

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

AUDIT AND ETHICS COMMITTEE

February 11, 2013

Chair Edwards called the meeting to order at 12:33 p.m. in Committee Room 2-145 at Metropolitan's Headquarters.

Members present: Chair Edwards, Directors Barbre, Dick, Pringle, Quinonez, Wright, and Wunderlich.

Members absent: Vice Chair Friedman and Director Ballin.

Other Board Members present: Directors Ackerman, Babcock, Little, Murray, Peterson, Record, Steiner, Touhey, and Wilson.

Staff present: Ardalan, H. Beatty, Bennion, Borrego, Breaux, Cable, L. Carrillo, Clairday, DeBacker, J. Green, Ghaly, C. Gutierrez, G. Johnson, Kightlinger, B. Koch, Man, D. Phan, Pellegrini, Pitman, Riss, F. Sanchez, Scully, Soper, L. Tan, Upadhyay, Waade, E. Yamasaki, and Zinke.

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 OCTOBER 23, 2012

Motion Carried Moved: Director Barbre Seconded: Director Dick

Votes: Unanimous

3. CONSENT CALENDAR ITEMS – ACTION

None

4. COMMITTEE ITEMS

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

Presented by: General Auditor Gerald C. Riss

General Auditor Riss reported that the Audit Department issued nine audit reports, two bond "comfort" letters, and four special reviews during the four-month period of October 2012 through January 2013, and briefly discussed the reports. He stated that three audit reports were issued with "Satisfactory" opinions and five reports were issued with "Generally Satisfactory" opinions. Mr. Riss added that these ratings opine that the internal control structure is operating in an effective and efficient manner, with potentially some comments and recommendations.

Next, he stated that one audit report, Operational Safety and Environmental Services, was issued with a "Less than Satisfactory" opinion indicating that one or more moderate flaws or breakdowns were noted that require prompt corrective action by management. He then introduced Unit Manager Dannelle-Mimi Phan, who provided a presentation on this audit.

Ms. Phan discussed the responsibilities of Operational Safety and Environmental Services which encompass providing support for workplace safety and environmental regulations; assisting management with minimizing environmental releases; and ensuring that Metropolitan complies with the necessary permits for operating equipment, hazardous waste, and wastewater and storm water. She then explained that the audit scope included review of selected environmental service agreements, hazardous spill and permit tracking processes, and employee safety training activities.

Next, Ms. Phan discussed the issues that contributed to the audit opinion and the related recommendations. These recommendations pertained to invoice review and approval process, Health, Safety and Environmental Manual, and internal tracking and reporting of hazardous materials and permit data. Finally, she introduced Group Manager Jim Green of the Water Systems Operations Group to discuss management's response to the audit observations and recommendations.

Mr. Green stated that management concurred with the audit recommendations and has taken actions to address the issues identified in the audit report.

First, he noted that management has prepared an invoice checklist to ensure invoices adhere to contractual terms and that the invoice review process is complete. Next, he added that management is currently updating selected safety and environmental procedures.

Finally, he explained that management is in the process of clarifying the criteria for release and spill incidents, which require tracking and implementing an enterprise software system to improve the tracking of release and spill incidents and permits.

Chair Edwards then conducted a discussion of the audit including the cost and timing of the enterprise software system, hazardous spill procedures and tracking, and employee training. Assistant General Manager and Chief Operating Officer Debra Man noted that management has already implemented several recommendations and is in the process of addressing all recommendations. She further stated that Metropolitan is in full compliance with the regulatory requirements related to environmental reporting.

Next, a brief discussion of the audit follow up process ensued. Mr. Riss explained that in accordance with professional auditing standards, the Audit Department will conduct a follow up review within six months and will monitor the status of management's implementation of the recommendations.

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

Presented by: Ethics Officer Deena Ghaly

Ethics Officer Deena Ghaly thanked the Audit and Ethics Committee today and noted that this is her first appearance before this committee. She thanked Directors, Department Heads, managers, and employees for their time, interest, observations, and advice. The Ethics Officer gave a brief assessment of her observations of the Ethics Office and how she will move forward. The Ethics Officer further reported that detailed presentations of the various facets of the ethics program will be presented over the course of several Audit and Ethics Committee meetings.

5. FUTURE AGENDA ITEMS

None

Meeting adjourned at 1:00 p.m.

James T. Edwards
Chair

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