



Internal Audit Report for March 2012

Summary

Three reports were issued during the month:

- **F.E. Weymouth Treatment Plant Audit Report**
- **Remarketing Statement for the Water Revenue Refunding Bonds, 2011 Authorization, Series A-1 and A3**
- **Official Statement for the Water Revenue Refunding Bonds, 2012 Authorization, Series A**

Discussion Section

This report highlights the significant activities of the Internal Audit Department during March 2012. In addition to presenting background information and the opinion expressed in the audit reports, a discussion of findings noted during the examinations is also provided.

F.E. Weymouth Treatment Plant Audit Report

Background

Metropolitan's F.E. Weymouth Treatment Plant (Weymouth plant) located in the city of La Verne, is one of Metropolitan's three "blend" plants, along with the Robert B. Diemer Treatment Plant and Robert A. Skinner Treatment Plant that normally receive a "blend" of water from the State Water Project and the Colorado River Aqueduct. The water blend ratio is based on availability and quality considerations. Weymouth plant uses a conventional five-step treatment process consisting of disinfection, coagulation, flocculation, sedimentation, and filtration. It has an overall design capacity of 520 million gallons of water per day.

The Weymouth plant operates with 61 employees comprised of five teams; Mechanical Team, Electrical Team, Water Treatment Team, Control System Team, and Business Support Team. To ensure a safe work environment for Weymouth plant employees, management assigns safety and health training programs to each employee based on each individual's responsibilities and assignments. These mandatory training programs are designed to fulfill the California Division of Occupational Safety and Health, U.S. Environmental Protection Agency, U.S. Department of Transportation, and Metropolitan requirements. To help ensure employees are up-to-date with their training, management uses PeopleSoft E-Learning to track the employee's progress in fulfilling training requirements.

For fiscal year 2010/11, the budget for Weymouth plant was approximately \$14 million, consisting mainly of water treatment chemical costs of \$4.6 million and labor costs of \$8.2 million.

Opinion

In our opinion, the administrative procedures over the Weymouth plant include those practices usually necessary to provide for a generally satisfactory internal control structure. The degree of compliance with such policies and procedures provided effective control for the period between January 1, 2008 and December 31, 2011.

Comments and Recommendations

COMPLIANCE WITH TRAINING REQUIREMENTS

Government regulations and Metropolitan policies mandate completion of industrial training programs to ensure the safety and health of employees. Management is responsible for assigning training to employees, based on their job duties, and monitoring employees' compliance with the assigned training to ensure timely completion and compliance with policies and regulations.

During our review of employees' compliance with training requirements, we noted:

- Five of 33 (15 percent) Weymouth plant employees selected for testing were not enrolled in training for Personal Protective Equipment, although the job-related hazard assessment for their jobs indicated these training programs are required.
- Seven of 72 (10 percent) of various training refresher programs were not timely enrolled for Weymouth plant employees, based on their previous completion dates and refresher training frequencies. Specific refresher programs include:
 - Aerial Work Platform Awareness (EQ0100)
 - Asbestos Awareness (SA0200)
 - Asbestos Worker Fresher (SA0600)
 - Crane Inspection (SA1400)
 - Hearing Conservation (SA2400)
 - Hot Work/Fire Extinguisher Safety (SA2800)
 - Lead Worker (SA3100)

In addition, we could not locate an official master training list documenting regulatory required training for employees, required frequency of training, and impact to Metropolitan of noncompliance with regulations.

We recommend that management monitor employee training to ensure timely compliance with policies and regulations. In addition, we recommend management establish and maintain a master list of required training programs, courses, and refresher classes for Weymouth plant employees.

Remarketing Statement for the Water Revenue Refunding Bonds, 2011 Authorization, Series A-1 and A3

The Audit Department has completed a review of the Remarketing Statement for the Water Revenue Refunding Bonds, 2011 Authorization, Series A-1 and A3. This review was undertaken to provide the remarketers of the Bonds “comfort” that the Remarketing Statement for the Bonds is complete, consistent with supporting financial records, and accurate in all material respects. The review was completed and no exceptions were noted. We issued letters describing the agreed upon review procedures performed, and the results obtained to the remarketers of the Bonds.

Official Statement for the Water Revenue Refunding Bonds, 2012 Authorization, Series A

The Audit Department has completed a review of the Official Statement for the Water Revenue Refunding Bonds, 2012 Authorization, Series A. We performed this review to provide the issuer of the Bonds “comfort” that the Official Statement for the Bonds is complete, consistent with supporting financial records, and accurate in all material respects. We completed our review in accordance with agreed upon procedures specified by the underwriter. We issued letters to the underwriter describing the agreed upon review procedures performed, and the results obtained.
