



• **Internal Audit Report for February 2011**

Summary

One report was issued during the month:

- **Southern Contracting Company 1694 Audit Report**
-

Discussion Section

This report highlights the significant activities of the Internal Audit Department during February 2011. Background information and opinion expressed in the audit report are provided.

Southern Contracting Company 1694 Audit Report

Background

The Colorado River Aqueduct (CRA) is a 242-mile-long conveyance system which transports water from Lake Havasu to Lake Mathews. Water is pumped onto this system through five pumping plants including Gene Pumping Plant, Whitsett Intake Pumping Plant, Eagle Mountain Pumping Plant, Iron Mountain Pumping Plant, and Julian Hinds Pumping Plant. These pumping plants contain switch houses and pump motors constructed in the 1930s, which were sized to withstand 70,000 amps of momentary fault current. Since their construction, numerous transmission lines and generating plants have been added near the CRA transmission system. Due to this expanded regional power grid, the CRA has become exposed to a larger number and greater magnitude of external sources of fault current. Specifically, the pumping plant switch houses became vulnerable to higher fault current levels than they were originally designed to withstand.

Metropolitan entered into a \$5.2-million contract (1694) with Southern Contracting Company in January 2010 to construct fault current protection upgrades to these pumping plant switch houses. This project consists of installation of 18 Metropolitan-furnished 230 kilovolts current limiting line reactors and transient recovery voltage capacitors at three pumping plants (Gene, Eagle Mountain and Julian Hinds). Additionally, the project includes upgrades to the 6.9 kilovolts switch houses at all five pumping plants, including the replacement of vertical bus drops, installation of bus bracing and spacers, demolition of the existing transfer bus, and removal and disposal of the transfer bus oil circuit breakers. As of December 31, 2010, the contractor has completed approximately 74 percent of the project work and Metropolitan has paid \$3.91 million, including \$107,051 in approved extra work orders under this contract.

Opinion

In our opinion, the accounting and administrative procedures over the contract include those practices usually necessary to provide for a satisfactory internal control structure. The degree of compliance with such policies and procedures provided effective control for the period February 2010 through December 2010.

Comments and Recommendations

There were no material findings to report.