

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
MINUTES

AUDIT AND ETHICS COMMITTEE

June 22, 2021

Vice Chair McCoy called the teleconference meeting to order at 12:50 p.m.

Members present: Vice Chair McCoy, Directors Ackerman, Blois, Jung, Kurtz, Record and Smith.

Members absent: Chair Ramos and Directors Butkiewicz, Hawkins and Hogan.

Other Board Members present: Chairwoman Gray, Directors Abdo, Cordero, De Jesus, Dennstedt, Dick, Fellow, Lefevre, Morris, Peterson and Tamaribuchi.

Staff present: Beatty, Berbeo, Kightlinger, Salinas, Scully, Shope, Riss, Rodriguez and Von Haam.

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

None.

CONSENT CALENDAR OTHER ITEMS — ACTION
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2. CONSENT CALENDAR OTHER ITEMS – ACTION

A. Approval of the Minutes of the Meeting for February 23, 2021

3. CONSENT CALENDAR ITEMS – ACTION

- 7-1 Authorize extending Agreement No. 177666 for one year with KPMG LLP to continue engagement for external audit services for fiscal year 2021/22, for an amount not to exceed \$465,500; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Presented by: Gerald Riss, General Auditor

Motion: Authorize the General Auditor to enter into a one-year contract extension for external audit services with the firm of KPMG LLP for annual audits covering

fiscal years ending June 30, 2021, through June 30, 2022; for an amount not to exceed \$465,500

Mr. Riss presented the item, including discussing that the matter was raised at the Audit and Ethics Committee meeting in February 2021 and the consensus among the committee was to pursue an extension.

After completion of the presentation, Director Record made a motion, seconded by Director Kurtz to approve the consent calendar consisting of items 2A and 7-1:

The vote was:

Ayes: Directors Ackerman, Blois, Jung, Kurtz, McCoy, Record and Smith

Noes: None

Abstentions: None

Absent: Directors Butkiewicz, Hawkins, Hogan and Ramos

The motion passed by a vote of 7 ayes, 0 noes, 0 abstain, and 4 absent

END OF CONSENT CALENDAR ITEMS

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

- a. Subject: Discussion on KPMG External Audit Fiscal Year 2020/21 Audit Plan

Presented by: Chris Ray, Partner at KPMG, LLP

Mr. Ray gave a presentation on the fiscal year 2020/21 Audit Plan and strategy and highlighted the following areas:

- Executive Summary
- Scope of the Audit
- Audit approach and required communications

- MWD Financial Statements
- Risk Assessments
- Newly effective accounting standards
- Shared responsibilities
- Inquiries are in accordance with AU-C 260

The following Director asked questions or provided comments:

1. Dennstedt

Mr. Ray responded to the Directors' questions and comments.

b. Subject: Ethics Office Annual Report – Fiscal Year 2020/21

Presented by: Abel Salinas, Ethics Officer

Mr. Salinas presented the Annual Report for Fiscal Year 2020/21.

7. MANAGEMENT REPORTS

a. Subject: General Auditor's report

Presented by: Gerald Riss, General Auditor

Mr. Riss reported that since the last Audit and Ethics Committee meeting, five reports were issued. Three were special reports and two were Audit Reports with corresponding opinions. Of these, he noted that the Stores Inventory Audit was issued with a Generally Satisfactory opinion whereas the Travel Expense and i-Expense module of the Oracle Enterprise system was issued with a Less Than Satisfactory audit opinion. He stated that a more detailed discussion of the findings and management's response will be conducted at the August Audit and Ethics Committee meeting.

b. Subject: Ethics Officer's report

Presented by: Abel Salinas, Ethics Officer

Mr. Salinas presented that there are currently two ongoing investigations. One relates to a supervisor who allegedly retaliated against a subordinate for reporting workplace misconduct. This investigation was opened in April and is expected to be completed in the next 4-6 weeks. The other relates to a manager who allegedly misused their authority to advantage one employee during a recruitment process.

This investigation was opened this month and is expected to be completed in the next 6-8 weeks. Mr. Salinas announced that an investigation was completed in April which resulted in a finding that an employee conducted outside employment activity during hours they were being compensated by Metropolitan, in violation of the Ethics Operating Policy. Mr. Salinas' findings were sent to management and Human Resources for appropriate action.

The following Director asked questions or provided comments:

1. Smith

Staff responded to the Directors' questions and comments.

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

10. ADJOURNMENT

Next meeting will be held on July 27, 2021.

Meeting adjourned at 1:54 p.m.

Tana McCoy
Vice Chair