



**MWD**

*METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA*

- **Internal Audit Report for January 2005**

## Summary

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- **Property Leases Audit Report**
  - **Skinner Facility Maintenance Audit Report**
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## Detailed Report

This report highlights significant activities of the Internal Audit Department during January 2005. In addition to presenting the opinions expressed in the audit reports, background information and discussions of findings noted during the reviews are presented.

### Property Leases Audit Report

#### Opinion

In our opinion, the accounting and administrative procedures over property leases 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 Administrative Code Section 8230 – Grant of Real Property Interest states that “The Chief Executive Officer is authorized to grant to public entities, public utilities, private persons and private entities, any real property interests in District real property that will not interfere with the District's operations; provided, however, that: (1) any such grant to a public entity or public utility is required for its operations; (2) the consideration for any one such grant (annual payment in the case of any lease, license or permit) to a private person or private entity is less than \$250,000; and (3) if it will be necessary for District facilities to be relocated or protected in order to avoid interference from the use of the real property interest, the Chief Executive Officer shall obtain approval of a relocation or protection agreement by the Board prior to granting such real property interest.”

The Property Management Team is charged with the management of all of Metropolitan's real property interests, including the revenue leasing of its properties and the sale of its surplus properties. It also provides notice for possessory interest tax purposes. For the eighteen-months ended June 30, 2004, lease income totaled approximately \$2.2 million.

#### Comments and Recommendations

Comments were noted in the areas of annual field inspections on leased or rented properties, re-evaluations of annual rental charges, inventories of available rental properties and incorrect

billings. It is important to note that annual rental charges on leases of \$12,000 and \$14,800 per year were not re-evaluated on a timely basis and that the understatement of revenue from incorrect billings ranged from \$25 to \$2,100. We recommended that the Asset Management Section remind personnel of the importance of compliance with Metropolitan's policies and procedures and conduct periodic reviews to ensure compliance.

### **Skinner Facility Maintenance Audit Report**

#### Opinion

In our opinion, the accounting and administrative procedures over Skinner Facility Maintenance 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

Skinner is one of five treatment plants within the Metropolitan Water District system. Skinner was placed into service in 1976 to supply treated and untreated water for customers of the Eastern and Western Municipal Water Districts in Riverside County and the San Diego County Water Authority. Since its original construction, the plant has been expanded three times and now consists of six treatment modules that are operated as two distinct treatment plants. The two treatment plants have a total combined rated capacity of 520 million gallons of water per day. This plant is equipped with the latest in automated systems that are designed to regulate plant processes. In addition to automated processes, the operator has the ability to intervene, operate and control the processes when necessary. Skinner personnel, consisting of one unit manager, four team managers, one scheduler/planner and forty maintenance, operation and administrative staff, perform the necessary preventive and corrective maintenance at the facility.

#### Comments and Recommendations

Comments were noted in the areas of inefficient, erroneous or underutilization of the Maintenance Management System (MAXIMO) and lack of formal policies or procedures for the maintenance process. It should be noted that Management has existing plans to upgrade MAXIMO. Specifically, we made recommendations to Management to increase their utilization of MAXIMO to further promote an efficient and cost-effective maintenance program. In addition, we recommended that the Water Systems Operations Group develop a policies and procedures manual for maintenance and conduct periodic reviews to ensure compliance with these procedures.