

3. MANAGEMENT REPORTS

a. Interim Ethics Officer's report

Oral Report by: Interim Ethics Officer Gerald C. Riss

Interim Ethics Officer Riss reported that he met with the Ethics Office staff and discussed his actions to provide managerial support. He stated that he initiated staff meetings to better understand the workload and to provide guidance to them. He also noted that he conducted one-on-one meetings to discuss goals, responsibilities, and concerns. Mr. Riss also commented that he reminded staff that they are the subject matter experts and that his intention is not to redirect their work nor second guess their decisions. Rather he noted that his task was to provide oversight of department workflow and to build collaborative relationships with the Board and management.

b. General Auditor's report

Presented by: General Auditor Gerald C. Riss

General Auditor Riss reported since July 2017 the Audit Department issued 5 reports, with the biggest report that Audit handled being the SCADA Cyber Security. The audit came out as generally satisfactory. There were some concerns that were discussed with the General Manager and new head of the Information Technology Group. General Auditor Riss mentioned that since the agenda is fairly tight today, he would like to have at the next Audit and Ethics Committee meeting, an opportunity for the WSO manager and the IT manager to discuss in detail how they have addressed some of the concerns that Audit had; which has to do with communication at the executive level.

4. COMMITTEE ITEMS

a. Discussion of Independent Auditor's Report from Macias Gini O'Connell, LLP for fiscal year 2016/17

General Auditor Riss introduced Macias Gini O'Connell, LLP (MGO) Engagement Partner Peter George and Rick Green.

Mr. George provided the results of MGO's audit of financial statements and MGO's responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and the Uniform Guidance. Next, he discussed the planned scope and areas of audit emphasis. Subjects discussed included:

Metropolitan Water District Financial Statements
Audits of Trustee Agency Financial Statements
 Colorado River Authority (issued October 13, 2017)
 Six Agency Committee (issued in October 13, 2017)
Metropolitan Water District Comprehensive Annual Financial Report (planned
issuance date of early December 2017)
Responsibilities under Generally Accepted Auditing Standards
Significant Audit Findings
Qualitative Aspects of Significant Accounting Practices
Accounting Policies
Accounting Estimates
Financial Statement Disclosures

Finally, he discussed the fieldwork timeline, deliverables, and the timing of issuance of reports. There were no comments or questions from the Board members or staff.

b. Outside Counsel Report on the Status of the Review of the Policies and Procedures of the Ethics Office

Chair Dear introduced Alejandro Mayorkas from the law firm WilmerHale.

Mr. Mayorkas began by introducing his partner Lorraine Echavarria. He stated that they have been leading the review of the policies and practices of the Ethics Office. He noted that their task was to review the governance of the Ethics Office by examining its policies, practices and procedures, and to make recommendations to further strengthen the office. He also stated that they reviewed investigative work solely for the purpose of identifying policies and practices that could be improved to ensure that the Ethics Office is serving its highest purpose.

Mr. Mayorkas stated that they are beginning to draft recommendations for improvement in five general categories, which he and Ms. Echavarria discussed at a high level:

- Reporting structure, oversight and independence of the Ethics Office
- Confidentiality of investigations
- Requirement to make the results of Ethics Office investigations public
- Resources and stature of the Ethics Office
- Investigation guidelines

c. Discussion of Department Head Performance and Goal Setting (Closed Session)

5. CONSENT CALENDAR ITEMS – ACTION

None

6. OTHER BOARD ITEMS – ACTION

None

7. BOARD INFORMATION ITEMS

None

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

Meeting adjourned at 1:39 p.m.

Donald Dear
Chair