



Committee

M. Ramos, Chair
T. McCoy, Vice Chair
L. Ackerman
S. Blois
B. Dennstedt
P. Hawkins
F. Jung
C. Kurtz
R. Record
T. Smith

Audit and Ethics Committee

Meeting with Board of Directors *

May 24, 2022

10:30 a.m.

**Tuesday, May 24, 2022
Meeting Schedule**

**09:30 a.m. OWC
10:30 a.m. A&E
12:00 p.m. Break
12:30 p.m. Exec
01:30 p.m. Sp BOD**

Teleconference meetings will continue until further notice. Live streaming is available for all board and committee meetings on mwdh2o.com ([Click Here](#))

A listen only phone line is also available at 1-877-853-5257; enter meeting ID: 831 5177 2466. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference only. To participate call (833) 548-0276 and enter meeting ID: 815 2066 4276.

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. 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 Meeting of the Audit and Ethics Committee held February 22, 2022 [21-1165](#)

Attachments: [05242022 AE 2A Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

- 7-2** Approve the job description for the General Auditor and approve the hiring process for the General Auditor; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-1177](#)

Attachments: [05242022 AE 7-2 B-L](#)
[05242022 AE 7-2 Presentation](#)

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

4. OTHER BOARD ITEMS - ACTION

NONE

5. BOARD INFORMATION ITEMS

NONE

6. COMMITTEE ITEMS

- a. Discussion of the Fuel Management Audit Report and Management's Response [21-1166](#)

Attachments: [05242022 AE 6a Presentation \(Audit\)](#)
[05242022 AE 6a2 Presentation\(Ops\)](#)

- b. Response to State Audit Findings Regarding the Ethics Office [21-1167](#)

Attachments: [05242022 AE 6b Presentation](#)

7. MANAGEMENT REPORTS

- a. General Auditor's Report [21-1168](#)

- b. Ethics Officer's Report [21-1169](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. 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. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. 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 <http://www.mwdh2o.com>.

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

MINUTES

AUDIT AND ETHICS COMMITTEE

February 22, 2022

Chair Ramos called the teleconference meeting to order at 9:30 a.m.

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

Members absent: Directors Hawkins and Jung.

Other Board Members present: Directors Abdo, Atwater, Cordero, Erdman, Faessel, Fellow, Fong-Sakai, Goldberg, Gray, Lefevre, Miller, Morris, Peterson, Sutley and Tamaribuchi.

Committee Staff present: Beatty, Hagekhalil, Salinas, Scully, Shope, Riss, Rodriguez, Tonsick and Von Haam.

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

1. Conner Everts, Private Citizen - requesting that Metropolitan release the sexual harassment reports to the Board and to the public.
2. Ellen Mackey, as a member of the public- Requesting the Shaw Law Group reports be released unredacted.

CONSENT CALENDAR ITEMS — ACTION

2. CONSENT CALENDAR OTHER ITEMS – ACTION

- A. Approval of the Minutes of the meeting of the Audit and Ethics Committee held November 23, 2021

Director Record made a motion, seconded by Director McCoy to approve the consent calendar consisting of item 2A:

Ayes: Chair Ramos, Directors Ackerman, Blois, Dennstedt, Kurtz, McCoy, Record and Smith

Noes: None

Abstentions: None

Absent: Directors Hawkins and Jung

The motion for item 2A passed by a vote of 8 ayes, 0 noes, 0 abstain, and 2 absent.

For roll call purposes, it was advertently stated that minute's date for approval was October 26, 2021. Correct date is as noted on agenda for November 23, 2021.

3. CONSENT CALENDAR ITEMS – ACTION

None

END OF CONSENT CALENDAR ITEMS

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Subject: Discussion of Audit Planning and field work process

Presented by: Gerald Riss, General Auditor, John Tonsick, Assistant General Auditor and Kathryn Andrus, Deputy General Auditor

Ms. Andrus gave a presentation on the Audit Planning and field work process highlighted the following areas:

- Internal Audit's Roles
- Audit Planning Process
- Audit Plan Development
- Governance and Control Framework
- Audit Execution

The following Director asked questions or provided comments:

1. Ramos

b. Subject: Ethics Office Staffing Needs

Presented by: Abel Salinas, Ethics Officer

Mr. Salinas gave a presentation on the Ethics Office Staffing Needs highlighted the following areas:

- Ethics Office works on limited resources to meet demands of core responsibilities, is understaffed and has not added staff in 6 years
- Requesting 4 full time positions to assist meet in core responsibilities, expanded mandates and demands.
- The Ethics Office is not a single function office, it has 5 core functions: Advice, Compliance, Policy making, Education and Investigations. This does not include office management, administration, board requests or special projects.
- The Board approved the new Administrative Code mandates: which added new functions Education Mandates, Lobbyist Registrations, Compliance Mandates, Contractors Code of Conduct administer new rules and more.
- Currently, each staff works on 3 of the core functions; the budget of the Ethics Office is 0.4% of the overall budget.

The following Directors asked questions or provided comments:

1. Smith
2. Peterson
3. Dick
4. Ramos
5. Kurtz

Staff responded to Directors' comments or questions

7. MANAGEMENT REPORTS

a. Subject: General Auditor's report

Presented by: Gerald Riss, General Auditor

Mr. Riss thanked Ms. Andrus for the presentation and offered to expand on the explanation of the detailed audit process at a future date.

- b. Subject: Ethics Officer's report

Presented by: Abel Salinas, Ethics Officer

The Ethics Officer reported there are three new investigations and anticipates completion of these investigations in the next six months.

We currently have a total of four pending investigations:

- 1) The first new investigation opened in December involves misuse of authority and conflict-of-interest allegations against a supervisor;
- 2) The second new investigation, opened in January, involves misuse-of-authority allegations against a supervisor;
- 3) The third new investigation, also opened in January, involves allegations that a manager missed their authority for personal gain; and
- 4) The fourth pending investigation opened in November of 2021 and involves a supervisor who allegedly misused their authority to disadvantage an employee for personal reasons. The investigation is complete, and Mr. Salinas expects to issue his initial determination of findings in this matter within the next two weeks.

8. FOLLOW-UP ITEMS

The following Directors asked questions or provided comments:

1. Smith

Staff responded to Directors' comments or questions

9. FUTURE AGENDA ITEMS

None

10. ADJOURNMENT

Meeting adjourned at 10:21 am

Marsha Ramos
Chair



- **Board of Directors**
Audit and Ethics Committee

6/14/2022 Board Meeting

7-2

Subject

Approve the job description for the General Auditor and approve the hiring process for the General Auditor; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Details

The Board of Directors has requested that staff initiate the process to hire a qualified General Auditor. In order to facilitate the process, staff is requesting that the Board approve the attached job description for the General Auditor and the proposed hiring process.

The proposed job description is attached. The job description has been modified from the prior job description to conform with our standard format and minimum qualifications for positions at this level.

Staff recommends we follow the process that was used in hiring the Ethics Officer in 2018/2019. This includes engaging a professional recruitment firm to assist in the search for the new General Auditor. Recruitment firms are generally used to assist in the search for executive level staff and District Officers. Staff further recommends that Chairwoman Gray establish a search committee consisting of five Board members, including the Chair of the Audit and Ethics Committee, a member of the Executive Committee, and three other members of the Board, to review the applications recommended by the search firm, conduct initial interviews, and recommend finalists to be interviewed by the full Board. The selection of the new General Auditor will be made by majority vote of the Board. The members of the search committee will be announced at the June Board meeting.

Attachment 1 is the job description.

Policy

Metropolitan Water District Administrative Code Section 6400: Creation of Offices

Metropolitan Water District Administrative Code Section 6401: Method of Appointment

Metropolitan Water District Administrative Code Section 6450: et seq. General Auditor

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378(b)(2) and 15378(b)(5)) because it involves organizational or administrative activities and general policy and procedure making that would not result in a direct or indirect physical change to the environment.

CEQA determination for Option #2

None required

Board Options

Option #1

Approve the job description for the General Auditor, and approve the hiring process described above.

Fiscal Impact: Estimated cost of recruitment firm \$50,000 to \$100,000

Business Analysis: Facilitates moving forward with the selection of a new General Auditor in a timely manner.

Option #2

Do not approve the job description or hiring process

Fiscal Impact: None

Business Analysis: Delays the process of hiring a new General Auditor

Staff Recommendation

Option #1



Marsha Ramos
Chair of Audit and Ethics Committee

5/21/2022

Date



Gloria D. Gray
Chairwoman of the Board

5/21/2022

Date

Attachment 1 – Draft Job Description for the General Auditor

Ref# hr12685867



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

GENERAL AUDITOR

Group-Section: Office of the General Auditor	FLSA Status: Exempt Bargaining Unit: Unrepresented	Salary Grade: FR Job #: 041
---	---	--

JOB SUMMARY

Under the general administrative direction of Metropolitan's Audit and Ethics Committee and Board of Directors, the General Auditor is responsible for assisting Metropolitan's board and management in improving business and financial practices. The position oversees a team of audit professionals who determines whether Metropolitan activities, programs and agreements comply with policies, procedures and regulations. The General Auditor provides independent, objective advice, in accordance with the Institute of Internal Auditors' mandatory standards and guidelines.

OVERSIGHT

Reports to the Board of Directors. Manages and supervises a staff of managers, professionals, paraprofessionals and administrative staff.

JOB DUTIES

1. Plans, organizes and manages the department's work activities including management of staff and oversight of consultants to ensure that results are accomplished efficiently and in accordance with applicable standards.
2. Reports to the Board of Directors, through the Audit and Ethics Committee or other appropriate committees, the findings and recommendations resulting from the audits or reviews conducted by the department and/or consultants retained on behalf of Metropolitan. Provides input to management and staff in accordance with established policies of the Board.
3. Formulates and implements department policies and procedures; administers internal records of the department; establishes department auditing standards and procedures and administers activities to ensure that Metropolitan's mission, goals, and objectives are met.
4. Directs operational, financial, information systems, and contract or compliance audits of Metropolitan's activities and accounting systems to ensure appropriate audit coverage.
5. Directs the preparation of reports, documents, Board letters, and other correspondence to ensure appropriate and effective communication of departmental activities; make presentations to the Board of Directors, as required, to keep them apprised of Metropolitan's current audit activities.
6. Manages staff, through subordinate supervisors, including selecting employees, assigning work, providing training and development, evaluating performance, and building a motivated, effective team to ensure that organizational goals for diversity, career development, productivity, performance management, and employee involvement are met.

Job Title: General Auditor
Job Code: 041
Adopted: ???
Revised: TBD
Supercedes: 08/20/2004
Page 1

7. Provides input to management on business matters, and acts in an advisory capacity to Metropolitan's management and the Board of Directors on audit-related activities to ensure that organizational goals and objectives are met.
8. Coordinates audit efforts with external auditors retained by the Board of Directors and administers Metropolitan's contract for external audit services to ensure that activities are appropriately conducted.
9. Directs the work of contract auditors and administer the contracts of consultants engaged to assist the department.
10. Manages the planning, development, and monitoring of the Audit Department's budget to ensure the most efficient use of resources, adherence to established guidelines, and accurate and timely reporting of budgetary information.
11. Performs other related duties as required.

EMPLOYMENT STANDARDS

MINIMUM QUALIFICATIONS

Education and Experience: Bachelor's degree from an accredited college or university majoring in accounting, business administration, information systems or a related field and twelve years of increasingly responsible experience of which 4 years of which must have been at the managerial or supervisory level; or a Master's degree from an accredited college or university majoring in accounting, business administration, information systems or a related field and ten years of increasingly responsible experience of which 4 years of which must have been at the managerial or supervisory level.

Required Knowledge of:

- Principles and practices of effective leadership and staff supervision, including dynamics of staff relationships, techniques of effective interpersonal communications, effective problem solving and decision-making techniques, planning and assigning work, and performance evaluation
- Management concepts and techniques
- Budgetary concepts and procedures
- Principles and practices of public sector budget development and administration
- Accounting and auditing policies, procedures, regulations and standards. Accounting theory and auditing techniques
- Current accounting pronouncements and emerging issues
- Accounting and financial systems
- Bond covenants, laws, and regulations relevant to auditing, accounting and financial systems
- Generally Accepted Accounting Principles (GAAP)
- Generally Accepted Auditing Standards (GAAS)

Required Skills and Abilities to:

- Manage a diverse workforce
- Manage complex projects or assignments
- Research, analyze, and resolve complex problems
- Develop, implement, and help support effective goals, objectives, policies and procedures
- Utilize audit software
- Prepare and deliver comprehensive written and oral reports
- Establish and maintain collaborative working relationships with Metropolitan management and staff, board members, regulatory or member agency staff and contractors

Job Title: General Auditor

Job Code: 041

Adopted: ???

Revised: TBD

Supercedes: 08/20/2004

Page 2

CERTIFICATES, LICENSES, AND REGISTRATIONS REQUIREMENTS

Employees in this position may be required to obtain and maintain the following certifications, licensing and registrations:

Certificates

- Certified Public Accountant license issued by the California Board of Accountancy (CPA) Or;
- Certified Internal Auditor License issued by the Institute of Internal Auditors (CIA)

Licenses

- Valid California Class C Driver License that allows you to drive during the course of your employment

Registrations

- None

PERFORMANCE CATEGORIES

Performance expectations would typically be tailored to the job and incumbent. The general categories for this job could include but are not limited to:

- Budget preparation and monitoring
- Risk and audit results analysis
- Productivity measures
- Qualitative measures for assessing compliance with applicable auditing standards
- Problem-solving
- Audit client satisfaction
- Mutually beneficial working relationships with regulatory and member agency staff and professional auditing organizations
- Employee development to meet Metropolitan's needs
- Assist in the selection and retention of workforce to meet Metropolitan's diversity objectives

PHYSICAL DEMANDS, WORK ENVIRONMENT, AND VISION REQUIREMENTS

The physical demands and work environment characteristics described here are representative of those that must be met or may be encountered by an employee to successfully perform the job duties of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the job duties.

Physical Demands: The work is sedentary. Typically, the employee may sit comfortably to do the work. However, there may be some walking; standing; bending; carrying of light items such as paper, books, or small parts; driving an automobile, etc. No special physical demands are required to perform the work.

Work Environment: The work environment involves everyday risks or discomforts that require normal safety precautions typical of such places as offices, meeting and training rooms, libraries, and residences or commercial vehicles, e.g., use of safe work practices with office equipment, avoidance of trips and falls, observance of fire regulations and traffic signals, etc. The work area is adequately lighted, heated, and ventilated.

Vision Requirements: None

Job Title: General Auditor
Job Code: 041
Adopted: ???
Revised: TBD
Supercedes: 08/20/2004
Page 3



Audit & Ethics Committee

Approve the Job Description and the Hiring Process for the General Auditor

Item 7-2

May 24, 2022

Job Description Approval

Job Description Revisions

- Updates description format to be consistent with other positions at Metropolitan
- Ensures minimum qualifications align with other positions within Metropolitan
 - Updates based on new created positions within Audit Department and other Departments
- Revises job summary section to match website
- Other suggested revisions?

Recommended Hiring Process

Hiring Process Similar to Ethics Officer Recruitment

- Hire a professional recruitment firm to assist HR with recruitment process
 - Not uncommon with positions at this level
- Establish a Search Committee of five Board members including:
 - Chair of Audit and Ethics Committee
 - Executive Committee member
 - Three other members of the Board
 - Members will be announced at June Board meeting
- Committee will review applications, conduct initial interviews and recommend finalists
- Board will interview finalists and approve hire

Board Options

- Option 1 – Adopt CEQA determination and approve the job description for the General Auditor and approve the hiring process
- Option 2 – Do not approve

Staff Recommendation

- Option 1





Audit & Ethics Committee

Fuel Management Audit

Item 6a

May 24, 2022

Fuel Management Audit

Audit Scope

- Vendor selection
- Purchasing
- Delivery
- Usage
- Payments
- Reporting



	Product	FYE 2018/2019	FYE 2019/2020	FYE 2020/2021	Total
	Gasoline (unleaded)	\$2,096,700	\$2,018,100	\$1,578,482	\$5,693,282
	Diesel	407,500	380,500	255,221	1,043,221
	Propane, CNG, Aviation Fuel	108,400	38,100	60,901	207,401
					6,943,904

Opinion: Less Than Satisfactory

- Fuel Disbursement
 - Control Design
 - Control Malfunctions
 - Circumvented Procedures
 - Inadequate Monitoring/Follow-up
- Equipment Malfunctions
- Inventory Procedures
- Invoice Review and Approval
- Fleet Card Transactions
- Mis-recorded and Underutilized Assets
- Fuel Tax Credits

Opinion: Less Than Satisfactory

- Fuel Disbursement
 - Control Design
 - Control Malfunctions
 - Circumvented Procedures
 - Inadequate Monitoring/Follow-up
- Equipment Malfunctions
- Inventory Procedures
- Invoice Review and Approval
- Fleet Card Transactions
- Mis-recorded and Underutilized Assets
- Fuel Tax Credits

Fuel Disbursement

Telematic Devices

- Installed on pumps and fuel burning assets
- Captures asset identity and gallons pumped



Fuel Disbursements Control Design

- Only 75% of District fuel burning assets have telematics
- Without telematics
 - Manual data input
 - Inadequate procedures to ensure correct vehicle information
 - Potential for unauthorized fueling



Fuel Disbursements

Securitas Example

- Securitas contract authorizes fueling of 17 vehicles
- None fitted with telematics
- Fuel Management System had 39 vehicles assigned to Securitas
 - 15 District vehicles
 - Four vehicles fueled after Securitas reported them sold (\$14,212)
 - Securitas staff input sold vehicle data to pump into other vehicles
 - One vehicle did not belong to Securitas; unable to determine ownership

Fuel Disbursements Equipment Malfunctions

- Telematics should stop dispensing fuel after removing the nozzle from the tank
 - Fuel pumped exceeded asset tank capacity for 71 transactions (1,378 gallons)
- Fuel dispensing should not occur unless asset odometer reading is higher than that of previous recorded refueling
 - 353 of 945 refuelings showed lower odometer readings

Fuel Disbursements Equipment Malfunctions

- Malfunctioning Telematics not identified and corrected
 - 663 of 1,227 assets fitted with telematics also had Employee Fueling transactions. We could not determine telematics status when fueling occurred.
 - The telematics on a Metropolitan vehicle assigned to California Fish and Game had not worked for more than 3 years

Fuel Disbursements Circumvented Procedures

- Operators can place pumps in “Bypass Mode”
 - Between July 2017 and March 2021
 - “Bypass” disbursements not tracked
 - Pumps operated in Bypass Mode at all facilities for some period of time
 - Gene Camp diesel pump operated in Bypass Mode continuously for 11 months (4,010 untracked gallons); only deactivated after Internal Audit identified the situation.

Invoice Review/Approval

- Invoiced quantities should be verified by physical tank measurements before and after each delivery.
- No evidence of physical measurement for 15 of 63 invoiced deliveries
- Receiving logs did not agree with the inventory report for 31 of 63 invoices

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**REGULATED SUBSTANCE MEASUREMENTS RECEIVING LOG
(WSO FLEET SERVICES)**

DELIVERY INFORMATION

IMPORTANT! Complete a separate log for each product type and each tank system.

Date: 11-19-19 Time: 7:30 Fuel: 1 ☒ Gas ☐ Fuel ☐ Diesel Fuel ☐ Engine Oil ☐ Antifreeze

Registration Number: 375263 Location Name: MILLS

Fuel Vendor Name: Pinnacle Petroleum Fuel Carrier Name: Krone Delivery Ticket Number: 12416

MEASUREMENT/QUANTITY RECEIVED

Tank Number: 192 Product(s) Delivered: ☒ Unleaded Fuel ☐ Diesel Fuel ☐ Engine Oil ☐ Antifreeze

TANK READINGS

Readings must be taken after pour point depressant has been added, if any.

Enter readings for each manifold tank in tank system. For single tanks, use "A" only.

Was pour point depressant added to the diesel storage tank(s)? ☐ Yes ☒ No

1. Readings After Delivery

Tank	Reading	Inches (1/8")	Gallons
Tank A	<u>74 1/4</u>	<u>26 1/4</u>	
Tank B	<u>70 1/2</u>	<u>25 3/8</u>	
Tank C			
Tank D			
			After Delivery Total Gallons (Item 1): <u>5200</u>

2. Readings Before Delivery

Tank	Reading	Inches (1/8")	Gallons
Tank A	<u>37</u>	<u>12 1/2</u>	
Tank B	<u>26 1/2</u>	<u>9 1/4</u>	
Tank C			
Tank D			
			Before Delivery Total Gallons (Item 2): <u>1916</u>

3. Subtract the total gallons before delivery (Item 2) from the total gallons after delivery (Item 1)

4. Enter number of gallons dispensed during product delivery

5. Add items 3 and 4 to determine gallons received

The total gallons must be recorded in the "Delivery" column on the line for that day on the FFI Report and Periodic Fuel Inventory Report.

6. Record amount of pour point depressant added to tank

Record the gallons of pour point depressant added to the tank in the "Delivery" column on the line for that day on the FFI Report and Periodic Fuel Inventory Report.

7. Record the net quantity shown on the delivery ticket

8. Record gallons variance (Item 5 minus Item 7)

Note: A variance of 250 gallons or more on Item 8 requires resolution and signature by the Regional Fleet Team Manager. Attach original log to the delivery receipt, then FAX both documents to Fleet Services Business Office at 213-376-5281.

Product Received & Checked By (Print Name): Matt Ross Regional Fleet Team Manager Signature (Item 8 variance is 250 gallons or more):

Retention Period: Shop - All months for current year and prior calendar year. Business Office - Five (5) years

Distribution: Business Location - Original Shop - 1 Copy

Mis-recorded/Underutilized Assets

- New Chevy Colorado Truck purchased in April 2019 driven 39 miles as of March 2021
- New Dodge Sedan purchased in December 2014 driven only 10,603 miles as of May 2021
- Asset custodians told us a GMC truck, a generator, and a reciprocating air compressor were salvaged
 - No record of salvage
 - GMC truck found parked in salvage yard
 - Generator found at Lake Mathews
 - Reciprocating air compressor still missing





Audit & Ethics Committee

Fuel Management Audit Response

Item 6a

May 24, 2022

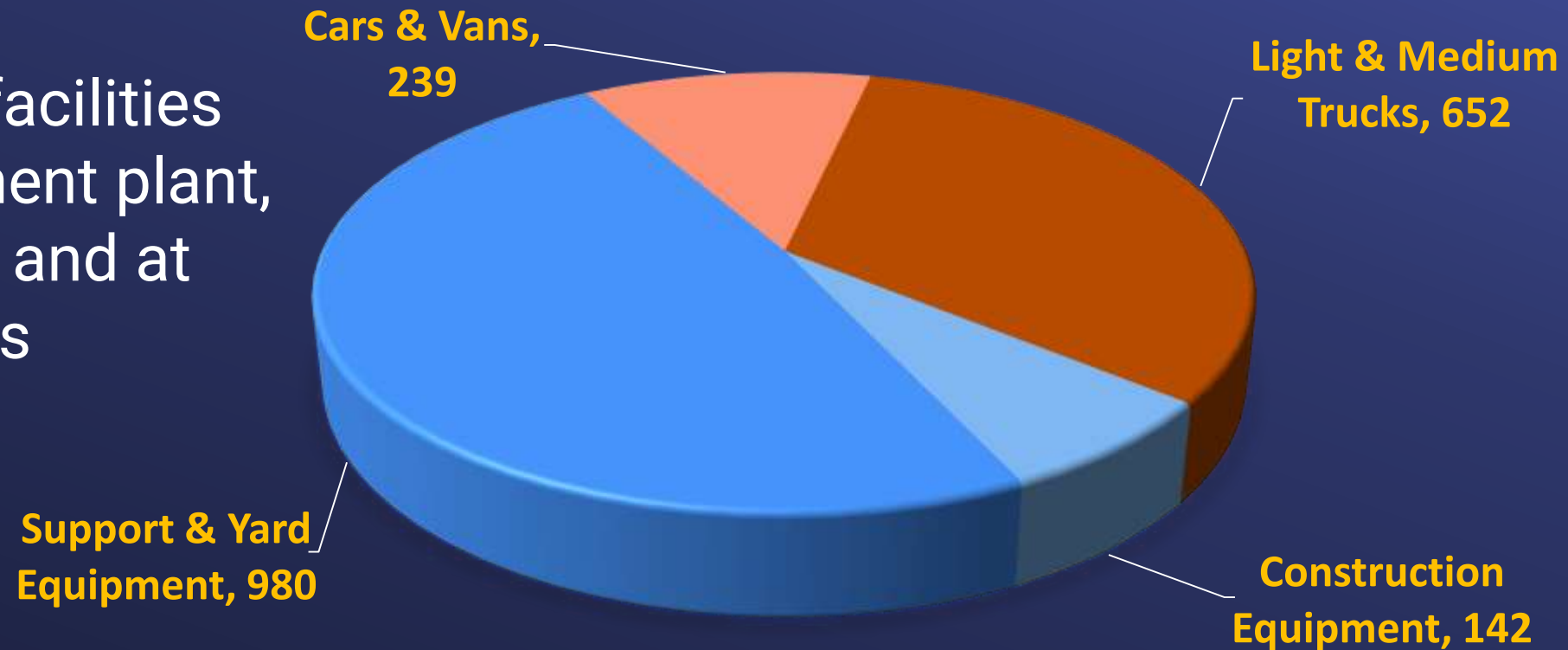
Audit of Fuel Management

Two broad areas of improvements identified

- Process and procedures related to fuel inventory, invoicing and fuel card transactions
 - Improvements scheduled to be complete in August of 2022
- Use of telematics to record fuel transactions for dispensing and inventorying
 - Improvements scheduled, estimated to be complete by October 2022

Background

- Metropolitan has over 2,000 fleet assets, and a staff that manages fleet inventory, provides support (such as fuel) and performs maintenance throughout Metropolitan's service area.
- Maintenance facilities at each treatment plant, Headquarters, and at desert facilities



A map of Southern California showing the route of the California State Water Project. The route is marked by a blue line with yellow dots at key locations. Major cities and counties labeled include KERN, LOS ANGELES, VENTURA, ORANGE, SAN BERNARDINO, SAN DIEGO, RIVERSIDE, IMPERIAL, MOHAVE, LA PAZ, and YUMA. Specific pumping plants and intake points are highlighted in blue boxes: Jensen Plant, Weymouth Plant, Mills Plant, Diemer Plant, Skinner Plant, Hinds Pumping Plant, Iron Mountain Pumping Plant, Eagle Mountain Pumping Plant, and Intake & Gene Pumping Plants. Other labels include Silverwood Lake, Lake Perris, Lake Mathews, and Diamond Valley Lake. A north arrow is located in the top left corner.

Fuel System Controls



FMS terminal at Lake Mathews

Fuel Management System is designed to automate and control the dispensing of fuel

- Fuel dispensing is restricted to authorized MWD employees through ID badge swipe
- Fuel dispensing is further restricted to authorized vehicles and equipment through use of telematics or asset information
- All transactions are recorded and retrieved by reporting
- All fueling locations employ security cameras with enhanced camera upgrades planned

Controls & Data

Fuel Transactions Findings



	Transactions	% of All Transactions
No Meter Change	533	0.5%
Meter Error *	55	0.1%
Low Meter Value	353	0.4%
Exceed Capacity *	316	0.3%

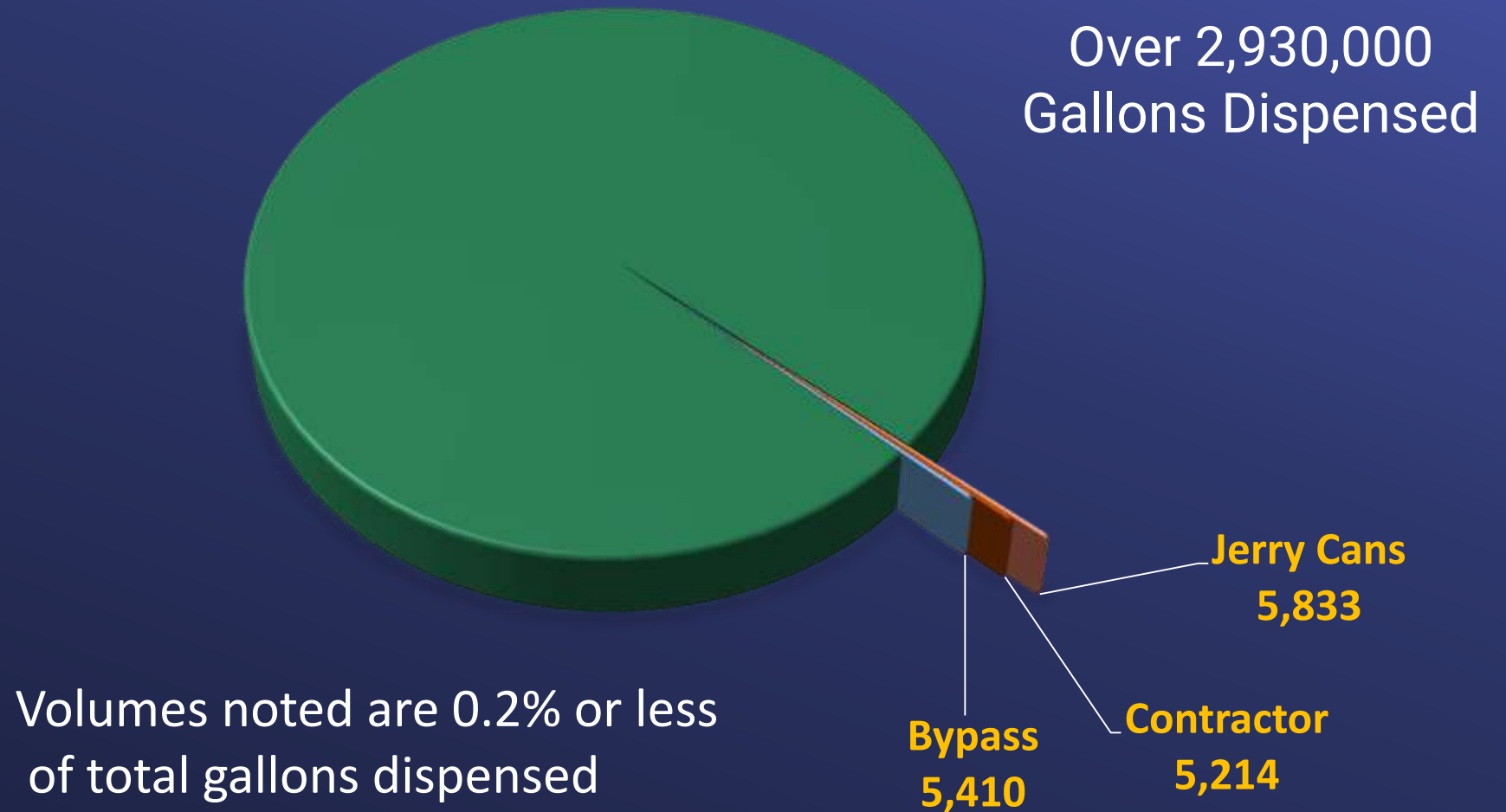
* New Fuel Management System to address

Telematics



Small portable generator for dewatering at Skinner Water Treatment Plant

Fuel Use by Volume From 2017 to 2021



Findings Implementation

Summary of Audit Findings

Item	Owner	Date
Reconcile Contractor vehicles in FMS	Security & Fleet	Complete
Update Contractor vehicle activation & deactivation procedures	Security & Fleet	August 2022
Complete FMS upgrade	ITG & Fleet	October 2022
Update Fuel Inventory & Storage Procedures	Fleet	August 2022
Review Fuel Card approval process for modernization	Procurement & Fleet	August 2022





Audit & Ethics Committee

Response to State Audit Findings Regarding Ethics Office

Item 6b

May 24, 2022

Overview

Today's Presentation

- Audit findings
- Audit recommendations
- Ethics Officer response
- Implementation plan

Audit Findings

Broad Finding

“MWD Has Failed to Establish an Independent Ethics Office, and Its Leadership Has Inappropriately Interfered in Some Ethics Investigations.”

Audit Findings

Finding 1

“MWD’s Ethics Office Does Not Comply With State Law or Align With Best Practices.”

- MWD has not ensured independence required by SB 60.
- Ethics Office not authorized to obtain outside legal advice.

Audit Findings

Finding I

- Lacks unimpeded access to documentation in investigations.
- Office not adequately insulated from outside influence.
- Ethics Officer's authority to interpret ethics rules unclear.
- “Collaboration” requirement for Ethics Officer threatens independence.

Audit Findings

Finding 2

“MWD Management Inappropriately Interfered in the Ethics Office’s Work on Two Important Cases.”

- Weak structure allowed MWD officials to inappropriately interfere with and influence the ethics office’s work.

Audit Findings

Finding 2

- Did not see evidence suggesting that interference is widespread.
- Opportunity for additional interference still exists.
- Any actual or perceived interference undermines ability to independently investigate ethics violations.

Audit Findings

Finding 3

“MWD Appears Unwilling to Strengthen Its Ethics Office .”

- "MWD's leadership has demonstrated a persistent unwillingness to ensure that the ethics office has the necessary resources and authority to operate independently.”

Audit Findings

Finding 3

- 2017 outside review of Ethics Office raised questions about independence, lacked transparency and accountability.
- Some directors misunderstand or may not respect Ethics Officer's duties under state law.
- Ethics Office did not independently draft recent ethics Code amendments.

Audit Findings

Other

- Retaliation for reporting safety concerns.
- Referrals to EEO Office.

Audit Recommendations

Legislative Action

“To ensure that the issues ... in this report are finally addressed, the Legislature should amend state law to include one or more mechanisms by which it can revoke or limit MWD’s authority over key ... ethics processes in the event that MWD again fails to take corrective action.”

Audit Recommendations

Amendments to State Law

- Establish Ethics Officer as sole authority for interpreting ethics rules.
- Grant Ethics Officer authority to contract for independent legal counsel.
- Authorize unrestricted access to records without waiver of privileges.
- Explicitly prohibit director and employee interference in investigations.

Audit Recommendations

Amend MWD Administrative Code

“Prohibit interested parties from participating in the office’s investigation process, except when necessary to provide information or otherwise respond to allegations.”

Amend MWD Administrative Code

“Establish the best practices highlighted in this report for protecting the independence of the ethics office, such as ensuring that the ethics officer has sole authority to interpret MWD’s ethics rules and that the ethics office can obtain advice from outside legal counsel.”

Audit Recommendations

Audit Recommendations

Retaliation Policy

- Enhance policies to formally define retaliation.
- Include specific steps responsible parties should take when performing their duties under the policies, such as protecting employees from retaliation.

Ethics Officer Response

Response to Audit Report

- Accept findings
- Support recommendations

Moving Forward

Implementation Plan

- Legislation
- Administrative Code amendments
- October deadline

Legislation

Immediate Action – Amend State Law

Implementation
Plan

Implementation Plan

Administrative Code Amendments

Policies and procedures

- Unrestricted access to records
- Non-Interference in investigations
- Independence
- Retaliation

Implementation Plan

Administrative Code Amendments

Ethics Officer Authority

- Authority/funding for independent counsel
- Authority on interpreting ethics rules
- Other

