



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors of  
The Metropolitan Water District of Southern California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Metropolitan Water District of Southern California (Metropolitan) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Metropolitan's basic financial statements, and have issued our report thereon dated November 4, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Metropolitan's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Metropolitan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California  
November 4, 2024

**METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Status Of Prior Year Finding  
Fiscal Year Ended June 30, 2024

**Reference Number:** 2023-001

**Type of Finding:** Significant Deficiency

**Criteria**

Metropolitan should have internal controls in place to prevent the unauthorized access to data and systems that may result in destruction of data or improper changes to data. Removing user access to network services, or “deprovisioning”, when an employee leaves an organization should be implemented and enforced.

**Condition**

Four out of eight access deprovisioning samples selected for testing were not disabled on a timely basis following the selected employees' termination. Additionally, one user within Oracle was still active at the time of our testing.

**Cause**

Metropolitan did not follow their current deprovisioning policy.

**Effect**

Metropolitan is at risk of unauthorized access to data that could lead to the recording of unauthorized transactions or destruction of data within their financial statement system.

**Recommendation**

Management should enforce or update their current policy. Industry best practices suggests that active directory access should be removed within one business day and application access should be removed within three business days.

**Management Response**

The Identity and Access Management Team, which is responsible for and focuses on general IT access control and identity governance have recently been added to the Cyber Security section of the IT group. In addition, the IT group is currently gathering requirements for an Offboarding system and plan to implement a new system, which will streamline and automate parts of the logical access provisioning and deprovisioning processes and mitigate issues such as timely access deprovisioning.

**Status**

Metropolitan has implemented new procedures to ensure logical access provisioning and deprovisioning processes meet current policies.