

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

AUDIT AND ETHICS COMMITTEE

July 24, 2018

Chair Ramos called the meeting to order at 12:44 p.m. in Committee Room 2-145 at Metropolitan Headquarters.

Members present: Chair Ramos, Vice-Chair Ballin, Directors Dick, Kurtz and Quiñonez (entered in at 12:46 p.m.).

Members absent: Directors Barbre, Hogan, and Paskett.

Other Board Members present: Board Chairman Record, Directors Ackerman, Beard, Blois, Dake, Faessel, Morris, Peterson, Steiner, and Treviño.

Staff present: Beatty, Kightlinger, Riss, Rodriguez, Scully, and Tonsick.

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

None

Chair Ramos announced that there would be a reordering of the meeting agenda pending a quorum. Item 3a would be heard first with the approval of the April 24 and May 22, 2018 minutes being deferred to later in the meeting.

3. MANAGEMENT REPORTS

a. Subject: Interim Ethics Officer's report

Presented by: Interim Ethics Officer Gerald Riss

Mr. Riss announced there will be a Brown Act training session for Directors on September 11, 2018 immediately following the full Board meeting provided by Leibert, Cassidy & Whitmore. This session will last about 1.5 hours.. There will be AB1234 Ethics Training on November 6, 2018 after the full Board meeting. The directors will receive invitations. This training is mandatory for directors every two years.

- b. Subject: General Auditor's report
- Presented by: General Auditor

Mr. Riss reported that KPMG auditors will begin their work onsite at Metropolitan in early August, as discussed in the related agenda item below. Audit Department staff will be providing support to the KPMG auditors and to Metropolitan staff in the Finance Department.

Board Chair Record introduced and welcomed two new directors representing San Diego County Water Authority: Tim Smith and Jerry Butkiewicz.

4. COMMITTEE ITEMS

- a. Subject: Discussion on KPMG External Auditor FY 2018/19 Audit Plan
- Presented by: Chris Ray, KPMG

General Auditor Riss introduced Mr. Ray, the KPMG partner leading this project. He noted that this meeting is the Committee's opportunity to ask questions directly of the external auditor or make suggestions.

Mr. Ray made introductory comments including background and disclosures. KPMG will audit the financial statements of Metropolitan, its Comprehensive Annual Financial Report, the Six Agency Committee, and the Colorado River Joint Powers Authority. Other deliverables include material written communications between KPMG and management, and required communications between KPMG and the Audit and Ethics Committee. Mr. Ray gave an overview of KPMG's client services team, risk assessments, planned audit strategy, and timeline.

The following Director asked questions or provided comments:

1. Steiner

Director Quiñonez entered at 12:46 p.m.

Chair Ramos announced that the approval of the minutes can now take place since there is a quorum.

2. APPROVAL OF THE MINUTES OF THE AUDIT AND ETHICS COMMITTEE MEETING HELD ON APRIL 24 AND MAY 22, 2018

Motion: Carried
Moved: Director Kurtz Seconded: Director Quiñonez
Ayes: Chair Ramos, Directors Ballin, Dick, Kurtz and Quiñonez
Noes: None
Abstentions: None
Absent: Directors Barbre, Hogan, and Paskett

The motion passed by a vote of 5 ayes, 0 no, 0 abstain, and 3 absent

4. COMMITTEE ITEMS

b. Subject General Auditor's Business Plan for Fiscal Year 2018/19.

 Presented by: General Auditor Gerald Riss

Mr. Riss presented the Audit Department's Business Plan for Fiscal Year 2018/19. Mr. Riss began by summarizing the Department's Board-adopted Mission Statement and Charter. He then provided detailed comments about:

- The audit process, how it works, and how it protects the district.
- The Department's strategic objectives.
- Personnel and operational objectives.
- Proposed audits for the upcoming year.
- The role of directors and management in guiding audit topics.

The following Directors asked questions or provided comments:

1. Dick
2. Chair Ramos
3. Treviño

c. Subject Interim Ethics Officer's Business Plan for Fiscal Year 2018/19.

Presented by: Interim Ethics Officer Gerald Riss

Mr. Riss presented the Ethics Department's Business Plan for Fiscal Year 2018/19. Topics included:

- Ethics becoming a component of achieving Metropolitan's strategic objectives.
- Board leadership and executive management participation.
- Importance of timeliness.
- Holding district officials accountable for meeting internal and state ethics standards.
- Strategic objectives for consultation/advice, policy development, investigations, and education/outreach.

The following Directors asked questions or provided comments:

1. Quinoñez
2. Chair Ramos
3. Board Chair Record
4. Treviño
5. Kurtz
6. Ackerman
7. Ballin
8. Dick

The General Counsel gave background on the issue of the Ethics Officer's reporting relationships. It is planned that outside consultant Lance Olson will present a potential Board item in August addressing the reporting structure. That decision will affect the job description and recruitment for a permanent Ethics Officer.

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 1:55 p.m.

Next meeting will be held on August 21, 2018

Marsha Ramos
Chair