

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

AUDIT AND ETHICS COMMITTEE

October 23, 2012

Chair Friedman called the meeting to order at 10:00 a.m. in Committee Room 2-145 at Metropolitan's Headquarters.

Members present: Chair Friedman, Vice Chair Quinonez, Directors Ballin, Barbre, Dick, Edwards, Grandsen, and Wright.

Member absent: Director Wunderlich.

Other Board Members present: Directors Ackerman, Brown, Hawkins, Lewinger, Little, Millard, Morris, Murray, Peterson, Record, Steiner, and Wilson.

Staff present: Ardalan, Borrego, Breaux, Cable, L. Carrillo, DeBacker, C. Gutierrez, Ivey, G. Johnson, Kightlinger, D. Phan, Pellegrini, Riss, Soper, Scully, Sotoodeh, H. Torres, Upadhyay, Waade, and E. Yamasaki.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

No members responded.

2. APPROVAL OF THE MINUTES OF THE MEETING OF THE AUDIT AND ETHICS COMMITTEE HELD SEPTEMBER 25, 2012

Motion Carried Moved: Director Edwards Seconded: Director Ballin

Votes: Unanimous

3. CONSENT CALENDAR ITEMS – ACTION

None

4. COMMITTEE ITEMS

- a. Subject: Interim Ethics Officer's summary of activities for the Ethics Department

Presented by: Interim Ethics Officer Jeffrey L. Cable

Interim Ethics Officer Jeff Cable did not report on anything in addition to the monthly report.

- b. Subject: General Auditor's summary of activities for the Audit Department

Presented by: General Auditor Gerald C. Riss

General Auditor Riss reported that during September 2012, the Audit Department (Audit) issued one audit report with a "Generally Satisfactory" opinion on consulting agreements with Kennedy/Jenks Consultants, Incorporated; MWH Americas, Incorporated; and LSA Associates, Incorporated. Mr. Riss added that comfort letter on the Official Statement for the Water Revenue Refunding Bonds, 2012 Authorization, Series F, was also issued. He then briefly discussed these reports.

Next, Mr. Riss provided an overview of Audit's first quarter evaluation of the Audit Plan for fiscal year 2012/13. He explained that these evaluations were performed on a quarterly basis and in keeping with auditing industry professional standards. He noted that the evaluations identified significant changes in Metropolitan's risk profile or resource issues within Audit. Mr. Riss further explained that such changes in risk or resource levels could result in the recommendation to the Audit and Ethics Committee and the Board to adjust the Audit Plan.

Mr. Riss then explained that recent evaluation performed by Audit management considered each upcoming audit and evaluated the impact of management and board requests and initiatives. Next, he added that an analysis was performed to compare projected audit resources versus Audit Plan assumptions to assess sufficiency of resources to complete the Audit Plan. He noted that first quarter audit resources were below planned levels due to one auditor's long-term leave. As a result, Mr. Riss explained that audit resources may require augmenting through the hiring of a consultant in early 2013.

Mr. Riss concluded his remarks by stating that there was no need to recommend modifications to the Audit Plan at this time.

5. FUTURE AGENDA ITEMS

None

Meeting adjourned at 10:17 a.m.

Laura Friedman
Chair