



**MWD**

*METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA*

- **Internal Audit Report for August 2004**

## Summary

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- **District Housing Audit Report**

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## Detailed Report

This report highlights significant activities of the Audit Department during August 2004. In addition to identifying the opinions expressed in the Audit Report, background information and a discussion of findings noted during the reviews are presented.

### District Housing Audit Report

#### Opinion

In our opinion, the accounting and administrative procedures over District housing include those practices usually necessary to provide for a generally satisfactory internal control structure. The degree of compliance with such procedures provided effective control for the period January 1, 2003 through June 30, 2004.

#### Background

Metropolitan's Operating Policy J-10, Conditions of Occupancy for Metropolitan Housing, states that "Metropolitan may provide reasonable dwellings, which meet accepted standards for family housing, for those Metropolitan employees whose job functions include the protection of Metropolitan facilities on a 24-hour basis. Housing may also be provided to other employees where it is determined that providing such housing is in the best interest of Metropolitan." District housing is managed by the Water System Operations (WSO) Group, which determines what employees, if any, live in each residence. Rents on District housing are calculated by multiplying the square footage of the homes by a predetermined rate documented in Metropolitan's Administrative Code and range from \$54-\$171 per month. As of June 30, 2004, District housing consisted of 156 homes: 19 in Los Angeles County; 50 in Riverside County; 86 in San Bernardino County; and 1 in San Diego County.

#### Comments and Recommendations

The majority of Metropolitan's homes are in the Desert Region as part of the Colorado River Aqueduct conveyance and distribution system. Those homes were originally built because there were no communities within a reasonable distance of those locations, i.e., Gene Camp.

While District housing was once held as a necessary and appropriate cost of delivering water to Southern California, the current proximity of local communities to Metropolitan's field locations and the automation of the water conveyance systems reduces the necessity of providing housing to District employees. Additionally, providing housing to Metropolitan employees has resulted in personnel issues, as well as costs to maintain those residences. We also noted that 45 of the homes were vacant. Thus, operating efficiencies could be achieved, without undue hardship to employees, if District housing were limited or eliminated.

We understand that WSO management has undertaken an analysis of District housing to potentially eliminate some or all of these dwellings; we encourage WSO management to continue with that effort. Further, we recommend that all District housing be eliminated within the next few years.