

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Exec Committee

A. Ortega, Chair
M. Camacho, Board Vice
Chair
S. Goldberg, Board Vice
Chair
N. Sutley, Board Vice
Chair
L. Fong-Sakai, Board
Secretary
J. Armstrong
G. Cordero
D. De Jesus
D. Erdman
J. Garza
G. Gray
F. Jung
M. Luna
T. McCoy
B. Pressman
T. Quinn
T. Smith

Executive Committee

Meeting with Board of Directors *

November 20, 2024

10:00 a.m.

Wednesday, November 20,
2024

09:00 a.m. AUDIT
10:00 a.m. EXEC
11:00 a.m. Break
11:30 a.m. LTRPPBM

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MWD Headquarters Building - 700 N. Alameda Street - Los Angeles, CA 90012

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1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

2. OTHER MATTERS AND REPORTS

Boardroom - Meeting Delayed

- a. Chair's Report
- b. Interim General Manager's Report of Metropolitan Activities
- c. General Counsel's Report of Metropolitan Activities
- d. General Auditor's Report of Metropolitan Activities
- e. Ethics Officer's Report of Metropolitan Activities

**** CONSENT CALENDAR ITEMS - ACTION ****

3. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Special Executive Committee of July 31, 2023 (Copies have been submitted to each Director, any additions, corrections, or omissions). [DEFERRED 11/14/2024] [21-3951](#)
- B. Approve draft Committee and Board meeting agendas and schedule for December 2024 [21-3952](#)

Attachments: [11202024 EXEC 3B Draft Packet](#)

4. CONSENT CALENDAR ITEMS - ACTION

- 7-1 Approve proposed amendments to Administrative Code Section 6451 regarding the General Auditor Charter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-4095](#)

Attachments: [11202024 EXEC 7-1 B-L](#)
[11202024 EXEC 7-1 Presentation](#)

**** END OF CONSENT CALENDAR ITEMS ****

5. COMMITTEE INFORMATION ITEMS

- a. Report on the Colorado River Board Meeting [21-3990](#)

Attachments: [11202024 Exec 5a Presentation](#)

- b. Colorado River Activities [21-3991](#)

6. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Report, discuss, and provide direction to Audit Subcommittee of the Executive Committee [21-3993](#)

7. FOLLOW-UP ITEMS

NONE

8. FUTURE AGENDA ITEMS

9. ADJOURNMENT

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Draft

December 9-10, 2024

Committee and Board

Meeting

Agenda Packet



The Metropolitan Water District of Southern California



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

BOARD UPDATES

DRAFT Schedule of Meetings – December 2024

Monday, December 9

- 9:00 a.m. Engineering, Operations, and Technology Committee
- 11:00 a.m. Legal and Claims Committee
- 1:30 p.m. Break
- 2:00 p.m. One Water and Stewardship Committee

Tuesday, December 10

- 8:30 a.m. Finance and Asset Management Committee
- 10:30 a.m. Legislation and Communications Committee
- 11:30 a.m. Break
- 12:00 p.m. Special Joint Executive Committee and Board of Directors Meeting

The Metropolitan Water District of Southern California

Agenda

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EOT Committee

D. Erdman, Chair
M. Camacho, Vice Chair
D. Alvarez
G. Bryant
J. Crawford
B. Dennstedt
S. Faessel
L. Fong-Sakai
R. Lefevre
J. McMillan
C. Miller
J. Morris
M. Petersen
K. Seckel
T. Smith

Engineering, Operations, and Technology Committee - Hidden

Meeting with Board of Directors *

December 9, 2024

9:00 a.m.

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Monday, December 9, 2024 Meeting Schedule

**09:00 a.m. EOT
11:00 a.m. LEGAL
01:30 p.m. Break
02:00 p.m. OWS**

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- 1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ITEMS -- ACTION ******2. CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the Minutes of the Engineering, Operations, and Technology Committee for November 18, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) **21-4020**

3. CONSENT CALENDAR ITEMS - ACTION

- 7-2 Award a \$588,000 contract to Heed Engineering for construction of new drainage control improvements at the Lake Skinner dam; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4021**

**** END OF CONSENT CALENDAR ITEMS ******4. OTHER BOARD ITEMS - ACTION**

- 8-1 Recommend additional program funding, in an amount not to exceed \$35 million over the next two years (Fiscal Years 2024/2025 and 2025/2026), to support the Zero-Emission Vehicle Transition Program at Metropolitan and partially mitigate high operational risk; The General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4023**
- 8-5 Approve an agreement and accept up to \$99,199,096 in grant funding from the United States Bureau of Reclamation through the WaterSMART Large-Scale Water Recycling Program for Pure Water Southern California [21-4072](#)

5. BOARD INFORMATION ITEMS

NONE

6. COMMITTEE ITEMS

- a. Capital Investment Plan Quarterly Report for period ending September 2024 **21-4022**

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Engineering Services activities **21-4024**
Information Technology activities
Water System Operations activities

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Discuss and provide direction to Subcommittee on Pure Water Southern California and Regional Conveyance **21-4025**

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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The Metropolitan Water District of Southern California

Agenda

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L&C Committee

M. Luna, Chair
J. Garza, Vice Chair
M. Camacho
G. Cordero
L. Dick
C. Douglas
A. Fellow
C. Kurtz
T. McCoy
C. Miller
M. Ramos
K. Seckel

Legal and Claims Committee - Hidden

Meeting with Board of Directors *

December 9, 2024

11:00 a.m.

**Monday, December 9, 2024
Meeting Schedule**

**09:00 a.m. EOT
11:00 a.m. LEGAL
01:30 p.m. Break
02:00 p.m. OWS**

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1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

2. **MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS**

- A. General Counsel's report of monthly activities **21-4026**

**** CONSENT CALENDAR ITEMS -- ACTION ****

3. **CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the Minutes of the Legal and Claims Committee for November 18, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) **21-4027**

4. **CONSENT CALENDAR ITEMS - ACTION**

- 7-3 Authorize an increase of \$250,000, to a maximum amount not to exceed \$500,000, for workers' compensation legal services contract with the law firm Hanna, Brophy, MacLean, McAleer & Jensen, LLP; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4028**

**** END OF CONSENT CALENDAR ITEMS ****

5. **OTHER BOARD ITEMS - ACTION**

- 8-3 Approve amendments to the Metropolitan Water District Administrative Code to conform surplus water provisions to current law and practice, update the list of active District funds, and clarify employee benefits for unrepresented employees; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4029**

6. **BOARD INFORMATION ITEMS**

NONE

7. **COMMITTEE ITEMS**

- a. Report on litigation in San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466, CPF-14-514004, CPF-16-515282, CPF-16-515391, CGC-17-563350, and CPF-18-516389; the appeals of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901, A148266, A161144, and A162168, and California Supreme Court Case No. S243500; the petition for extraordinary writ in the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case No. A155310; the petition for extraordinary writ in the second 2016 action, Court of Appeal for the First Appellate District Case No. A154325 and California Supreme Court Case No. S251025; the Metropolitan Water District of Southern California v. San Diego County Water Authority cross-complaints in the 2014, 2016, and 2018 actions; and the appeals of the 2014, 2016, and 2018 actions, Court of Appeal for the First Appellate District Case No. A170156; including report on discussions regarding potential settlement of the 2014, 2016, and 2018 actions, including the cross-complaints and appeals, San Francisco County Superior Court Case Nos. CPF-14-514004, CPF-16-515282, and CPF-18-516389 and Court of Appeal for the First Appellate District Case No. A170156 [Conference with legal counsel – existing litigation; may be heard in closed session pursuant to Gov. Code Sections 54956.9(d)(1)] **21-4030**

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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The Metropolitan Water District of Southern California

Agenda

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OW&S Committee

T. Quinn, Chair
S. Faessel, Vice Chair
L. Ackerman
D. Alvarez
J. Armstrong
G. Cordero
D. De Jesus
D. Erdman
L. Fong-Sakai
M. Gold
S. Goldberg
C. Kurtz
R. Lefevre
J. Lewitt
C. Miller
B. Pressman
N. Sutley

One Water and Stewardship Committee - Hidden

Meeting with Board of Directors *

December 9, 2024

2:00 p.m.

Monday, December 9, 2024 Meeting Schedule

**09:00 a.m. EOT
11:00 a.m. LEGAL
01:30 p.m. Break
02:00 p.m. OWS**

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- 1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ITEMS -- ACTION ****

2. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the One Water Stewardship Committee for November 18, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) **21-4031**

3. CONSENT CALENDAR ITEMS - ACTION

NONE

**** END OF CONSENT CALENDAR ITEMS ******4. OTHER BOARD ITEMS - ACTION**

- 8-2 Review and consider the Lead Agency's certified 2023 Final Environmental Impact Report and 2024 Addendum for the Delta Conveyance Project and take related CEQA actions and authorize the General Manager to enter into an amended agreement for preconstruction work planned for 2026-2027 **21-4032**

5. BOARD INFORMATION ITEMS

- 9-2 Update on developing SWP water management actions to meet multiple objectives of managing dry year and wet year water supplies and generating new revenues **21-4070**

6. COMMITTEE ITEMS

- a. Update on Water Surplus and Drought Management **21-4033**

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Bay-Delta Resources activities **21-4034**
Colorado River Resources activities
Sustainability, Resilience, and Innovation activities
Water Resources Management activities

8. COMMITTEE REPORTS

- a. Report on the Delta Conveyance Design and Construction Authority Meeting **21-4035**
- b. Report on Delta Conveyance Finance Authority Meeting **21-4036**
- c. Report on the Bay-Delta Ad Hoc Meeting **21-4037**

9. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Discuss and provide direction to Subcommittee on Demand Management and Conservation Programs and Priorities **21-4038**

10. FOLLOW-UP ITEMS

NONE

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

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FAM Committee

T. Smith, Chair
L. Dick, Vice Chair
D. Alvarez
J. Armstrong
G. Bryant
D. De Jesus
B. Dennstedt
L. Fong-Sakai
M. Gold
J. McMillan
C. Miller
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance and Asset Management Committee - Hidden

Meeting with Board of Directors *

December 10, 2024

8:30 a.m.

Tuesday, December 10, 2024 Meeting Schedule

**08:30 a.m. FAM
10:30 a.m. LEG
11:30 a.m. Break
12:00 p.m. Sp Jt Exec
and BOD**

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**** CONSENT CALENDAR ITEMS -- ACTION ******2. CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the Minutes of the Finance and Asset Management Committee Meeting for November 19, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) **21-4039**

3. CONSENT CALENDAR ITEMS - ACTION

- 7-4 Authorize a professional services agreement with Public Financial Management Asset Management, LLC, a subsidiary of US Bancorp Asset Management, Inc., to provide investment management services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4040**

**** END OF CONSENT CALENDAR ITEMS ******4. OTHER BOARD ITEMS - ACTION**

NONE

5. BOARD INFORMATION ITEMS

NONE

6. COMMITTEE ITEMS

- a. Annual Comprehensive Financial Report for FY 2023/24 **21-4041**

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Finance and Asset Management activities **21-4042**

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling **21-4043**
- b. Discuss and provide direction to Subcommittee on Long-Term Regional Planning Processes and Business Modeling **21-4044**

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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LEG Committee

F. Jung, Chair
A. Kassakhian, Vice Chair
L. Ackerman
B. Dennstedt
A. Fellow
J. Garza
G. Gray
J. Lewitt
M. Luna
J. McMillan
J. Morris
T. Phan
B. Pressman
M. Ramos
T. Smith

Legislation and Communications Committee - Hidden

Meeting with Board of Directors *

December 10, 2024

10:30 a.m.

**Tuesday, December 10, 2024
Meeting Schedule**

**08:30 a.m. FAM
10:30 a.m. LEG
11:30 a.m. Break
12:00 p.m. Sp Jt Exec
and BOD**

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1. **Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ITEMS -- ACTION ****

2. **CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the minutes of the Legislation and Communications Committee for November 19, 2024 (copies have been submitted to each Director, any additions, corrections, or omissions) **21-4045**

3. **CONSENT CALENDAR ITEMS - ACTION**

NONE

**** END OF CONSENT CALENDAR ITEMS ****

4. **OTHER BOARD ITEMS - ACTION**

- 8-4 Adopt Legislative Priorities and Principles for 2025 **21-4046**

[Missing CEQA]

5. **BOARD INFORMATION ITEMS**

NONE

6. **COMMITTEE ITEMS**

- a. Report on Activities from Washington, D.C. **21-4047**
 - b. Report on Activities from Sacramento **21-4048**

7. **MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS**

- a. External Affairs activities **21-4049**

8. **FOLLOW-UP ITEMS**

NONE

9. **FUTURE AGENDA ITEMS**

10. **ADJOURNMENT**

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Special Joint Meeting of the Executive Committee and Board of Directors - Hidden

December 10, 2024

12:00 PM

**Tuesday, December 10, 2024
Meeting Schedule**

**08:30 a.m. FAM
10:30 a.m. LEG
11:30 a.m. Break
12:00 p.m. Sp Jt Exec and BOD**

Agendas, live streaming, meeting schedules, and other board materials are available here: <https://mwdh2o.legistar.com/Calendar.aspx>. Written public comments received by 5:00 p.m. the business days before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: <https://mwdh2o.legistar.com/Legislation.aspx>.

If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer [click here](#).

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. Call to Order

- a. Invocation: TBD
- b. Pledge of Allegiance: TBD

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board limited to the items listed on the agenda. (As required by Gov. Code §54954.3(a))

BOARD OF DIRECTOR ITEMS

5. OTHER MATTERS AND REPORTS

- | | | |
|-----------|----------------------------------------------------------------|--------------------------------|
| A. | Report on Directors' Events Attended at Metropolitan's Expense | 21-4066 |
| B. | Chair's Monthly Activity Report | <u>21-4065</u> |
| C. | Interim General Manager's summary of activities | <u>21-4050</u> |
| D. | General Counsel's summary of activities | <u>21-4051</u> |
| E. | General Auditor's summary of activities | <u>21-4052</u> |
| F. | Ethics Officer's summary of activities | <u>21-4053</u> |

**** CONSENT CALENDAR ITEMS -- ACTION ****

6. CONSENT CALENDAR OTHER ITEMS - ACTION

- | | | |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| A. | Approval of the Minutes of the Board of Directors Meeting for November 18, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) | 21-4067 |
| B. | Approve Committee Assignments | 21-4068 |
| C. | Chair and Vice Chair of standing committee appointments for the term commencing on January 1, 2025 | 21-4073 |

7. CONSENT CALENDAR ITEMS - ACTION

- | | | |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 7-1 | Approve proposed amendments to Administrative Code Section 6451 regarding the General Auditor Charter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (Exec) | <u>21-3966</u> |
| 7-2 | Award a \$588,000 contract to Heed Engineering for construction of new drainage control improvements at the Lake Skinner dam; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) | 21-4021 |

- 7-3** Authorize an increase of \$250,000, to a maximum amount not to exceed \$500,000, for workers' compensation legal services contract with the law firm Hanna, Brophy, MacLean, McAleer & Jensen, LLP; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) **21-4028**
- 7-4** Authorize a professional services agreement with Public Financial Management Asset Management, LLC, a subsidiary of US Bancorp Asset Management, Inc., to provide investment management services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAM) **21-4040**

**** END OF CONSENT CALENDAR ITEMS ****

8. OTHER BOARD ITEMS - ACTION

- 8-1** Recommend additional program funding, in an amount not to exceed \$35 million over the next two years (Fiscal Years 2024/2025 and 2025/2026), to support the Zero-Emission Vehicle Transition Program at Metropolitan and partially mitigate high operational risk; The General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-4023**
- 8-2** Review and consider the Lead Agency's certified 2023 Final Environmental Impact Report and 2024 Addendum for the Delta Conveyance Project and take related CEQA actions and authorize the General Manager to enter into an amended agreement for preconstruction work planned for 2026-2027 (OWS) **21-4032**
- 8-3** Approve amendments to the Metropolitan Water District Administrative Code to conform surplus water provisions to current law and practice, update the list of active District funds, and clarify employee benefits for unrepresented employees; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) **21-4029**
- 8-4** Adopt Legislative Priorities and Principles for 2025 **21-4046**
[Missing CEQA] (Leg)
- 8-5** Approve an agreement and accept up to \$99,199,096 in grant funding from the United States Bureau of Reclamation through the WaterSMART Large-Scale Water Recycling Program for Pure Water Southern California (EOT) [21-4072](#)

9. BOARD INFORMATION ITEMS

- | | | |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 9-1 | Report on Conservation Program | 21-4069 |
| 9-2 | Update on developing SWP water management actions to meet multiple objectives of managing dry year and wet year water supplies and generating new revenues (OWS) | 21-4070 |

EXECUTIVE COMMITTEE ITEMS

**** CONSENT CALENDAR ITEMS -- ACTION ****

10. CONSENT CALENDAR ITEMS - ACTION

- | | | |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| A. | Approval of the Minutes of the Special Executive Committee of November 20, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) | 21-4054 |
| B. | Approve draft Committee and Board meeting agendas and schedule for January 2025 | 21-4055 |

11. COMMITTEE INFORMATION ITEMS

- | | | |
|-----------|--------------------------------------------|----------------|
| a. | Report on the Colorado River Board Meeting | 21-4060 |
| b. | Colorado River Activities | 21-4061 |

12. FOLLOW-UP ITEMS

NONE

13. FUTURE AGENDA ITEMS

14. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
Executive Committee

11/20/2024 Committee Meeting

7-1

Subject

Approve amendments to the Metropolitan Water District Administrative Code Section 6451 regarding the Audit Department Charter; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The proposed amendments will (1) add information technology to the Audit Department's scope of work; (2) delete the responsibility of the Audit Department for issuing an opinion on internal controls over financial reporting; and (3) delete Governmental Auditing Standards as a professional standards reference and make other minor, non-substantive changes.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve amendments to the Metropolitan Water District Administrative Code Section 6451 regarding the Audit Department Charter.

Fiscal Impact: None

Business Analysis: This option will improve the Audit Department Charter by aligning this portion of the Administrative Code with current and permissible Audit Department practices.

Option #2

Do not approve amendments to the Metropolitan Water District Administrative Code.

Fiscal Impact: None

Business Analysis: The Administrative Code will not be amended to specifically define information technology as part of the Audit Department's scope of work, and department strategy and resource allocation will be modified to perform additional work required to issue opinions and comply with the additional standards.

Alternatives Considered

No alternatives were considered for the update of the Administrative Code.

Applicable Policy

Metropolitan Water District Administrative Code Section 6451: Audit Department Charter

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

The Board approved amendments to the Audit Department Charter in April 2023. Administrative Code 6451(e) requires an annual review of the Audit Department Charter with amendments proposed to the Board accordingly.

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Audit Department Charter


Professional internal auditing standards require that an internal audit activity's purpose, authority, and responsibility be formally defined in an internal audit charter. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Standards require the charter to be reviewed periodically.

The District's Audit Department charter is contained within Metropolitan Water District Administrative Code Section 6451. Audit Department staff reviewed the charter and propose amending Section 6451 as follows:

1. Information technology is pervasive in District operations and support functions. Associated risks with cybersecurity and other information technology require Audit Department focus. Accordingly, this letter proposes amending subsection (a) to add information technology to the Audit Department's scope of work.
2. California Government Code Section 1236 requires that the District's Audit Department conduct audits under specified standards prescribed by the Institute of Internal Auditors (IIA) or the Comptroller General of the United States (GAO). Both entities are recognized as authoritative sources for providing frameworks for executing audits. Generally, the GAO's Governmental Auditing Standards (GAGAS) provides requirements for conducting performance and financial audits, while the IIA's standards focus on internal audit function management and principles for conducting audits. Federal government audit agencies more commonly follow standards issued by the GAO but may be adopted by others, and an agency can opt to follow both standards. Historically, the District's Audit Department has exclusively followed the IIA's standards and other public agency internal audit functions exclusively follow this standard as well (e.g., County of Los Angeles, County of Orange, California State University). Continuing to follow the IIA's standards sufficiently meets the District's internal auditing needs while complying with State law. Accordingly, this letter proposes amending subsection (c) to remove reference to the Government Auditing Standards (GAGAS).
3. The District hires an independent external audit firm to annually perform an audit of the District's financial statements. As part of this audit, the external auditor considers the District's internal control over financial reporting (ICFR) to design audit work for the purpose of expressing an opinion on the financial statements. While the work performed by the external auditor is not for the purpose of expressing an opinion on the effectiveness of the District's ICFR, it is sufficient and does not warrant the additional expense or use of internal resources to complete work that would result in an opinion on ICFR. Furthermore, only certain publicly traded companies are required to have an opinion on ICFR. Accordingly, this letter proposes amending subsection (d) to remove the responsibility for the Audit Department to issue an opinion on ICFR on an annual basis.

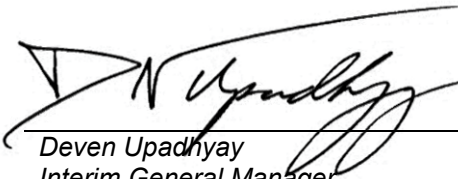
Project Milestone

Not applicable



Scott Suzuki
General Auditor

11/13/2024
Date



Deven Upadhyay
Interim General Manager

11/14/2024
Date

Attachment 1 – Redline Version, Proposed Administrative Code Amendment

Attachment 2 – Clean Version, Proposed Administrative Code Amendment

Ref# a12690756

Provisions updated to reflect the actions of the Board of Directors through its 3/12/2024 meeting.

§ 6451. Audit Department Charter.

(a) Mission and Scope of Work - The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. It helps the District accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of governance, risk management, and internal control. The scope of work of the Audit Department is to determine whether the District's network of governance, risk management, and internal control, as designed and represented by District management, is adequate and functioning in a manner to ensure:

- (1) Risks are appropriately identified, managed, and monitored;
- (2) Significant financial, managerial, and operating information is accurate, reliable, and timely;
- (3) Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- (4) Resources are acquired economically, used efficiently, and adequately protected;
- (5) Programs, plans, and objectives are achieved;
- (6) Quality and continuous improvement are fostered in the District's control process;
- (7) Significant legislative or regulatory issues impacting the District are recognized and addressed appropriately; and
- (8) Information technology is governed and systems and applications are securely deployed and monitored.

Opportunities for improving management internal control, efficiency and the District's image may be identified during audits. They will be communicated to the appropriate level of District management.

(b) Accountability - The General Auditor shall be accountable to the Board of Directors and the Executive Committee to:

- (1) Advise on the adequacy and effectiveness of the District's processes for controlling its activities and managing its risks;
- (2) Report significant issues related to the processes for controlling the activities of the District, including potential improvements to those processes, and provide information concerning such issues through to resolution; and

(3) Coordinate with other District control and monitoring functions (e.g., risk management, legal, finance, ethics, security, environmental).

(c) Professional Standards - The Audit Department shall govern itself by adherence to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Audit Department's performance. These documents constitute the operating procedures for the department and constitute an addendum to the charter. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable. In addition, Audit Department staff shall adhere to Metropolitan's policies and procedures, the California Government Code, and the Audit Department's Policies and Procedures Manual.

(d) Responsibilities - The Audit Department shall carry out the following responsibilities:

(1) Develop and present a flexible annual audit plan to the Executive Committee for review and approval. This plan should be developed utilizing a risk-based methodology and should include risks or internal control concerns identified by District management or the Board of Directors;

(2) Report periodically to the Executive Committee and District management the status of the current year's audit plan and the sufficiency of department resources;

(3) Submit audit reports to the Executive Committee and District management communicating the General Auditor's opinion regarding the internal control structure, identifying significant control issues, and providing related recommendations;

(4) Evaluate the adequacy and timeliness of District management's responses to, and the corrective action taken on, all recommendations noted in such reports. Conduct follow-up reviews as necessary and periodically report to the Executive Committee the status of District management's progress;

(5) Ensure the selection, development, and supervision of competent and professional audit staff;

(6) Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain an external quality assurance review as required by the Standards;

(7) Perform advisory services to assist District management in meeting its objectives. Examples may include facilitation, process design, training, and assessment services;

(8) Evaluate additions or changes in internal control processes coincident with their development and implementation;

(9) Keep the Executive Committee informed of significant emerging trends and best practices in internal auditing and governance;

(10) Assist in the investigation of significant suspected fraudulent activities within the District. Assure reporting to the Executive Committee on the results, as appropriate; and

(11) Coordinate with external auditors to minimize duplication of effort and ensure that issues raised as a result of their review are appropriately addressed.

(e) Authority - The General Auditor and Audit Department staff members are authorized to:

(1) Have unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality, and applicable process;

(2) Have full and free access to the Executive Committee, subject to applicable law;

(3) Allocate resources, set frequencies, select the subject, determine scopes of work, and apply the techniques required to accomplish audit objectives; and

(4) Obtain the necessary assistance of personnel within units of the District where they perform audits, as well as other specialized services from within or outside the District.

The General Auditor and Audit Department staff are not authorized to:

(1) Perform any operational duties for the District;

(2) Initiate or approve accounting transactions external to the Audit Department;
or

(3) Direct the activities of any District employee not employed by the Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

This Charter shall be reviewed at least annually by the Executive Committee and Board of Directors. #

Provisions updated to reflect the actions of the Board of Directors through its 3/12/2024 meeting.

§ 6451. Audit Department Charter.

(a) Mission and Scope of Work - The mission of the Audit Department is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. It helps the ~~organization~~District accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of governance, risk management, and internal control, ~~and governance processes~~. The scope of work of the Audit Department is to determine whether the ~~organization's~~District's network of governance, risk management, and internal control ~~and governance~~, as designed and represented by District management, is adequate and functioning in a manner to ensure:

- (1) Risks are appropriately identified, managed, and monitored;
- (2) Significant financial, managerial, and operating information is accurate, reliable, and timely;
- (3) Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- (4) Resources are acquired economically, used efficiently, and adequately protected;
- (5) Programs, plans, and objectives are achieved;
- (6) Quality and continuous improvement are fostered in the ~~organization's~~District's control process;
- (7) Significant legislative or regulatory issues impacting the ~~organization~~District are recognized and addressed appropriately; and
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Opportunities for improving management internal control, efficiency and the ~~organization's~~District's image may be identified during audits. They will be communicated to the appropriate level of District management.

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- (1) Advise on the adequacy and effectiveness of the ~~organization's~~District's processes for controlling its activities and managing its risks;

(2) Report significant issues related to the processes for controlling the activities of the ~~organization~~District, including potential improvements to those processes, and provide information concerning such issues through to resolution; and

(3) Coordinate with other Metropolitan District control and monitoring functions (e.g., risk management, legal, finance, ethics, security, ~~and environmental~~);

(c) Professional Standards -- The Audit Department shall govern itself by adherence to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Audit Department's performance. These documents constitute the operating procedures for the department and constitute an addendum to the charter. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable. In addition, Audit Department staff shall adhere to Metropolitan's policies and procedures, the California Government Code, ~~Government Auditing Standards (GAGAS)~~; and the Audit Department's Policies and Procedures Manual.

(d) Responsibilities -- The Audit Department shall carry out the following responsibilities:

(1) Develop and present a flexible annual audit plan to the Executive Committee for review and approval. This plan should be developed utilizing a risk-based methodology and should include risks or internal control concerns identified by District Mmanagement or the Board of Directors;

(2) Report periodically to the Executive Committee and District Mmanagement the status of the current year's audit plan and the sufficiency of department resources;

~~(3) Issue an opinion on internal controls over financial reporting on an annual basis;~~

~~(4)~~ Submit audit reports to the Executive Committee and District Mmanagement communicating the General Auditor's opinion regarding the internal control structure, identifying significant control issues, and providing related recommendations;

~~(5)~~ Evaluate the adequacy and timeliness of District Mmanagement's responses to, and the corrective action taken on, all ~~significant control issues recommendations~~ noted in such reports. Conduct follow-up reviews as necessary and periodically report to the Executive Committee the status of District Mmanagement's progress;

~~(6)~~ Ensure the selection, development, and supervision of competent and professional audit staff;

~~(7)~~ Perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards. Obtain an external quality assurance review as required by ~~GAGAS and~~ the Standards;

(87) Perform ~~consulting-advisory~~ services to assist District management in meeting its objectives. Examples may include facilitation, process design, training, and ~~advisory assessment~~ services;

(98) Evaluate additions or changes in internal control processes coincident with their development and implementation;

(109) Keep the Executive Committee informed of significant emerging trends and best practices in internal auditing and governance;

(140) Assist in the investigation of significant suspected fraudulent activities within the ~~District~~organization. Assure reporting to the Executive Committee on the results, as appropriate; and

(121) Coordinate with external auditors to minimize duplication of effort and ~~to~~ ensure that issues raised, as a result of their review, are appropriately addressed.

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The General Auditor and Audit Department staff ~~members~~ are not authorized to:

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(2) Initiate or approve accounting transactions external to the ~~internal-a~~Auditing dDepartment; or

(3) Direct the activities of any ~~organization~~District employee not employed by the ~~internal-a~~Auditing dDepartment, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

This Charter shall be reviewed at least annually by the Executive Committee and Board of Directors.#



Executive Committee

Audit Department Charter Revisions

Item 7-1

November 20, 2024

Item 7-1 Audit Department Charter Revisions

Subject

Audit Department Charter Revisions

Purpose

To share recommended revisions to the Audit Department Charter and request Board approval for revisions.

Next Steps

Review the Charter annually with the Board and recommend revisions to ensure alignment with professional internal audit standards and industry best practices.

Administrative Code

6451 Audit Department Charter

- 6451(a) - Mission & Scope of Work
- 6451(b) - Accountability
- 6451(c) - Professional Standards
- 6451(d) - Responsibilities
- 6451(e) - Authority

Audit Department Charter

Recommended Updates

1. Add to the Charter:
 - Information technology under Scope of Work – Section 645l(a)
2. Delete from the Charter:
 - References to Government Auditing Standards (GAGAS), e.g., Section 645l(c), 645l(d)(7)
 - Issuing an opinion on internal controls over financial reporting on an annual basis – Section 645l(d)(3)

Audit Department Charter

Recommended Updates (con't)

3. Clarification of:
 - Follow-up reviews to reflect new process in place – Section 6451(d)(5)
4. Minor, non-substantive changes (e.g., term consistency)

Audit Department Charter

Future Updates

- Mission & Scope of Work
- Professional Standards
- Responsibilities

Board Options

Option #1

- Approve amendments to the Administrative Code (Section 6451 – Audit Department Charter)
 - Updates the scope of work
 - Updates professional standards and responsibilities

Board Options

Option #2

- Do not approve amendments to the Administrative Code

Board Options

Staff Recommendation

- Option #1
Approve amendments to the Administrative Code
(Section 6451 Audit Department Charter)





Executive Committee

Report on Colorado River Board Meeting

Item 5a

November 20, 2024



Colorado River Board Tour



Imperial Dam



Morelos Dam and Main Outlet Drain



Yuma Desalting Plant



Laguna Division Conservation Area



Yuma East Wetlands



Pilot Knob Power Plant



Water Delivery Canals to Bard and Quechan

