

CENTRAL BASIN MUNICIPAL WATER DISTRICT

NOVEMBER 16, 2006 - Finance/Administration
Hawkins, Apodaca

NOVEMBER 28, 2006 - Board Meeting

Prepared by: Aileen Hermoso

Submitted by: Aileen Hermoso

Approved by: Art Aguilar

CONSENT CALENDAR

AUDIT OF THE CODE OF CONDUCT FOR
FISCAL YEARS 2004-05 AND 2005-06

SUMMARY:

In August 2006, the Board authorized staff to hire the services of a firm to conduct audits of the Code of Conduct (Code) for fiscal years 2004-05 and 2005-06. The annual audit is required by the District's Code, which addresses travel and expense reimbursements for Directors and employees.

Staff and auditors agreed on the extent of procedures to be performed. Findings are disclosed in the attached report, which are mostly administrative oversight.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance/Administration Committee on November 16, 2006 and was agendaized to the November 28, 2006 Board meeting Consent Calendar.

RECOMMENDED MOTION:

Receive and file.

LIST OF EXHIBITS:

Exhibit "A" - Draft Agreed Upon Procedures Report

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EXHIBIT “A”

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**Board of Directors
Central Basin Municipal Water District**

We have performed the procedures enumerated below, which were agreed to by Central Basin Municipal Water District (the District), solely to assist the District in assessing compliance with the District's Code of Conduct for the fiscal years ended June 30, 2006 and 2005. The District's management is responsible for the District's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedure 1 - Director's Per Diem (Account No. 52310)

- 1.1 Review the Director - Per Diem Summary for the fiscal years ended June 30, 2006 and 2005. Determine if the total number of per diem paid each month did not exceed the total number allowed in the Code of Conduct.
- 1.2 For each District and Metropolitan Water District Director, select 3 months of per diem payments for review. Obtain certificate of attendance for the selected months and perform the following:
 - a) Determine if the total number of activities in the certificate of attendance agrees with the Director - Per Diem Summary.
 - b) Verify proper approval of per diem payments.
 - c) Ascertain if per diem rate used was the rate approved by the Board of Directors.
 - d) Trace per diem payments to general ledger (Account No. 52310).
 - e) Determine if the activities reported in the certificate of attendance are permissible under the Code of Conduct or approved by the Board of Directors at a public meeting.

Result of Procedures Performed

- 1.1 No exceptions noted.
 - a) No exceptions noted.
 - b) Our review disclosed that there was one missing approval for per diem payment to one of the directors amounting to \$1,515.50 in June 2006 per check #000630. The District policy requires approval by 2 signatories for amounts over \$1,000.
 - c) No exceptions noted.
 - d) No exceptions noted.
 - e) No exceptions noted.

Procedure 2 - Director's Transportation (Account No. 52313), Director's Housing Accommodation (Account No. 52315), Director's Meals (Account No. 52316), Director's Registration Dues (Account No. 52314) and Director's Miscellaneous Expenses (Account No. 52311)

- 2.1 Select 5 samples from the general ledger detail of Director's Transportation (Account No. 52313) for the fiscal years ended June 30, 2006 and 2005. Obtain the expense claim forms and supporting documents for the samples. Verify all items on the expense claim forms, as follows:
- a) Review all supporting documentation for transportation, housing accommodation, meals, registration dues, and miscellaneous expenses. List all items without proper explanation, support, and approval as required under the District's Administrative Code.
 - b) Determine reasonableness of amounts for transportation charges. For guidance, use section 3-9.115 E and G of the Administrative Code.
 - c) Determine reasonableness of amounts for housing accommodation. For guidance, use section 3-9.115 B of the Administrative Code and <https://secureapp2.hqda.pentagon.mil/perdiem/perdiemrates.html> for government rates.
 - d) Testwork should cover about 10% of expenses for transportation, housing accommodation, meals, registration dues, and miscellaneous expenses.

Result of Procedures Performed

- 2.1
- a) No exceptions noted.
 - b) No exceptions noted.
 - c) No exceptions noted.
 - d) No exceptions noted.

Procedure 3 - Director's Mileage (Account No. 52312) and Director's Communication (Account No. 52317)

Directors receiving monthly car and communication allowance

- 3.1 Review the general ledger detail and determine if there are communication and mileage reimbursements by Directors who received the monthly car and communication allowance.
- 3.2 Verify if the car and communication allowance received by Directors are in accordance with the Board resolution.

Directors who opted for mileage and communication reimbursements

- 3.3 Perform about 10% testing of total Director's reimbursements for mileage and communication.
- a) Determine if mileage rate used conforms to the applicable IRS regulation.
 - b) Consider the reasonableness of individual amounts. Summarize all items without proper explanation and support.

Result of Procedures Performed

- 3.1 No exceptions noted.
- 3.2 No exceptions noted.
- 3.3 a) No exceptions noted.

- b) Our review disclosed that no document is submitted (e.g. from Mapquest) to support the mileage reimbursement request. Accordingly, based on our computations, it was noted that there was an overpayment of \$31.96 to one director and an underpayment of \$399.17 to another director.

Procedure 4 - Employee Travel (Account No. 55901)

- 4.1 Perform about 10% testing of total employee travel expenses. Select samples from the general ledger detail. Obtain and review supporting documents for proper approval, support, and explanation as required by the District's Administrative Code.

Proper approval requires authorization to attend prior to the event date/s. Employees must complete the Employee Conference/Meeting/Seminar Authorization and Expense Claim form and have it approved by Department Manager for up to \$1,000; Department Manager and General Managers for above \$1,000 before booking event attendance, flight schedules, or hotel accommodations. List all findings noted.

- 4.2 Determine reasonableness of amounts for transportation charges. For guidance, use section 3-9.115 E and G of the Administration Code.
- 4.3 Determine reasonableness of amounts for housing accommodation. For guidance, use section 3-9.115 B of the Administrative Code and <https://secureapp2.hqda.pentagon.mil/perdiem/perdiemrates.html> for government rates.

Result of Procedures Performed

- 4.1 Our review of employee travel expenses per AP-R0097 First Bankard Center disclosed that there were several expenses which do not have supporting documentation. In addition, our review disclosed that there is no clear indication on the documents reviewed as to how the amounts paid were distributed among the various expense accounts.
- 4.2 No exceptions noted.
- 4.3 No exceptions noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than those specified parties.

Los Angeles, California
September 27, 2006