

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

AUDIT AND ETHICS COMMITTEE

June 28, 2016

Vice Chair Dear called the meeting to order at 9:03 a.m. in Committee Room 2-145 at Metropolitan's Headquarters.

Members present: Vice Chair Dear, Directors Barbre, Galleano, Hogan, and Wunderlich.

Members absent: Chair Friedman and Directors Ballin, Dick and Quiñonez.

Other Board Members present: Chairman Record, Directors Beard, Blois, Dake, Kurtz, Lewinger, Lefevere, McKinney, Morris, Murray, Peterson, Ramos, Steiner, Touhey, and Tu.

Staff present: Beatty, Berbeo, Ghaly, C. Gutierrez, Kightligher, Man, Mares, D. Phan, Pitman, Randolph, G. Riss, Scully, Shope, Sims, Soper, Tonsick, Torres Jr., Von Haam, Upadhyay, 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 AUDIT AND ETHICS COMMITTEE MEETING HELD FEBRUARY 23, 2016

Approval of the minutes will be carried over to the next committee meeting.

3. COMMITTEE ITEMS

a. Subject: Discussion of MGO fiscal year 2015/16 Audit Plan

Presented by: General Auditor Gerald C. Riss

General Auditor Riss introduced Macias Gini O'Connell, LLP (MGO) Engagement Partner James V. Godsey.

Mr. Godsey provided an overview of MGO's audit of financial statements and MGO's responsibilities under U.S. Accepted Auditing Standards, Government

Standards and Uniform Guidance; areas of audit emphasis: capital assets participation rights in the State Water Project, cash and investments, derivatives, participation rights, power and water costs, and water sales; deliverables; and timing of issuance.

Mr. Godsey then responded to comments and questions from directors on the following topics:

- Director Barbre: Internal controls over financial transactions.
- Director Hogan: Changes to audit standards over the past year.
- Director Hogan: Water-wheeling transactions.
- Director Lewinger: Characterization of State Water Project.
- Director Peterson: Obligations for State Water Project debt.
- Director Wunderlich: Recent observations about Metropolitan.

b. Subject: General Auditor's report of monthly activities

Presented by: General Auditor Gerald C. Riss

General Auditor Riss reported that from February 2016 through June 2016, the Audit Department issued nine audit reports. Notable reports addressed were the Bay-Delta Initiatives, and documentation of responsibilities and procedures when transitioning from retiring managers to successors.

c. Subject: Ethic's Officer report of monthly activities

Presented by: Ethics Officer Deena R. Ghaly

The Ethics Officer provided an update of recent activities, including the following topics:

- Ethics and Compliance Initiative (ECI) membership and benefits.
- ECI Conference at Bentley University.
- Ethics Department reorganization and appointment of Peter Von Haam as Assistant Ethics Officer.
- Implementation of electronic matter management and reporting system.
- New Ethics Office Help Line.

The Ethics Officer responded to comments and questions from directors on the following topics:

- Director Barbre: Impact of U.S. Supreme Court's ruling in the *McDonnell* case.
- Director Hogan: Help Line service.

4. FUTURE AGENDA ITEMS

None

Meeting adjourned at 9:55 a.m.

Donald Dear
Vice Chair