

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**MINUTES**

**AUDIT AND ETHICS COMMITTEE**

**October 23, 2018**

Chair Ramos called the meeting to order at 12:51 p.m. in Committee Room 2-145 at Metropolitan Headquarters.

Members present: Chair Ramos, Directors Dick, Hogan, Kurtz (entered at 12:54 p.m.), and Smith.

Members absent: Vice Chair Ballin, Directors Barbre, Paskett and Quiñonez.

Other Board Members present: Chairman Record, Directors Ackerman, Blois, Cordero, Dake, Gray, McKenney, Morris, Vasquez-Wilson, Steiner, and Treviño.

Staff present: Beatty, Riss, Rodriguez and Scully

**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 September 10, 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 reported that later in the agenda Lance Olson will give a presentation on the status of the Ethics Office structure and reporting duties.

b. Subject: General Auditor's report

Presented by: General Auditor Gerald Riss

Mr. Riss reported that Chris Ray from KPMG will present its final report today.

#### 4. COMMITTEE ITEMS

- a. Discussion of Independent Auditor's Report from KPMG, LLP for fiscal year 2017/18

Presented by: Chris Ray, KPMG, LLP

Mr. Ray delivered required communications and discussed the results of KPMG's audit of the basic financial statements of Metropolitan Water District as of and for the year ended June 30, 2018. Relevant points from the presentation included:

- Its audit was conducted in accordance with the terms of Agreement No. 177666, effective February 13, 2018. Its conclusions should be read in conjunction with the audit plan presented on July 24, 2018.
- KPMG issued an unmodified opinion.
- The report noted three topics for other-matter-paragraphs:
  - Reference to prior audit opinion from predecessor auditor;
  - Metropolitan's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75 on recording of liabilities from postemployment benefits other than pensions;
  - Required supplementary information on discussion and analysis from management and pension and postemployment benefits.
- Review of significant accounting policies within the financial statements, including effects of recent GASB pronouncements such as accounting for operating leases.
- Description of significant accounting estimates, audit considerations, significant financial statement disclosures, qualitative and other aspects, and required communications.

The following Directors asked questions or provided comments:

1. Smith
2. Morris

#### 2. APPROVAL OF THE MINUTES OF THE AUDIT AND ETHICS COMMITTEE MEETING HELD ON SEPTEMBER 10, 2018

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



2. Hogan
3. Kurtz
4. Treviño
5. Smith
6. Dick
7. Vasquez-Wilson

#### **4. COMMITTEE ITEMS – CONTINUED**

- b. Discussion of Department Head Performance and Goal Setting  
[Public employees’ performance evaluations – General Auditor; to be heard in closed session pursuant to Gov. Code Section 54957]

#### **5. CONSENT CALENDAR ITEMS – ACTION**

None

#### **7. BOARD INFORMATION ITEMS**

None

#### **8. FOLLOW-UP ITEMS**

None

#### **9. FUTURE AGENDA ITEMS**

None

Meeting adjourned at 2:10 p.m.

Next meeting will be held on January 22, 2019

Marsha Ramos  
Chair