Finance Committee~~ Audit Subcommittee is responsible for the oversight of the internal auditing function, approving the Audit Department charter and for reviewing reports issued by both the internal and external auditors. Internal auditors, with stringent regard for safekeeping and confidentiality, shall have access to all District activities, records, property, and employees as may be necessary to carry out their assigned responsibilities.

(b) The General Auditor manages the District's Audit Department and is ~~responsible to perform, among other things, the following duties as he deems necessary and proper:~~

- ~~(1) Examining and evaluating the adequacy and effectiveness of the organization's systems of internal control, including those pertaining to the deterrence, detection, and investigation of fraudulent or illegal acts.~~
- ~~(2) Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.~~
- ~~(3) Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining whether the organization is in compliance.~~
- ~~(4) Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.~~
- ~~(5) Appraising the economy and efficiency with which resources are employed and the quality of performance in carrying out assigned responsibilities.~~
- ~~(6) Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.~~
- ~~(7) Coordinating internal auditing activities with the work of the independent external auditors and assisting the external auditors as required.~~

~~(c) In addition to the duties outlined at paragraph 6450(b), the General Auditor is~~ responsible for recommending an Audit Department charter, any changes to which shall be approved by the Audit Subcommittee, and is responsible for formulating departmental policies and procedures; directing and evaluating the performance of work done by employees within the department, administering the internal records of the department; and administering the District's contract for external audit services. The General Auditor shall annually in advance of the July Board meetings, submit to the ~~Audit, Budget and Finance Committee~~ Audit Subcommittee a

comprehensive Audit business plan ~~and the Audit Department's annual goals and work objectives~~ for review and approval. The business plan ~~and goals and work objectives~~ shall be submitted in conjunction with similar reports by the Chief Executive Officer and General Counsel to the Executive Committee and the Legal, Claims and Personnel Committee.

(~~c~~d) The General Auditor shall report the findings, opinions, and recommendations which result from the performance of the duties outlined in paragraphs ~~6450(b)~~ ~~and (e)~~ to the Chief Executive Officer and General Counsel for their information and appropriate actions. The form and content of such reports shall be determined by the General Auditor ~~based on the results obtained and other circumstances~~. Whenever an audit report contains recommendations for corrective actions or changes in current practices, the Chief Executive Officer, the General Counsel, or their designees shall respond to the General Auditor in an appropriate manner and within a reasonable time, indicating their views on the recommendations and proposed actions to be taken, if any. The General Auditor shall then submit a ~~summary or detailed~~ report on major assignments conducted, or significant issues noted, to the Audit; Subcommittee ~~Budget and Finance Committee~~.

(~~d~~e) ~~Except for the General Auditor's monthly Audit Department activity reports addressed to the entire Board, and as outlined in paragraph 6450(d), t~~The General Auditor's reports on internal audit assignments shall be addressed to the Audit; Subcommittee ~~Budget and Finance Committee~~. The General Auditor shall have the discretion to determine the form and content of such audit reports, subject to guidance ~~or direction~~ by the Audit Subcommittee; ~~Budget and Finance Committee~~. With the exception of those reports which the General Auditor deems to be urgent or confidential in nature, copies of all audit reports addressed to the ~~Audit, Budget and Finance Committee~~ Audit Subcommittee shall be submitted to the Chief Executive Officer and General Counsel for review and comment ~~prior~~ simultaneously to their submittal to the Audit Subcommittee; ~~Budget and Finance Committee~~.

(~~e~~f) The General Auditor shall transmit all reports issued by the District's external auditors to the ~~Audit, Budget and Finance Committee~~ Audit Subcommittee and any other committees of the Board as may be applicable. Such transmittal letters should include any comments on the external auditor's reports that the General Auditor deems necessary.

(~~f~~g) The General Auditor may receive requests from time to time from the other executive officers or committees of the Board to perform audit assignments which are not included in the approved annual Audit Business Plan. Similarly, the General Auditor may identify a need to include new ~~priority~~ assignments in the Audit Business Plan during the year. The General Auditor shall have sufficient latitude and discretion to include those new assignments in the annual Audit Business Plan, as he deems necessary ~~and to make other revisions as are warranted in the circumstances~~. All revisions to the Audit Business Plan will be communicated periodically to the ~~Audit, Budget and Finance Committee~~ Audit Subcommittee for its information and concurrence. The reporting process for assignments requested by either executive management or by committees of the Board shall generally follow the process outlined in paragraphs 6450(~~c~~d) or (~~d~~e) previously. However, any reports on audits requested by a committee of the Board shall be jointly addressed to such committee and the Audit Subcommittee; ~~Budget and Finance Committee~~. Copies of these reports will first be provided to management for review and comment consistent with the provisions of paragraph 6450(~~e~~d).

Ords. 127 and 143; repealed by Ord. 146; Section 418.1 added, as amended, by M.I. 32690 - April 10, 1979; amended by M.I. 32815 - July 10, 1979; paragraph (c) [formerly Section 418.1.3] added by M.I. 33340 - July 8, 1980; paragraph (c) amended by M.I. 33729 - May 12, 1981. Section 418.1 repealed and Section 6450 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; paragraphs (a)-(c) amended by M.I. 39358 - December 10, 1991; paragraphs (a) - (e) amended and paragraphs (f) and (g) added by M.I. 41600 - October 10, 1995; paragraph (c)

amended by M.I. 43692 - August 17, 1999; paragraphs (b)–(g) amended by M.I. 43968 - April 11, 2000; paragraphs (a), (c) – (g) amended by M. I. 44582 – August 20, 2001.

§ 6451. Assistant General Auditor.

(a) The General Auditor ~~may~~**shall** designate an Assistant General Auditor who shall perform such duties and render such services to the District as may be prescribed and assigned to him by the General Auditor, with like effect as though such duties or services were performed or rendered in person by the General Auditor.

(b) During the absence of the General Auditor, or his inability for any reason to act in person, or in case of his death, resignation or removal, until the appointment and qualification of his successor, the Assistant General Auditor shall perform all of the duties and exercise all of the powers of the General Auditor.

(c) The Assistant General Auditor shall act in the name of the General Auditor, except when directed by the latter to act in his own name, and his acts shall be equally effective whether done in the name of the General Auditor or in his own name. In case of the death, resignation or removal of the General Auditor, the Assistant General Auditor shall act in his own name.

Ord. 139; repealed by Ord. 146; Section 418.2 added, as amended, by M.I. 32690 - April 10, 1979.
Section 418.2 repealed and Section 6451 adopted by M.I. 36464 - January 13, 1987, effective April 1, 1987; paragraphs (a)-(c) amended by M.I. 43968_- April 11, 2000.

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(b) The General Auditor manages the District's Audit Department and is responsible for recommending an Audit Department charter, any changes to which shall be approved by the Audit Subcommittee, and is responsible for formulating departmental policies and procedures; directing and evaluating the performance of work done by employees within the department, administering the internal records of the department; and administering the District's contract for external audit services. The General Auditor shall annually in advance of the July Board meetings, submit to the Audit Subcommittee a comprehensive Audit business plan for review and approval. The business plan shall be submitted in conjunction with similar reports by the Chief Executive Officer and General Counsel to the Executive Committee and the Legal, Claims and Personnel Committee.

(c) The General Auditor shall report the findings, opinions, and recommendations which result from the performance of the duties outlined in paragraph 6450(b) to the Chief Executive Officer and General Counsel for their information and appropriate actions. The form and content of such reports shall be determined by the General Auditor. Whenever an audit report contains recommendations for corrective actions or changes in current practices, the Chief Executive Officer, the General Counsel, or their designees shall respond to the General Auditor in an appropriate manner and within a reasonable time, indicating their views on the recommendations and proposed actions to be taken, if any. The General Auditor shall then submit a report on major assignments conducted, or significant issues noted, to the Audit Subcommittee.

(d) The General Auditor's reports on internal audit assignments shall be addressed to the Audit Subcommittee. The General Auditor shall have the discretion to determine the form and content of such audit reports, subject to guidance by the Audit Subcommittee. With the exception of those reports which the General Auditor deems to be urgent or confidential in nature, copies of all audit reports addressed to the Audit Subcommittee shall be submitted to the Chief Executive Officer and General Counsel for review and comment simultaneously to their submittal to the Audit Subcommittee.

(e) The General Auditor shall transmit all reports issued by the District's external auditors to the Audit Subcommittee and any other committees of the Board as may be applicable. Such transmittal letters should include any comments on the external auditor's reports that the General Auditor deems necessary.

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those new assignments in the annual Audit Business Plan, as he deems necessary. All revisions to the Audit Business Plan will be communicated periodically to the Audit Subcommittee for its information and concurrence. The reporting process for assignments requested by either executive management or by committees of the Board shall generally follow the process outlined in paragraphs 6450(c) or (d) previously. However, any reports on audits requested by a committee of the Board shall be jointly addressed to such committee and the Audit Subcommittee. Copies of these reports will first be provided to management for review and comment consistent with the provisions of paragraph 6450(d).

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