



## **AGENDA**

### **MEETING OF THE BOARD OF DIRECTORS**

**WEDNESDAY, SEPTEMBER 18, 2019  
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY\*  
AGENCY HEADQUARTERS  
6075 KIMBALL AVENUE, BUILDING A  
CHINO, CALIFORNIA 91708**

### **CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING**

#### **FLAG SALUTE**

#### **PUBLIC COMMENT**

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to three minutes per speaker. Thank you.

### **ADDITIONS TO THE AGENDA**

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

#### **1. NEW EMPLOYEE INTRODUCTIONS**

- Mr. Andrew Ng, Wastewater Treatment Plant Operator III, hired July 17, 2019, Operations & Maintenance – North.
- Mr. Emanuel Cardoso, Operations Supervisor, hired July 23, 2019, Operations & Maintenance – Chino Desalter.
- Ms. Lisa Dye, Manager of Human Resources, hired August 25, 2019, Human Resources.
- Mr. Matthew Solis, Laboratory Scientist I, hired August 25, 2019, Laboratory.

- Ms. Yvonne Lam, External Affairs Specialist I, hired September 3, 2019, External Affairs.
- Mr. William McDonnell, Environmental Resources Planner I, hired September 9, 2019, Planning & Environmental Compliance.

## 2. **PROMOTIONS/RECOGNITIONS**

Promotions:

- Ms. Elizabeth Hurst, Senior Environmental Resources Planner, promoted July 14, 2019, Planning & Environmental Compliance.
- Mr. Ryan Ward, Wastewater Treatment Plant Operator-in-Training, promoted July 28, 2019, Operations & Maintenance – South.
- Mr. Christopher Stull, Compost Operator, promoted August 11, 2019, Operations & Maintenance – Organics Management.

## 3. **CONSENT ITEMS**

**NOTICE:** All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by the Board by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes unless any Board members, staff or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

### A. **MINUTES**

The Board will be asked to approve the minutes from the August 21, 2019 Board meeting and the September 4, 2019 Board workshop/meeting.

### B. **REPORT ON GENERAL DISBURSEMENTS** *(Fin/Admin)*

Staff recommends that the Board approve the total disbursements for the month of July 2019, in the amount of \$17,010,691.72.

### C. **ADOPTION OF LOCAL INVESTMENT FUND, DEPOSITORY AGREEMENT, INVESTMENT, AND SIGNATORY RESOLUTIONS**

Staff recommends that the Board adopt the following Resolutions:

1. No. 2019-9-2, authorizing participation in the Local Agency Investment Fund (LAIF) and designating signatories for the deposit and withdrawal of funds;
2. No. 2019-9-3, authorizing and designating signatories for depository agreement, depository cards, deposits, transfers, checks, and withdrawals of funds;
3. No. 2019-9-4, authorizing and designating signatories for investment agreements, investment authorizations, and investment fund transfers to fund investment transactions; and

4. No. 2019-9-5, authorizing and designating signatories for transfer documents for the movement of funds and investment securities to safekeeping with a third-party Custodian.

**D. ADOPTION OF RESOLUTION FOR THE USBR WATERSMART RECLAMATION AND REUSE RESEARCH UNDER THE TITLE XVI PROGRAM FOR FISCAL YEAR 2019: CHINO BASIN PROGRAM PRE-DESIGN**

Staff recommends that the Board adopt Resolution No. 2019-9-6, authorizing the General Manager to enter into a financial assistance agreement with the USBR for the subject project.

**E. SARCCUP SUB-GRANTEE AGREEMENT BETWEEN SAWPA AND IEUA (Eng/Ops/WR)**

Staff recommends that the Board:

1. Approve the Sub-Grantee Agreement between SAWPA and IEUA; and
2. Authorize the General Manager to execute the Sub-Grantee Agreement, subject to non-substantive changes.

**F. RESOLUTION 2019-9-1 CONTRIBUTING CAPACITY TO THE BRINE LINE LEASE CAPACITY POOL (Eng/Ops/WR) (Fin/Admin)**

Staff recommends that the Board adopt Resolution No. 2019-9-1, committing an additional 0.3 MGD of Pipeline and 0.3 MGD of Treatment and Disposal Capacity to the Inland Empire Brine Line Lease Capacity Pool.

**G. RP-1 MECHANICAL RESTORATION AND IMPROVEMENTS PROJECT CONSTRUCTION CONTRACT AWARD (Eng/Ops/WR) (Fin/Admin)**

Staff recommends that the Board:

1. Award a construction contract for the RP-1 Mechanical Restoration and Improvements Project to Kiewit Infrastructure West Co., in the amount of \$6,627,000;
2. Approve a contract amendment to Stantec Consulting Services Inc., for engineering services during construction for the not-to-exceed amount of \$430,000; and
3. Authorize the General Manager to execute the contract and contract amendment, subject to non-substantive changes.

**H. SAN BERNARDINO LIFT STATION IMPROVEMENTS CONSTRUCTION CONTRACT AWARD (Eng/Ops/WR)**

Staff recommends that the Board:

1. Award a construction contract for the San Bernardino Lift Station Facility Improvements, Project No. EN19041, to AToM Engineering Construction, Inc. in the amount of \$118,398; and

2. Authorize the General Manager to execute the contract, subject to non-substantive changes.

**I. PROJECT MANAGEMENT DOCUMENTATION SYSTEM CONTRACT AWARD (Eng/Ops/WR) (Fin/Admin)**  
Staff recommends that the Board:

1. Approve a contract award to CIPO Cloud Software, LLC for support and services on the Project Management Documentation System (CIPO) for a not-to-exceed amount of \$718,500 for a term of seven years;
2. Approve a budget amendment in the amount of \$210,000 in the Regional Wastewater Improvement Fund; and
3. Authorize the General Manager to execute the contract and budget amendment, subject to non-substantive changes.

**J. RP-1 FLARE IMPROVEMENTS CONSULTANT CONTRACT AMENDMENT (Eng/Ops/WR)**  
Staff recommends that the Board:

1. Approve the consulting contract amendment for the RP-1 Flare Improvements, Project No. EN18006, to Lee & Ro, Inc., for a not-to-exceed amount of \$76,524; and
2. Authorize the General Manager to execute the consulting engineering services amendment, subject to non-substantive changes.

**K. FISCAL YEAR 2019/20 AMENDED ANNUAL AUDIT PLAN (Audit)**  
Staff recommends that the Board approve the Fiscal Year 2019/20 Annual Audit Plan Amendment to be consistent with the requirements of the IA Charter.

**4. ACTION ITEMS**

**A. FISCAL YEAR 2018/19 CARRY FORWARD BUDGET AMENDMENT (Fin/Admin)**  
Staff recommends that the Board:

1. Approve the carry forward of open encumbrances and non-encumbered commitments related budgets from FY 2018/19 to FY 2019/20 and amend the budget in the amount of \$23,335,061; and
2. Approve an amendment to the FY 2019/20 budget for grant receipts in the amount of \$8,227,786.

- B. **ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) BALLOT FOR REGION 9 BOARD ELECTION FOR THE 2020/21 TERM**  
Staff recommends that the Board cast one vote either for the slate recommended by the Region 9 Nominating Committee or vote for individual region Board members.

5. **INFORMATION ITEMS**

- A. **ENGINEERING AND CONSTRUCTION MANAGEMENT PROJECT UPDATES (POWERPOINT)** *(Eng/Ops/WR)*
- B. **MWD UPDATE (ORAL)**
- C. **CBWM UPDATE (ORAL)**
- D. **SAWPA UPDATE (ORAL)**
- E. **CHINO BASIN PROGRAM UPDATE (ORAL)**
- F. **LABORATORY SEMI-ANNUAL UPDATE (POWERPOINT)** *(Eng/Ops/WR)*

**RECEIVE AND FILE INFORMATION ITEMS**

- G. **AMENDMENTS TO THE AGENCY RECORDS RETENTION SCHEDULE (WRITTEN)**
- H. **TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/POWERPOINT)** *(Fin/Admin)*
- I. **FISCAL YEARS 2018/19 FOURTH QUARTER BUDGET VARIANCE, PERFORMANCE GOAL UPDATES AND BUDGET TRANSFERS (WRITTEN/POWERPOINT)** *(Fin/Admin)*
- J. **INTERNAL AUDIT DEPARTMENT QUARTERLY STATUS REPORT FOR SEPTEMBER 2019 (WRITTEN)** *(Audit)*
- K. **REPORT OF OPEN AUDIT RECOMMENDATIONS AS OF SEPTEMBER 2019 (WRITTEN)** *(Audit)*
- L. **INTERNAL AUDIT DEPARTMENT STANDARD OPERATING PROCEDURES (SOPS) (WRITTEN)** *(Audit)*
- M. **AUDIT COMMITTEE CHARTER AND INTERNAL AUDIT DEPARTMENT CHARTER (WRITTEN)** *(Audit)*
- N. **WATER CONNECTION FEES (WCF): FOLLOW-UP AUDIT (WRITTEN)** *(Audit)*
- O. **WAREHOUSE ANNUAL PHYSICAL INVENTORY – INTERNAL AUDIT INVENTORY OBSERVATION REPORT (WRITTEN)** *(Audit)*

- P. **AGENCY VEHICLE OPERATIONAL AUDIT: REVIEW OF VEHICLE SECURITY PROCEDURES FOLLOW-UP (WRITTEN)** *(Audit)*
  - Q. **PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)**
  - R. **STATE LEGISLATIVE REPORT AND MATRIX FROM WEST COAST ADVISORS (WRITTEN)**
  - S. **FEDERAL LEGISLATIVE REPORT AND MATRIX FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)**
  - T. **CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)**
6. **AGENCY REPRESENTATIVES' REPORTS**
- A. **SAWPA REPORT (WRITTEN)**  
September 3, 2019 Regular Commission meeting. The September 17, 2019 meeting agenda was not available at time of printing.
  - B. **MWD REPORT (WRITTEN)**  
September 10, 2019 Board meeting.
  - C. **REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (WRITTEN)**  
The September 5, 2019 Regional Sewerage Program Policy Committee meeting was cancelled. The next meeting is scheduled for October 3, 2019.
  - D. **CHINO BASIN WATERMASTER REPORT**  
The August 22, 2019 CBWM Board meeting was cancelled. The next meeting is scheduled for September 26, 2019.
  - E. **CHINO BASIN DESALTER AUTHORITY (WRITTEN)**  
September 5, 2019 CDA Special Board meeting.
7. **GENERAL MANAGER'S REPORT (WRITTEN)**
8. **BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS**
9. **DIRECTORS' COMMENTS**
- A. **CONFERENCE REPORTS**

This is the time and place for the Members of the Board to report on prescheduled Committee/District Representative Assignment meetings, which were held since the last regular Board meeting, and/or any other items of interest.

**10. CLOSED SESSION**

**A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

1. Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
2. Spicer vs. W.A. Rasic Construction, Case No. CIVDS 1711812

**B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR**

1. TP-1 Outfall Line  
Negotiating Parties: Acting Executive Manager of Engineering/AGM  
Shaun Stone and Lewis Operating Corporation  
Under Negotiation: Price and Terms of Purchase

**C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Two Cases

**D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS – PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

1. Manager of Internal Audit
2. Board Secretary/Office Manager
3. General Manager

**10. ADJOURN**

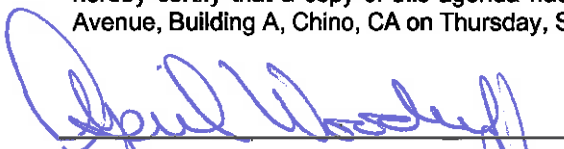
\*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

**Declaration of Posting**

Proofed by: 

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency\*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, September 12, 2019.

  
April Woodruff

**INFORMATION  
ITEM**

**5G**





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**Date:** September 18, 2019

**To:** The Honorable Board of Directors  
**Committee:**

**From:** Shivaji Deshmukh, General Manager SD

**Executive Contact:** Kathy Besser, Executive Manager of Ext. Aff. & Policy Dev./AGM

**Subject:** Amendments to the Agency Records Retention Schedule

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**Executive Summary:**

In accordance with California Government Code (Sections 60200-60204), the Board of Directors is required to adopt, by resolution, a Records Retention Schedule that classifies all of the Agency's records by category and establishes a protocol for the destruction or disposition of certain records.

The Records Retention Schedule is reviewed by the Records Management department on an annual basis. Resolution No. 2018-5-3 grants authority to the Board Secretary/Office Manager and Legal Counsel to sign all Records Retention Schedules and amendments to Records Retention Schedules. Any substantive amendments to the Records Retention Schedule will be submitted as an informational item to the Board of Directors.

Eight Office of Records (departments) will be amending their retention schedules to either add, delete or change current requirements. Updates also include a new retention for the recent addition in FY 2019 of recording meetings of the Board of Directors.

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**Staff's Recommendation:**

This is an informational item for the Board of Directors.

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**Budget Impact** Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

*Fiscal Impact (explain if not budgeted):*

None.

Full account coding (internal AP purposes only):

- - -  
- - -

Project No.:

**Prior Board Action:**

On May 16, 2018, the Board adopted Resolution No. 2018-5-3, pertaining to the procedures for records retention, distribution, and amendment of Records Retention Schedules.

On February 20, 2013, the Board adopted Resolution No. 2013-2-1, pertaining to the procedures for records retention, distribution, and amendment of Records Retention Schedules.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Records Retention Schedule is consistent with IEUA's Business Goal of Business Practices that strives to apply best industry practices in all processes to maintain or improve the quality and value of the services the Agency provides to our member agencies and the public.

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**Attachments:**

- Attachment 1 - Amendments to Retention Schedule
- Attachment 2 - Updated Agency Retention Schedule



**AMENDMENTS TO RECORDS RETENTION SCHEDULE**

Office of Record	New Record Series No.	RECORDS SERIES TITLE	ADD	CHANGE	DELETE	DESCRIPTION OF RECORD AMENDMENT REQUESTS
Accounting (ACCT)	017	PAYROLL PERSONNEL FILES		X		Change Records Series Title <b>from</b> Payroll Personnel Files <b>to</b> Payroll Personnel Files (Confidential)
Accounting (ACCT)	018	PAYROLL REPORTS		X		Change Records Series Title <b>from</b> Payroll Personnel Files <b>to</b> Payroll Reports (Confidential)
Accounting (ACCT)	020	TAX ASSESSMENT & COLLECTIONS	X			Add "Property Tax" to the Examples category
Board of Directors (BOD)	035	MEETING RECORDINGS	X	X	X	Delete "Cassette Tapes" from the Examples category Change/Add "Proceedings digitally recorded, video signals picked up by a video camera or similar device, and/or audio recordings" to the Examples category Add Government Code §54953.5 (a) - 5 year retention
Contracts & Procurements (CAP)	042	FACILITIES ADMINISTRATIVE FILES		X		Change Office of Record from Contracts & Procurement (CAP) to N. Operations & Maintenance (N. O&M)
Contracts & Procurements (CAP)	043	RECOGNITION AWARDS				No change.
Contracts & Procurements (CAP)	047	DEPARTMENT OF MOTOR VEHICLES (DMV)	X			Add "Employee Driver Records" to the Examples category
Contracts & Procurements (CAP)	048	RISK MANAGEMENT PLANS	X			Add "Discovery Recovery Plan Business Continuity" to the Examples category
Contracts & Procurements (CAP)	052	RECORDS RETENTION PROGRAM		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)
Contracts & Procurements (CAP)	053	PUBLIC RECORDS REQUESTS		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)
Contracts & Procurements (CAP)	054	AGENCY GOVERNANCE		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)
Contracts & Procurements (CAP)	055	RECORDS MANAGEMENT INDICES		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)
Contracts & Procurements (CAP)	056	PC LOAN APPLICATIONS - Employee		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)

Office of Record	New Record Series No.	RECORDS SERIES TITLE	ADD	CHANGE	DELETE	DESCRIPTION OF RECORD AMENDMENT REQUESTS
Contracts & Procurements (CAP)	057	VEHICLE RECORDS	X	X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM) Change Title Certifications to Certificate of Title in the Examples category. Add to Remarks/Citations, "Send original vehicle Certificate of Title and registration informaton to Records Management for retention."
Contracts & Procurements (CAP)	058	CONTRACTS (Originals)		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)
Contracts & Procurements (CAP)	060	LITIGATION FILES		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> Records & Information Management (RIM)
Contracts & Procurements (CAP)	061	FIRE SUPPRESSION SYSTEMS		X		Change Office of Record <b>from</b> Contracts & Procurement (CAP) <b>to</b> N. Operations & Maintenance (N. O&M)
Financial Planning (FIN)	080	MANAGEMENT/PREPARATION FILES	X			Add "Budget Transfer Form (through Budget Amendment Template)" to the Examples category
Human Resources (HR)	101	REPORTS		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Human Resources (HR)	102	SAFETY DATA SHEETS		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Human Resources (HR)	103	SAFETY FILES AND FACILITY SAFETY FILES		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Human Resources (HR)	104	SAFETY COMMITTEE RECORDS		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Human Resources (HR)	105	BUSINESS EMERGENCY PLANS		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Human Resources (HR)	106	SAFETY/RISK MANAGEMENT MANUALS		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Human Resources (HR)	107	WORKERS COMPENSATION CLAIMS		X		Change Office of Record <b>from</b> Human Resources (HR) <b>to</b> Safety (SAF)
Maintenance (MA)	112	MAINTENANCE/EQUIPMENT FILES		X		Change Office of Record <b>from</b> Maintenance (MA) <b>to</b> North & South Operations & Maintenance (N/S O&M)
Maintenance (MA)	143	MANUALS		X		Change Office of Record <b>from</b> Maintenance (MA) <b>to</b> North & South Operations & Maintenance (N/S O&M)
Maintenance (MA)	113	WAREHOUSE MATERIALS REQUISITIONS		X		Change Office of Record <b>from</b> Maintenance (MA) <b>to</b> North Operations & Maintenance (N. O&M)

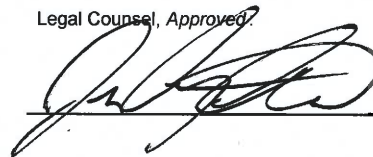
Office of Record	New Record Series No.	RECORDS SERIES TITLE	ADD	CHANGE	DELETE	DESCRIPTION OF RECORD AMENDMENT REQUESTS
Maintenance (MA)	114	VEHICLE/EQUIPMENT FILES		X		Change Office of Record <i>from</i> Maintenance (MA) <i>to</i> South Operations & Maintenance (S. O&M)
Maintenance (MA)	115	INFORMATION TECHNOLOGY ASSET FORMS		X		Change Office of Record <i>from</i> Maintenance (MA) <i>to</i> North & South Operations & Maintenance (N/S O&M)
Maintenance (MA)	116	DOMESTIC WASTE HAULER DUMP STATION FILES		X		Change Office of Record <i>from</i> Maintenance (MA) <i>to</i> Planning & Environmental Compliance (PEC)
Maintenance (MA)	117	EMPLOYEE SAFETY PERMITS		X		Change Office of Record <i>from</i> Maintenance (MA) <i>to</i> North & South Operations & Maintenance (N/S O&M)
Operations (OPS)	136	AGENCY FILES (Federal, State, County, Local)		X		Change Office of Record <i>from</i> Operations (OPS) <i>to</i> North & South Operations & Maintenance (N/S O&M)
Operations (OPS)	137	FACILITY OPERATIONS LOGS /REPORTS/CHARTS	X	X	X	Change Office of Record <i>from</i> Operations (OPS) <i>to</i> North & South Operations & Maintenance (N/S O&M) Add Office of Record IERCF Cut/delete "Inbound Biosolids Tickets/Sales Invoices - IERCF" <i>from</i> Examples in Record Series 137 and <i>paste to</i> Examples in new Record Series 144 Delete "Chino Desalter" from Examples category
Operations (OPS)	138	EMPLOYEE SAFETY		X		Change Office of Record <i>from</i> Operations (OPS) <i>to</i> North & South Operations & Maintenance (N/S O&M)
Operations (OPS)	139	ENVIRONMENTAL COMPLIANCE REPORTS & STUDIES		X		Change Office of Record <i>from</i> Operations (OPS) <i>to</i> North & South Operations & Maintenance (N/S O&M)
Operations (OPS)	140	BOARD MEETINGS - IERCF				Change Office of Record <i>from</i> Operations (OPS) <i>to</i> IERCF
IERCF	144	FACILITY OPERATIONS LOGS /REPORTS/CHARTS - IERCF	X			Add Office of Record IERCF Paste "Inbound Biosolids Tickets/Sales Invoices - IERCF" <i>from</i> Examples in Record Series 137 <i>to</i> Examples in new Record Series 144

Board of Directors, Approved:



Date: 9/5/2019

Legal Counsel, Approved:



Date: 9/5/19



**RECORDS RETENTION SCHEDULE**

**RETENTION PERIOD LEGEND**

A = ACTIVE AS = AFTER SETTLEMENT AU = AUDIT  
 C = COMPLETION CL = CLOSURE E = EXPIRATION  
 P = PERMANENT PT = PLAN TERMINATION SA = SALE  
 S = SUPERSEDED T = TERMINATION

By (Board of Directors)

*April Woodruff*

Date

9/5/2019

By (Legal Counsel)

*[Signature]*

Date

9/5/19

OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
Agency-Wide (AW)	001	AGENCY MEMORABILIA	Pictures Videos	P		X		Separate memorabilia with historical value and label it "Permanent."  GC §60201 - 2 years. If there is historical value, keep permanent.
Agency-Wide (AW)	002	AGENCY POLICIES AND PROCEDURES		P		X		Submit originals to Records Management for retention. GC §60201 (d)(1) - Permanent
Agency-Wide (AW)	003	CORRESPONDENCE - <b>Department Specific</b> (Correspondence that pertains to department specific document classifications with retentions between 4 – 10 years. Does contain significant information about office policies or programs.)	Administration Analyses Conferences Letters Memberships Memoranda Notes Presentations Public Information Reports Staff Meetings Studies Training Travel/Seminars Workshops	10				CCP §337 - 4 years CCP §337.15 - 10 years
Agency-Wide (AW)	004	CORRESPONDENCE - <b>General</b> (also called Letters, Memoranda, Email, etc. Correspondence that pertains to routine tasks or matters handled in accordance with existing policies and procedures. Does not contain significant information about office policies or programs.)	Acknowledgments Attachments Budget Preparation Enclosures Letters Memoranda Meetings Notes Notices Requests for Information or Publications Training Webinars Year End Encumbrances Carryover	2				GC §60201 - 2 years

OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
Agency-Wide (AW)	005	CORRESPONDENCE - Policy (Correspondence which state or form the basis of policy, set important precedents or record important events in the operational and organizational history of the Agency.)	Letters Memoranda Notes Reports Studies	P				
Agency-Wide (AW)	006	CORRESPONDENCE - Project Related (Correspondence that pertains to work related projects that will have a short-term duration. Does contain significant information about office policies or programs.)	Acknowledgments Attachments Attorney Correspondence Board Correspondence (conference/travel) Enclosures Letters Memoranda Notes Notices Requests for Information or Publications	4				CCP §337 - 4 years
Agency-Wide (AW)	007	CORRESPONDENCE - Transitory (Documents of short-term interest that have no documentary or evidentiary value, which are not include in another record series.)	Holiday Notices Upcoming Events Unsolicited Vendor Solicitations	None				
Agency-Wide (AW)	008	PROGRAMS, PLANS, AND PROJECTS (Not Grant-funded)	(See separate Eng-Proj Doc Examples tab for list)	C+10				CCP §337 - 4 years after expiration of contract subject. CCP §337.15 - 10 years if project involves real property.  NOTE: Grant-funded project records are filed with record series 070 for proper retention.
Agency-Wide (AW)	009	REFERENCE MATERIALS AND PUBLICATIONS (Documentation published by manufacturers, government agencies, and other organizations used for reference purposes.)	Advisories (from outside IEUA) Maintenance Manuals Notices (from outside IEUA) Operating Manuals Publications (external) Vendor Manuals/Publications	5				
Accounting (ACCT)	010	ACCOUNTS PAYABLE	Cancelled Checks Check Processing Forms Check Registers Check Requests Construction Pay Estimates Invoices Monthly Summary Reports Outstanding Reports Petty Cash Reimbursements Receiving Slips Supporting Documents Vendor History Records Vendor Payee Reports Vendor Status Reports Workers Compensation Claims Payments	4				CCP §337 - 4 years

OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
Accounting (ACCT)	011	ACCOUNTS RECEIVABLE FILES	A/R Transaction Listings Billing Work Sheets Cash Distribution Registers Cash Receipt Files Customer Statement Incoming Receipts Log Invoices Postings Revenue Schedules Supporting Documents	4	X			CCP §337 - 4 years GC §60201 - 2 years
Accounting (ACCT)	012	CANCELLED CHECK FILES	Bank Statements Cancelled Checks	4				26 CFR 31.6001-1(e)(2) - 4 years
Accounting (ACCT)	013	TRANSACTIONAL DETAIL BY ACCOUNT	For General Ledger For Job Ledger	P	X	X		GC §60201 - Permanent
Accounting (ACCT)	014	FIXED ASSET FILES	Asset Listings and Support Project Closure	4				CCP §337 - 4 years Review originals prior to destruction.
Accounting (ACCT)	015	GENERAL LEDGER/ACCOUNT ANALYSIS	Bank Reconciliations Chart of Accounts Cost Ledgers Individual Account Analyses Pay Estimate Analyses Trial Balances WIP Reconciliations	P	X	X		GC §60201 (d)(10) - Permanent
Accounting (ACCT)	016	JOURNAL VOUCHERS/ENTRIES	Journal Vouchers Recurring Journal Entries	10				GC §60201 - 2 years
Accounting (ACCT)	017	PAYROLL PERSONNEL FILES (CONFIDENTIAL)	Payroll History Timecards Tax Forms W-2 and 1099	7			X	GC §60201 (d)(12) - 7 years 29 USC §211 (c) - 5 years 29 USC §436 - 5 years
Accounting (ACCT)	018	PAYROLL REPORTS (CONFIDENTIAL)	Contribution Reports Detailed Payroll Earnings Directors Payroll Reports ICMA-Deferred Compensation Paycheck Stubs (copies) Payroll Check Run Control Reports Payroll Deductions PC Loans Prelist Report	7	X		X	GC §60201 (d)(12) - 7 years 26 CFR 31.6001-1 (e)(2) - 4 years 29 USC §436 - 5 years
Accounting (ACCT)	019	STORES INVENTORY FILES - Warehouse	Annual Reconciliation of Inventory	6				GC §60201 - 2 years
Accounting (ACCT)	020	TAX ASSESSMENT & COLLECTIONS	Property Tax	P				CCP §338 - 3 years
Accounting (ACCT)	021	ANNUAL REPORTS	Actual vs. Budget Reports	2				GC §60201 - 2 years



OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
Accounting (ACCT)	022	REPORTS - Financial/State	Comprehensive Annual Financial Report (CAFR) State Controller's Report Calif. State Mandated Filing	P				GC §60201 (d)(10) - Permanent
Accounting (ACCT)	023	RDA TAX BILLINGS WORKPAPERS		P				GC §60201 (d)(10) - Permanent
Accounting (ACCT)	024	AUDIT WORKPAPERS	Auditors Trial Balance	P				GC §60201 (d)(10) - Permanent
Accounting (ACCT)	025	TAXPAYERS' IDENTIFICATION NUMBER FORMS	W-9 Forms	A+2				26 CFR 1.1446-1 - Active
Agency Management (AM)	026	REPORTS/STUDIES/MANUALS		2				GC §60201 - 2 years
Agency Management (AM)	027	AGENCY (State, Federal, City, County)	Agenda Packages Agreements Correspondence	4				CCP §337 - Retain for 4 years due to "agreements."
Agency Management (AM)	028	LEGAL ISSUES	Pending Litigation	2				Original documents with legal counsel. GC §60201 (d)(4) - 2 years after pending litigation/settlement resolved.
Agency Management (AM)	029	MEMBERSHIPS/SUBSCRIPTIONS		2				GC §60201 - 2 years
Agency Management (AM)	030	ORGANIZATIONAL CHANGES		P				GC §60201 (d)(1) - Permanent
Agency Management (AM)	031	CERTIFIED MAIL LOGS		2				GC §60201 - 2 years
Business Information Systems (BIS)	032	CONTRACT MANAGEMENT FILES (Service Contracts)	Correspondence Software Licenses Specifications	E+4				CCP §337 - 4 years after completion on contract work.
Board of Directors (BOD)	033	BOARD/COMMITTEE AGENDA PACKETS	Meeting Agendas	P				GC §60201 - 2 years
Board of Directors (BOD)	034	CAMPAIGN STATEMENTS/ELECTION FORMS	Form 410	T+7				GC §81009 (c) - 7 years
Board of Directors (BOD)	035	MEETING RECORDINGS	Proceedings digitally recorded, video signals picked up by a video camera or similar device, and/or audio recordings	5 years				Board Secretary erases cassette tapes at the end of retention period. GC §54953.5 (a)(b)
Board of Directors (BOD)	036	MINUTES/ORDINANCES/RESOLUTIONS	IEUA/IERCA/RFA	P	X	X		GC §60201 (d)(2-3) - Permanent
Board of Directors (BOD)	037	PUBLIC HEARING FILES		2				GC §60201 - 2 years. Minutes retained permanently.
Board of Directors (BOD)	038	STATEMENT OF ECONOMIC INTEREST - Form 700	Board of Directors Chief Executive Officer/General Manager	P				GC §81009 (d) - Permanent
Board of Directors (BOD)	039	APPROPRIATIONS LIMITATIONS FILINGS		2				GC §60201 - 2 years
Contracts & Procurement (CAP)	040	CONTRACT PROJECT FILES	Contracts (copies) Correspondence Insurance/Bonds Proposals Quotes Requests for Proposals Specifications	10	X			Original Contracts are sent to Records Management for retention. CCP §337 - 4 years after expiration of contract subject. CCP §337.15 - 10 years if related to real property.

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Contracts & Procurement (CAP)	041	PURCHASE ORDERS/REQUISITIONS	Purchase Order Requisitions Purchase Orders Working Files Vehicle Working Files	4				Send original vehicle title certificates and registration information to RM for retention. CCP §337 / GC §60201 - 4 years after expiration of purchase order.
N. Operations & Maintenance (N. O&M)	042	FACILITIES ADMINISTRATIVE FILES (Facilities Services)	Audits Facilities Management Meetings Project Working Files Security Training	4				CCP §337 - 4 years 29 CFR 1627.3 - 3 years
Contracts & Procurement (CAP)	043	RECOGNITION AWARDS	Achievement in Excellence Supplier of the Year	2				GC §60201 - 2 years
Contracts & Procurement (CAP)	044	CLAIMS (Liability)		AS+2				GC §60201 (d)(4) - 2 years after resolution.
Contracts & Procurement (CAP)	045	INSURANCE CERTIFICATIONS		P	X			GC §60201 - Permanent
Contracts & Procurement (CAP)	046	INSURANCE FILES		P				GC §60201 - Permanent
Contracts & Procurement (CAP)	047	DEPARTMENT OF MOTOR VEHICLES (DMV)	Employee Driver Records	3			X	29 CFR 1627.3 - 3 years GC § 60201- 3 years if record contains info detailed under 29 CFR 1627.3 (a)(1-6); otherwise, 2 years.
Contracts & Procurement (CAP)	048	RISK MANAGEMENT PLANS	Discovery Recovery Plan Business Continuity	C+7				GC §34090 - 2 years
Contracts & Procurement (CAP)	049	PERFORMANCE AND PAYMENT BONDS		10				CCP 337.5 - 10 years
Contracts & Procurement (CAP)	050	FACILITIES MANAGEMENT LOGS	Key Forms Visitors Logs	2				GC §60201 - 2 years
Contracts & Procurement (CAP)	051	PROGRAM/PROJECT FILES (Grant-Related)		36				CCP §337.15 -10 years; SRF Loan Agreement Recordkeeping requirements - sections XV and 2.18 (b) - 36 years.

OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
Records & Information Management (RIM)	052	RECORDS RETENTION PROGRAM	Certificates of Destruction Destruction Authorizations Inventories/Audits Retention Schedules Retention Compliance Forms/Packages Transfer Forms	6				CCP §343 - 4 years GC §60201 - 2 years
Records & Information Management (RIM)	053	PUBLIC RECORDS REQUESTS		2				GC §60201 (d)(5) - 2 years after request was granted or notice of denial.
Records & Information Management (RIM)	054	AGENCY GOVERNANCE	Board/Committee Agenda Minutes Ordinances Permits Recorded Documents Resolutions	P	X	X		GC §60201 (d)(2-3) - Permanent
Records & Information Management (RIM)	055	RECORDS MANAGEMENT INDICES		P				Kept electronically in Access Database. GC §60201 (d)(2-3) Permanent
Records & Information Management (RIM)	056	PC LOAN APPLICATIONS - Employee		C+4				Originals sent by Human Resources. CCP §337 - 4 years
Records & Information Management (RIM)	057	VEHICLE RECORDS	Certificate of Title Registration Information	10				CCP §337, GC §60201 - 4 years If vehicle was sold via written contract; otherwise 2 years. Send original vehicle title certificates and registration information to RM for retention.
Records & Information Management (RIM)	058	CONTRACTS (Originals)		E+10				CCP §337 - 4 years after expiration of contract subject. CCP §337.15 - 10 years if Real Property
Contracts & Procurement (CAP)	059	SECURITY SERVICES INCIDENT REPORTS		7				29 CFR 1904.33 - 5 years 8 CCR 14300.33 - 5 years following end of calendar year that these records cover.
Records & Information Management (RIM)	060	LITIGATION FILES		AS+2				GC §60201 (d)(4) - 2 years after pending litigation/settlement resolved.
North Operations & Maintenance (N. O&M)	061	FIRE SUPPRESSION SYSTEMS (Facilities Services)		5				29 CFR 1910.157 - 5 years

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Engineering & Construction Management (ECM)	062	AGENCY FACILITIES ATLAS		P				GC §60201 (d)(8) - Permanent
Engineering & Construction Management (ECM)	063	DRAWINGS	700.5 As-Built Drawings	P				Drawings are scanned into Engineering Database for permanent retention. Originals are filed with their respective project files. GC §60201 (d)(8) - Permanent
Engineering & Construction Management (ECM)	064	RIGHT OF WAY FILES	20 Easements (Right of Way) 500.2 Construction Right of Way 500.3 Construction Easements OLD ENGINEERING FILING STRUCTURE B.5 Pre-design Right of Way C.50 Design Right of Way 500.2 Construction Right of Way 500.3 Construction Easements	P	X			Send Originals to Records Management for permanent retention. File duplicates with their respective project files. GC §60201 (d)(8) - Permanent
Engineering & Construction Management (ECM)	065	UTILITY CONFLICT FILES	Correspondence Drawings Notification Notices Tract Maps	4				CCP 337 - 4 years after completion of contract work.
Engineering & Construction Management (ECM)	066	REIMBURSABLE PROJECTS	Connection Files Pipeline Modifications	4				CCP 337 - 4 years after reimbursement.
Engineering & Construction Management (ECM)	067	ENGINEERING REPORTS & STUDIES	Recycled Water Usage Reports	P				GC §60201 (d)(8) - Permanent
Engineering & Construction Management (ECM)	068	MINOR CONSTRUCTION & EMERGENCY CONTRACTS	100-800 Series All Construction Phase Task Orders	E+10				Original executed contracts are sent to RM for retention after completion. CCP §337/§337.15 - 4 years after expiration of contract subject, 10 years if project involves real property.
Engineering & Construction Management (ECM)	069	DIG ALERTS	100 Series Construction Related Correspondence	2				GC §60201 - 2 years
Engineering & Construction Management (ECM)	070	PROJECT FILES (Grant-Funded)	(See separate Eng-Proj Doc Examples tab for list)	C+36				CCP §337.15 - 10 years SRF Loan Agreement Recordkeeping Requirements-sections XV and 2.18 (b) 36 years.
External Affairs (EA)	071	PUBLICATIONS	Brochures Bulletins Newsletters Newspaper Clippings Press Releases Reports Social Media	2				GC §60201 - 2 years  NOTE: Two copies will be sent to the Historical Archive.

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External Affairs (EA)	072	EXTERNAL AFFAIRS ADMINISTRATIVE FILES	Conferences - Backup Dedications Events Inspection Tours Meeting Agendas Presentations Projects (not grant-related)	4				CCP §337 - 4 years GC §60201 - 2 years
External Affairs (EA)	073	FPPC - FAIR POLITICAL PRACTICES COMMISSION		4				GC §81009 (f) - 4 years
External Affairs (EA)	074	BOND PROPOSITIONS		10				CCP §337.15 - 10 years
External Affairs (EA)	075	LEGISLATIVE ISSUES	Correspondence Legislative Bills Propositions Reports	2				GC §60201 - 2 years
Grants (GNT)	076	GRANT/LOAN (CONTRACTS/PROJECTS)	<b>Applications</b> Recommendation Letter/Support Letter Guidelines/Funding Opportunity Announcement (FOA) Internal Announcements/Analysis Final Application Application - Attachments Congressional/Senate/ Assembly Districts Resumes Applications/Opportunities Supporting Documents <b>Contracts</b> Grantor Contracts Vendor Contractor Contracts Contracts Supporting Documents Interagency Agreements MOU <b>Correspondence</b> <b>Reports</b> Public Reports Non-public Reports	C+36	X			CCP §337 - 4 years 29 CFR 1470.42 - 3 years 24 CFR 85.42 - 3 years SRF Loan Agreement Recordkeeping Requirements sections XV and 2.18 (b) 36 years.

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Grants (GNT)	077	GRANT/LOAN REIMBURSEMENT REQUESTS	Proof that Contractor/Consultant is not Debarred Davis Bacon Vendor Certification Deliverables Compliance/Reports Supporting Documents DBE Buy American/AIS Signage Federal Conditions and Crosscutters Drug-free Certification Language for Contractor/Consultant Anti Discrimination Laws/Regulations/Bills Project Photos Uniform Grant Guidance (UGG) Repayment Schedule Invoices Reports/Summaries Reimbursement Request/Invoices Supporting Documents	C+36			X	29 CFR 1470.42 - 3 years 24 CFR 85.42 - 3 years SRF Loan Agreement Recordkeeping Requirements sections XV and 2.18 (b) - 36 years.
Grants (GNT)	078	GRANT/LOAN CLOSEOUT SUMMARIES	Grantor Interim Program Audit Grantor Close-Out Audit Audits/CloseOut Summaries Supporting Documents Single Audit Indirect Cost Proposal Audit	P				GC §60201 (d)(10) - Permanent
Financial Planning (FIN)	079	BOND FILES	Arbitrage Calculations Bid Information (Request for Proposals) Billings (Cost of Issuance) Bank Statements Bonds Drawn Schedule Correspondence Debt Service Schedules Installment Purchase Agreement Letter of Credit Agreement Master Resolutions Official Statement/Bond Indenture Remarketing Agreement	C+10				CCP §337.5 - 10 years

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Financial Planning (FIN)	080	MANAGEMENT/PREPARATION FILES	Budget Amendments/Variance Budget Computer Reports/Correspondence/Estimates O&M Budget - Labor Distribution Quarterly Call Reports Working Papers/Correspondence Work Papers/Backup Budget Preparation Year End Encumbrance Carryover Budget Workshop Long-Range Plan of Finance Corres Budget Transfer Form (through Budget Amendment Template)	2				GC §60201 - 2 years
Financial Planning (FIN)	081	BANK FILES	Bank Analysis Statements Cash Transactions Bank Signatory Cards	4				CCP §337 - 4 years
Financial Planning (FIN)	082	BUDGET - ADOPTED	Long Range Plan of Finance (LRPF) O&M Annual - Adopted/Amended Budget Rate Resolution Regional Program Quarterly Capital Call Summaries TYCIP Ten-Year Capital Improvement Program	P				GC §60201 (d)(10) - Permanent GC §60201 - 2 years
Financial Planning (FIN)	083	INVESTMENT FILES	Financial Affairs Reports Investment Agreements Investment Policy	P				GC §60201 (d)(10) - Permanent
Financial Planning (FIN)	084	CAPITAL PROJECTS	Project Changes Project Requests	C+10				CCP §337.15 - Closure plus 10 years
Human Resources (HR)	085	DEFERRED COMPENSATION FILES	Contracts Enrollment Information Separated/Retired	PT+4			X	CCP §337 - 4 years 29 CFR 1627.3 - 1 year after termination of plan or system.

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Human Resources (HR)	086	GRIEVANCE AND INVESTIGATION	Complaints - Department of Fair Employment and Housing (DFEH) - Equal Employment Opportunity Commission (EEOC) Employee Hearings Employment Lawsuits	CL+2	X		X	GC §12946 - 2 years GC §60201 - 2 years
Human Resources (HR)	087	EQUAL EMPLOYMENT OPPORTUNITY-4 REPORTS		3				29 CFR 1602.30 - 3 years
Human Resources (HR)	088	EMPLOYMENT ELIGIBILITY VERIFICATION FORMS (I-9)		T+3				The later of 3 years from hire or 1 year from termination (State Guidelines). GC §60201/12946 - 2 years
Human Resources (HR)	089	INSURANCE FILES		E+2			X	GC §60201 - 2 years
Human Resources (HR)	090	JOB APPLICANT FILES/RECRUITMENT	Advertisements Applications EEO Data Forms Interview Schedules Job Descriptions Questions Posting Forms Request to Fill Positions	2			X	GC §12946 - 2 years GC §60201 - 2 years
Human Resources (HR)	091	PERSONNEL FILES	Benefit Information Commendations/Disciplinary Actions Employee Training Certificates Employment Information (checklist) Fact Sheets, Appraisals General Information Payroll Changes	T+7	X		X	29 CFR 1627.3 (a)(1-6)/GC §60201 3 years if the record contains information detailed under 29 CFR 1627.3 (a)(1-6); otherwise 2 years.
Human Resources (HR)	092	MEDICAL FILES	Family Leave Information Medical History Forms Physicians/Hospital Correspondence Pre-employment Medical Files	T+30			X	8 CCR 3204 (d)(1)(A) - 30 years
Human Resources (HR)	093	EMPLOYEE PLANS AND PROGRAMS	Correspondence Employee Assistance Program Rideshare Program Succession Plan Surveys and Studies Wellness Program	4			X	CCP §334 - 4 years GC §60201 - 2 years
Human Resources (HR)	094	TEMPORARY SERVICE FILE		3				29 CFR 1627.3 - 3 years
Human Resources (HR)	095	EMPLOYEE TRAINING FILES	Personal/Professional Development Safety	3				29 CFR 1627.3 - 3 years
Human Resources (HR)	096	EMPLOYMENT DEVELOPMENT DEPARTMENT RECORDS	Employer Account Statements Forms Unemployment Claims	4			X	22 CCR §1085-2 (c) - 4 years



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Human Resources (HR)	097	LABOR NEGOTIATIONS	Correspondence Cost Data Memorandums of Understanding (MOUs) Personnel Manuals Salary Matrices Surveys and Studies	5	X		X	29 CFR 516.5 - 3 years Title 2 of CCR §570.5 - 5 years
Human Resources (HR)	098	PC LOAN APPLICATIONS - Employee		C+4				Submit originals to Records Management for retention. CCP §337 - 4 years
Human Resources (HR)	099	WAGE GARNISHMENTS		2			X	CCP §337 - 4 years
Human Resources (HR)	100	LITIGATION FILES		AS+2				GC §60201 (d)(4) - 2 years after pending litigation/settlement resolved.
Safety (SAF)	101	REPORTS	Accident/Incident - Complaint - Property Theft/Damage - Vehicle Damage Cal/OSHA Log & Summary (Form 300)	5				29 CFR 1904.33 - 5 years 8 CCR 14300.33 - 5 years following end of calendar year that these records cover.
Safety (SAF)	102	SAFETY DATA SHEETS		S+30				8 CCR 3204 (d)(1)(B) - 30 years Image retained for 30 years. Copies in various departments.
Safety (SAF)	103	SAFETY FILES AND FACILITY SAFETY FILES	Confined Space Permits Hazard Reports Inspection Followup Records Inspection Reports (County, OSHA, Safety Department)	2				GC §60201 - 2 years
Safety (SAF)	104	SAFETY COMMITTEE RECORDS	Meeting Agendas and Minutes	2				GC §60201 - 2 years
Safety (SAF)	105	BUSINESS EMERGENCY PLANS		P				29 CFR 1910.38 - Permanent
Safety (SAF)	106	SAFETY/RISK MANAGEMENT MANUALS	Department of Transportation Random Testing	P				GC §60201 - Permanent
Safety (SAF)	107	WORKERS COMPENSATION CLAIMS		T+30			X	8 CCR 10102/15400.2 - latest of 5 years from date of injury, 1 year from date of last provided compensation, or after audit findings have become final. 29 CFR 1910.1020 - Duration of employment plus 30 years.
Internal Audit (IA)	108	AUDIT REPORTS	Audit Reports/Corrective Actions/Responses Supporting Documents and Workpapers	P				GC §60201 (d)(10) - Permanent
Laboratory (LAB)	109	LABORATORY EQUIPMENT FILES	Operating Manuals Maintenance Manuals	S+1				22 CCR 64815 - 3 years

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Laboratory (LAB)	110	LABORATORY FILES	Analytical Results Bacti-analysis Reports Bench Data Summary Laboratory Bioassay Results Chromatographic Analysis Reports Chain of Custody Forms (Laboratory copy) Water Sample Laboratory Reports Quality Assurance Logs Correspondence	5				California Regional Water Quality Control Board Recordkeeping Requirements Order No. R8-2009-0021, NPDES No. CA8000409 - 5 years
Laboratory (LAB)	111	CHEMICAL INVENTORY	Annual Inventory List Employee Exposure Report - Methylene Chloride	30				8 CCR 3204 (c)(5)(D) - 30 years
North & South Operations & Maintenance (N/S O&M)	112	MAINTENANCE/EQUIPMENT FILES	Corrective Maintenance Work Orders Preventative Maintenance Work Orders	2				GC §60201 - 2 years
North Operations & Maintenance (N. O&M)	113	WAREHOUSE MATERIALS REQUISITIONS	Goods Issued Receipt Activity Records Reorder Reports	4				CCP §337 - 4 years
South Operations & Maintenance (S. O&M)	114	VEHICLE/EQUIPMENT FILES	Maintenance/Mileage Report Files Vehicle Information Forms (VIF)	4				CCP §337 - 4 years
North & South Operations & Maintenance (N/S O&M)	115	INFORMATION TECHNOLOGY ASSET FORMS		C+2				GC §60201 - 2 years
Planning & Environmental Compliance (PEC)	116	DOMESTIC WASTE HAULER DUMP STATION FILES	Billing Logs Correspondence Daily Reports Discharge Reports Septic Tank and Cesspool Manifests Rejection Loads Violations	3				14 CCR 18808.4 - 3 years
North & South Operations & Maintenance (N/S O&M)	117	EMPLOYEE SAFETY PERMITS	Confined Space Entry Hotwork	2				Send copies to Human Resources. GC §60201 - 2 years
Planning & Environmental Compliance (PEC)	118	AGENCY FILES (City, State, County, Federal)	Annexations LAFCO Tract Maps	P				GC §60201 (d)(8) - Permanent
Planning & Environmental Compliance (PEC)	119	REGIONAL CONTRACTING AGENCIES	Analytical/Monthly/Quarterly/Annual Reports Correspondence Enforcements Inspections Monitoring	5				40 CFR 403.12 - 3 years

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Planning & Environmental Compliance (PEC)	120	GENERAL REPORTS	Environmental Impact Reports - Other Agencies	2				Do not include reports related to this Agency's Environmental Compliance (See record series #16-PLN). GC §60201 - 2 years
Planning & Environmental Compliance (PEC)	121	BUILDING ACTIVITY REPORTS	Building Recharge Replenishment	10				CCP § 337.15 - 10 years after completion
Planning & Environmental Compliance (PEC)	122	ENVIRONMENTAL COMPLIANCE	Permit Files/Management Files - NPDES - SCAQMD (Permit to Operate) - NRW Industrial Waste Discharge - Regional NRW Client/Permit Drawings Recorded Documents Reports and Studies	P	X			Send Originals to Records Management for permanent retention. Copies of permits issued to IEUA are located at various sites of the Agency. GC §60201 (d)(1)(8)(10) - Permanent CEQA Guidelines - Permanent 40 CFR 122.28 - Permanent
Planning & Environmental Compliance (PEC)	123	TEN-YEAR CAPITAL IMPROVEMENT - Backup (Calculations)		P				GC §60200/GC §60200 (d) (1). If duplicates, then retain for 2 years. Otherwise, keep permanent.
Planning & Environmental Compliance (PEC)	124	PROJECTS, PROGRAMS AND PLANS (Grant-Related)	Dry Year Yield Program Groundwater Recharge Plan Recycled Water Program Strategy Urban Water Management Plan, etc.	C+36				CCP §337 - 4 years after completion. GC §60201 (d)(10) - Permanent SRF Loan Agreement Record Keeping Requirements-sections XV and 2.18 (b) - 36 years.
Planning & Environmental Compliance (PEC)	125	WATER CONSERVATION/REBATE PROGRAMS	Applications	36				GC §60201 - 2 years SRF Loan Agreement Record Keeping Requirements-sections XV and 2.18 (b) - 36 years.
Planning & Environmental Compliance (PEC)	126	MWD BILLINGS		36				GC §60201 - 2 years SRF Loan Agreement Record Keeping Requirements-sections XV and 2.18 (b) - 36 years.
Planning & Environmental Compliance (PEC)	127	WATER RESOURCES	Agricultural Certifications Allocations of Building Activity Billing Service Connections Capacity Charges MWD Deliveries Recharge Activities Replenishments	2				GC §60201 - 2 years
Planning & Environmental Compliance (PEC)	128	REGULATORY REPORTS	Annual Emission Groundwater Recharge NPDES SCAQMD Stormwater Testing Results Violations Water Supply	P				Official copies of reports submitted by IEUA. GC §60201 (d)(10) - Permanent+1135

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Planning & Environmental Compliance (PEC)	129	REGULATORY REPORTS (Backup)	Drafts Notes Working Papers	2				GC §60201 - 2 years
Planning & Environmental Compliance (PEC)	130	PRETREATMENT FILES	Chain of Custody Correspondence Enforcement Data Inspections Manifest Monitoring O&M Manuals Production Monitoring Data Self-Monitoring Report (SMR) Requirement Slug Discharge Control	5				Drawings are filed with record series #16-PLN for permanent retention.  CCP §337 - 4 years after completion on contract work
Planning & Environmental Compliance (PEC)	131	INDUSTRIAL CLIENT FLOW METER CHARTS	Circular and Strip Charts	3				Stored on Compact Flash Disks 40 CFR 122.41 - 3 years
Planning & Environmental Compliance (PEC)	132	PRETREATMENT REFERENCE RECORDS	Baseline Monitoring Reports (BMR) Fact Sheets Pipeline Condition Assessments (CCTV) Process Diagram Regulatory Agencies Agreements/Contracts Slug Discharge Control	20				Records are needed for administrative purposes when issuing or renewing permits. 30 CFR 403.12 - 3 years
Planning & Environmental Compliance (PEC)	133	RECYLED WATER CUSTOMERS	Correspondence	4				CCP §337 - 4 years
Technical Services (TS)	134	REPORTS AND STUDIES		P				GC §60201 (d)(10) - Permanent
Technical Services (TS)	135	COST CONTROL	Cost Reduction Measures Cost Savings Efficiency Project UPC	2				GC §60201 - 2 years
North & South Operations & Maintenance (N/S O&M)	136	AGENCY FILES (Local, State, County, Federal)	Correspondence	2				GC §60201 - 2 years

OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
North & South Operations & Maintenance (N/S O&M)	137	FACILITY OPERATIONS LOGS/REPORTS/CHARTS	<b>Flow Log Books</b> - GWR/RW (Groundwater Recharge / Recycled Water), RP-1, RP-4 (N. O&M) - CCWRF, Collections, RP-1, RP-2 RP-5, Collections (S. O&M) <b>Process Monitoring Charts</b> - GWR/RW (Groundwater Recharge / Recycled Water), RP-1, RP-4 (N. O&M) - CCWRF, Collections, RP-1, RP-2 RP-5, Collections (S. O&M) - Tertiary (N. & S. O&M) <b>Round Sheets</b> - GWR/RW (Groundwater Recharge / Recycled Water), RP-1, RP-4 (N. O&M) - CCWRF, Collections, RP-1, RP-2 RP-5, Collections (S. O&M) - Tertiary (N. & S. O&M) <b>Solids Log Books</b> - GWR/RW (Groundwater Recharge / Recycled Water), RP-1, RP-4 (N. O&M) - CCWRF, Collections, RP-1, RP-2 RP-5, Collections (S. O&M) - Tertiary (N. & S. O&M)	5				40 CFR 503.17 - 5 years
North & South Operations & Maintenance (N/S O&M)	138	EMPLOYEE SAFETY	Permit Logs Reports Training Meetings - Process - Safety/Tailgate	3				Send copies of permits to Human Resources. GC §60201 - 2 years 29 CFR 1627.3 - 3 years
North & South Operations & Maintenance (N/S O&M)	139	ENVIRONMENTAL COMPLIANCE REPORTS & STUDIES	Biosolids Monitoring Reports California Environmental Quality Act (CEQA) Operations and Compliance Summaries	P				Send CEQA records to Planning and Environmental Compliance for retention. GC §60201 (d)(10) - Permanent retention for Environmental Compliance. GC §60201 (d)(1) and CEQA Guidelines - Permanent.
IERCF	140	BOARD MEETINGS - IERCF	INLAND EMPIRE REGIONAL COMPOSTING FACILITY - Agenda Packets - Minutes	P				Send records to Records Management for retention. GC §60201 - 2 years GC §60201 (d)(2-3) - Permanent
Agency-Wide (AW)	141	CERTIFICATIONS	ELAP Certifications	5				
Agency-Wide (AW)	142	NETWORK DIAGRAMS		4				

OFFICE OF RECORD	NEW RECORD SERIES NO.	RECORD SERIES TITLE	EXAMPLES	RETENTION PERIOD (Years)	Vital	Historical	Confidential	REMARKS/CITATIONS
North & South Operations & Maintenance (N/S O&M)	143	MANUALS	Operating Manuals Maintenance Manuals Vendors	5+2				GC §60201 - 2 years
IERCF	144	FACILITY OPERATIONS LOGS/REPORTS/CHARTS	Inbound Biosolids Tickets/Sales Invoices - IERCF	5				40 CFR 503.17 - 5 years

**INFORMATION  
ITEM**

**5H**



**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Shivaji Deshmukh, General Manager

**Committee:** Finance & Administration

09/11/19

*SDM*

**Executive Contact:** Christina Valencia, Executive Manager of Finance & Administration/AGM

**Subject:** Treasurer's Report of Financial Affairs

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**Executive Summary:**

The Treasurer's Report of Financial Affairs for the month ended July 31, 2019 is submitted in a format consistent with the State requirement.

For the month of July 2019, total cash, investments, and restricted deposits of \$259,751,259 reflects an increase of \$3,145,900 compared to the total of \$256,605,359 reported for June 2019. The increase was primarily due to an increase in restricted deposits for wastewater connection fees held by member agencies. The average days cash on hand for the month ended July 31, 2019 decreased slightly from 266 days to 261 days.

The unrestricted Agency investment portfolio yield in July 2019 was 2.452 percent, a decrease of 0.091 percent compared to the June 2019 yield of 2.543 percent. The slight decrease in yield is mainly attributed to lower monthly yield in California Asset Management Program's (CAMP) and LAIF accounts when compared to the prior month, as a result of declining interest rates in the market.

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**Staff's Recommendation:**

The Treasurer's Report of Financial Affairs for the month ended July 31, 2019 is an information item for the Board of Director's review.

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**Budget Impact** *Budgeted (Y/N):* N *Amendment (Y/N):* N *Amount for Requested Approval:*

*Account/Project Name:*

*Fiscal Impact (explain if not budgeted):*

Interest earned on the Agency's investment portfolio increases the Agency's overall reserves.



**Prior Board Action:**

On August 21, 2019, the Board of Directors approved the Treasurer's Report of Financial Affairs for the month ended June 30, 2019.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Financial Affairs report is consistent with the Agency's Business Goal of Fiscal Responsibility in providing financial reporting that accounts for cash and investment activities to fund operating requirements and to optimize investment earnings.

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**Attachments:**

Attachment 1 - Background

Attachment 2 - PowerPoint

Attachment 3 - Treasurer's Report of Financial Affairs

# Background

Subject: Treasurer's Report of Financial Affairs

The Treasurer's Report of Financial Affairs for the month ended July 31, 2019 is submitted in a format consistent with State requirements. The monthly report denotes investment transactions that have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2019-3-1).

Agency total cash, investments, and restricted deposits for the month of July 2019 was \$259.7 million, an increase of \$3.1 million from the \$256.6 million reported for the month ended June 30, 2019. The increase was primarily due to an increase in restricted deposits from wastewater connection fees held by member agencies.

Table 1 represents the unrestricted Agency investment portfolio, by authorized investment and duration, with total portfolio amount of \$149.9 million. The Agency portfolio excludes cash and restricted deposits in the amount of \$109.8 million held by member agencies and with fiscal agents.

**Table 1: Agency Portfolio**

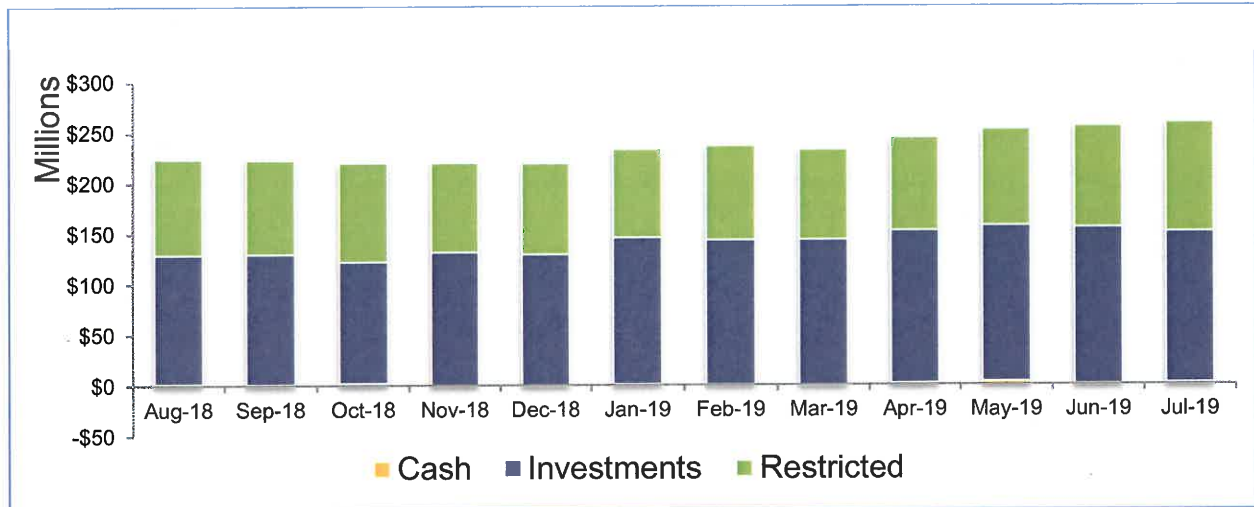
Authorized Investments	Allowable Threshold (\$ million or %)	Investment Value as of July 31, 2019 (\$ million)				Average Yield %	Portfolio% (Unrestricted)
		Under 1 Year	1-3 Years	Over 3 Years	Total		
LAIF*- Unrestricted	\$65	\$21.7	\$0	\$0	\$21.7	2.38%	14.5%
CAMP** – Unrestricted	n/a	22.2			22.2	2.42	14.9
Citizens Business Bank – Sweep	40%	14.6			14.6	1.10	9.7
<b>Sub-Total Agency Managed</b>		<b>\$58.5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58.5</b>	<b>2.08%</b>	<b>39.1%</b>
Brokered Certificates of Deposit	30%	\$2.8	\$1.1	\$0	\$3.9	3.12%	2.6%
Commercial Paper	25%	1.0			1.0	3.07	0.7
Medium Term Notes	30%	0.8	6.9	7.4	15.1	3.03	10.0
Municipal Bonds	10%	1.0			1.0	1.75	0.7
US Treasury Notes	n/a	2.2	24.5	21.0	47.7	2.57	31.8
US Gov't Securities	n/a	3.5	11.7	7.5	22.7	2.68	15.1
<b>Sub-Total PFM Managed</b>		<b>\$11.3</b>	<b>\$44.2</b>	<b>\$35.9</b>	<b>\$91.4</b>	<b>2.69%</b>	<b>60.9%</b>
<b>Total</b>		<b>\$69.8</b>	<b>\$44.2</b>	<b>\$35.9</b>	<b>\$149.9</b>	<b>2.452%</b>	<b>100.0%</b>

\*LAIF – Local Agency Investment Fund

\*\*CAMP – California Asset Management Program

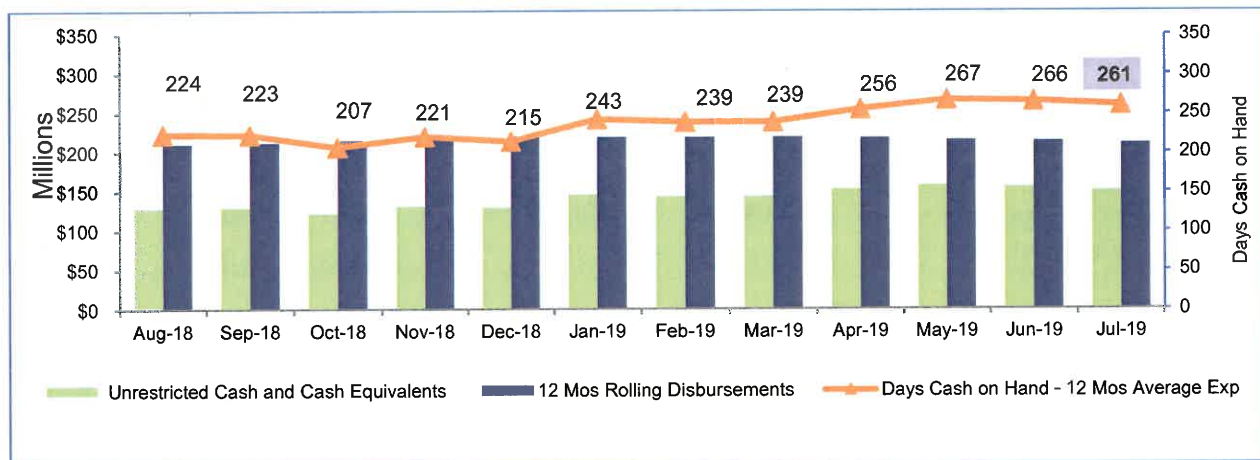
+/- due to rounding

Figure 1: Cash, Investments, and Restricted Deposits



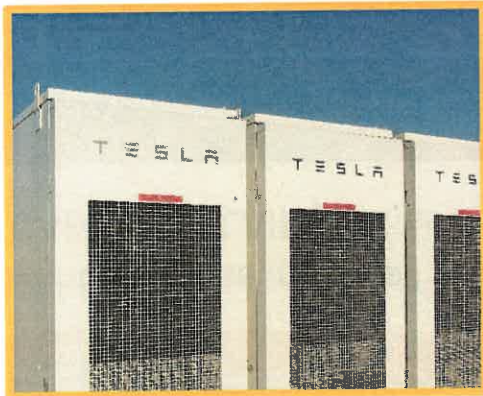
Average days cash on hand is calculated using the monthly ending balance of unrestricted cash and cash equivalents divided by disbursements associated with operating expenses, debt service, and capital expenditures as recorded in the Agency's cash flow. The average days cash on hand for the month ended July 31, 2019 decreased slightly from 266 days to 261 days as shown in Figure 2.

Figure 2: Days Cash on Hand – 12 Month Rolling Average



Monthly cash and investment summaries are available on the Agency's website at: <https://www.ieua.org/fy-2019-20-cash-and-investment-summary/>

# Treasurer's Report of Financial Affairs for Month Ended July 31, 2019



# Agency Liquidity

- ❖ Slight decrease in overall yield due to lower rate in California Asset Management Program (CAMP) and LAIF yield as a result of declining interest rates in the market.

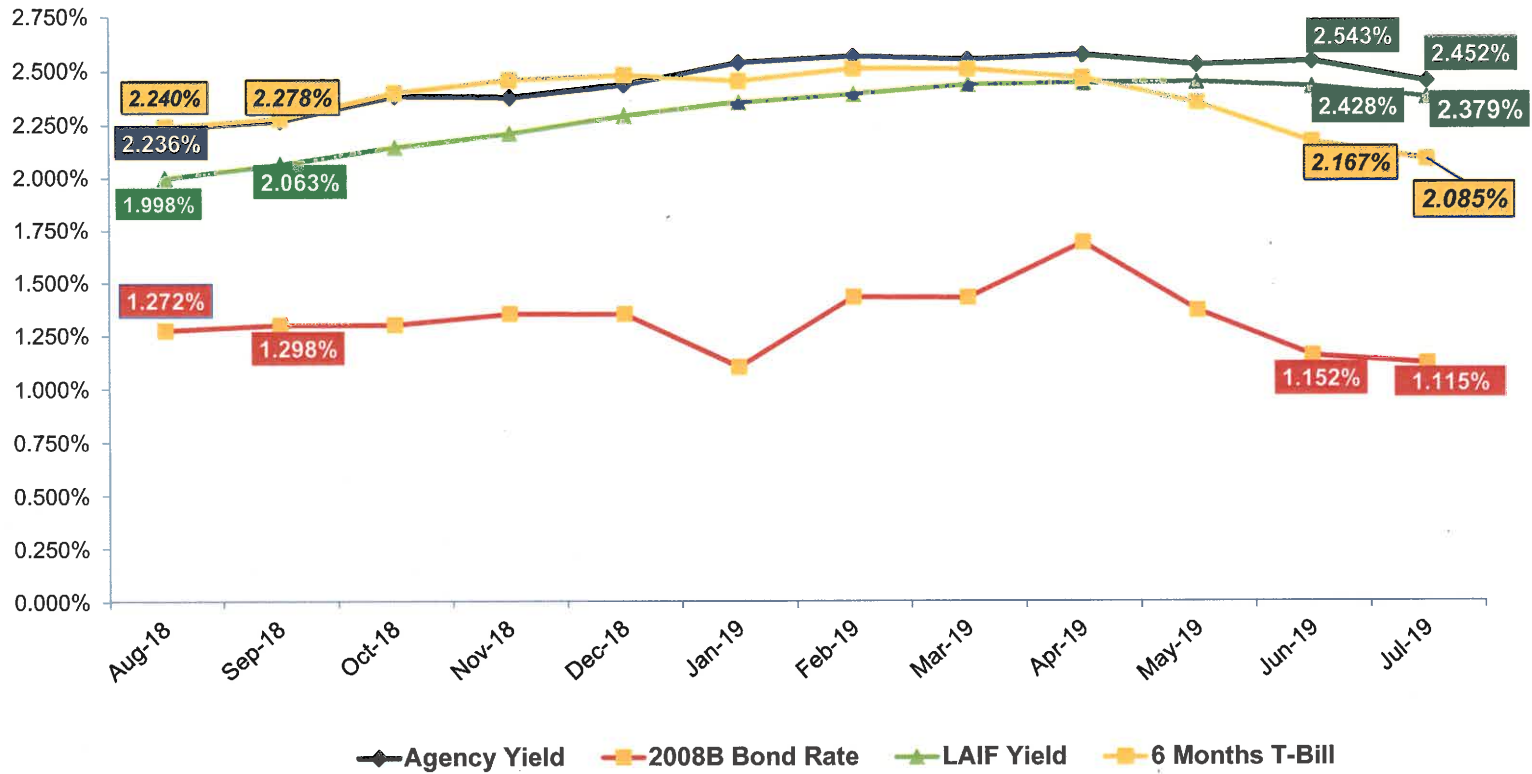
Description	July (\$ million)	June (\$ million)	Increase/ (Decrease) (\$ million)
Investment Portfolio	\$149.9	\$155.5	(\$5.6)
Cash and Restricted Deposits	\$109.8	\$101.1	\$8.7
<b>Total Investments, Cash, and Restricted Deposits</b>	<b>\$259.7</b>	<b>\$256.6</b>	<b>\$3.1</b>
Investment Portfolio Yield	2.452%	2.543%	0.091%
Weighted Average Duration (Years)	0.97	1.00	(0.03)
Average Cash on Hand (Days)	261	266	(5)

Monthly cash and investment summaries available at <https://www.ieua.org/fy-2019-20-cash-and-investment-summary/>

# Agency Investment Position

Authorized Investments	Allowable Threshold (\$ million or %)	Under 1 Year	1 – 3 Years	Over 3 Years	Total	Average Yield %	Portfolio % (Unrestricted)
Local Agency Investment Fund	\$65	\$21.7	\$0	\$0	\$21.7	2.38%	14.5%
California Asset Management Program	n/a	22.2			22.3	2.42	14.9
Citizens Business Bank – Sweep	40%	14.6			14.6	1.10	9.7
<b>Sub-Total Agency Managed</b>		<b>\$58.5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58.5</b>	<b>2.08%</b>	<b>39.1%</b>
Brokered Certificates of Deposit (CD)	30%	\$2.8	\$1.1	\$0	\$3.9	3.12%	2.6%
Commercial Paper	25%	1.0			1.0	3.07	0.7
Medium Term Notes	30%	0.8	6.9	7.5	15.1	3.03	10.0
Municipal Bonds	10%	1.0			1.0	1.75	0.7
US Treasury Notes	n/a	2.2	24.5	21.0	47.7	2.57	31.8
US Government Securities	n/a	3.5	11.7	7.5	22.7	2.68	15.1
<b>Sub-Total PFM Managed</b>		<b>\$11.3</b>	<b>\$44.2</b>	<b>\$35.9</b>	<b>\$91.4</b>	<b>2.69%</b>	<b>60.9%</b>
<b>Total</b>		<b>\$69.8</b>	<b>\$44.2</b>	<b>\$35.9</b>	<b>\$149.9</b>	<b>2.452%</b>	<b>100.0%</b>

# Portfolio Yield Comparison



# Questions



The Treasurer's Report of Financial Affairs is consistent with the Agency's business goal of fiscal responsibility.



## TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended July 31, 2019



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2019-3-1) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on May 15, 2019.

The funds anticipated to be available during the next six-month period are expected to be sufficient to meet all foreseen expenditures during the period.

\* A Municipal Water District

**INLAND EMPIRE UTILITIES AGENCY**  
**Cash and Investment Summary**

Month Ended  
July 31, 2019

	July	June	Variance
<b><u>Cash, Bank Deposits, and Bank Investment Accounts</u></b>	\$1,419,028	\$447,303	\$971,725
<b><u>Investments</u></b>			
<b>Agency Managed</b>			
Citizens Business Bank (CBB) Repurchase (Sweep)	\$14,582,030	\$6,242,498	\$8,339,532
Local Agency Investment Fund (LAIF)	21,665,351	21,665,351	0
California Asset Management Program (CAMP)	22,287,331	36,220,463	(13,933,132)
<b>Total Agency Managed Investments</b>	58,534,712	64,128,312	(5,593,600)
<b>PFM Managed</b>			
Certificates of Deposit	\$3,864,769	\$3,864,746	\$23
Municipal Bonds	999,894	999,788	106
Commercial Paper	1,019,320	1,016,685	2,635
Medium Term Notes	15,073,944	15,076,304	(2,360)
U.S. Treasury Notes	47,694,343	46,170,797	1,523,546
U.S. Government Sponsored Entities	22,708,549	24,203,928	(1,495,379)
<b>Total PFM Managed Investments</b>	91,360,819	91,332,248	28,571
<b>Total Investments</b>	\$149,895,531	\$155,460,560	(\$5,565,029)
<b>Total Cash and Investments Available to the Agency</b>	\$151,314,559	\$155,907,863	(\$4,593,304)
<b><u>Restricted Deposits</u></b>			
CAMP Water Connection Reserve	\$15,960,387	\$14,137,212	\$1,823,175
LAIF Self Insurance Reserve	6,444,821	6,273,633	171,188
Debt Service Accounts	2,610,311	2,606,439	3,872
Capital Capacity Reimbursement Account (CCRA) Deposits Held by Member Agencies**	65,994,860	60,318,973	5,675,887
California Employers' Retirement Benefit Trust Account - CERBT (Other Post Employment Benefits - OPEB)	17,301,467	17,240,078	61,389
Escrow Deposits	124,854	121,161	3,693
<b>Total Restricted Deposits</b>	\$108,436,700	\$100,697,496	\$7,739,204
<b>Total Cash, Investments, and Restricted Deposits</b>	<b>\$259,751,259</b>	<b>\$256,605,359</b>	<b>\$3,145,900</b>

\*\*Total reported as of June 2019

# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended

July 31, 2019

### Cash, Bank Deposits, and Bank Investment Accounts

CBB Demand Account (Negative balance offset by CBB Sweep Balance)	\$630,901
CBB Payroll Account	-
CBB Workers' Compensation Account	43,609
Subtotal Demand Deposits	<u>\$674,510</u>

### **Other Cash and Bank Accounts**

Petty Cash	\$2,250
Subtotal Other Cash	<u>\$2,250</u>

### **US Bank Pre-Investment Money Market Account**

\$742,268

### ***Total Cash and Bank Accounts***

**\$1,419,028**

### Unrestricted Investments

#### **CBB Repurchase (Sweep) Investments**

Fannie Mae	\$14,582,030
Subtotal CBB Repurchase (Sweep)	<u>\$14,582,030</u>

#### **Local Agency Investment Fund (LAIF)**

LAIF Fund	\$21,665,351
Subtotal Local Agency Investment Fund	<u>\$21,665,351</u>

#### **California Asset Management Program (CAMP)**

Short Term	\$22,287,331
Subtotal CAMP	<u>\$22,287,331</u>

### **Subtotal Agency Managed Investment Accounts**

\$58,534,712

# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended

July 31, 2019

### Unrestricted Investments Continued

#### **Brokered Certificates of Deposit**

Brokered Certificates of Deposit	\$3,864,769
Subtotal Brokered Certificates of Deposit	<u>\$3,864,769</u>

#### **Commercial Paper**

JP Morgan Securities	\$1,019,320
Subtotal Commercial Paper	<u>\$1,019,320</u>

#### **Municipal Bonds**

University of California Taxable Revenue Bonds	\$999,894
Subtotal State and Municipal Bonds	<u>\$999,894</u>

#### **Medium Term Notes**

UPS of America Inc	\$751,742
Hershey Company	334,860
American Honda Finance	779,768
Boeing Co	758,497
Toyota Motor	1,185,661
Bank of NY Mellon	2,766,669
American Express	790,121
Walt Disney Company	803,905
Paccar Financial Corp	929,534
Visa Inc	803,652
Bank of America	777,565
Oracle Corporation	1,396,832
Amazon Inc	926,664
Burlington North Santa Fe Corp	793,084
Pfizer Inc	1,275,390
Subtotal Medium Term Notes	<u>\$15,073,944</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Cash and Investment Summary**

Month Ended  
July 31, 2019

**Unrestricted Investments Continued**

**U.S. Treasury Notes**

Treasury Note	\$47,694,343
Subtotal U.S. Treasury Notes	<u>\$47,694,343</u>

**U.S. Government Sponsored Entities**

Fannie Mae Bank	\$8,255,074
Freddie Mac Bank	7,995,048
Federal Home Loan Bank	6,458,427
Subtotal U.S. Government Sponsored Entities	<u>\$22,708,549</u>

**Subtotal PFM Managed Investment Accounts** \$91,360,819

***Total Investments*** \$149,895,531

**Restricted Deposits**

**Investment Pool Accounts**

CAMP -Water Connection Reserves	\$15,960,387
LAIF - Self Insurance Fund Reserves	6,444,821
Subtotal Investment Pool Accounts	<u>\$22,405,208</u>

**Debt Service**

2008B Debt Service Accounts	\$2,609,795
2010A Debt Service Accounts	3
2017A Debt Service Accounts	513
Subtotal Debt Service	<u>\$2,610,311</u>

**INLAND EMPIRE UTILITIES AGENCY**

**Cash and Investment Summary**

Month Ended

July 31, 2019

**Restricted Deposits Continued**

**CCRA Deposits Held by Member Agencies**

City of Chino	\$10,665,100
Cucamonga Valley Water District	11,280,117
City of Fontana	9,363,869
City of Montclair	3,081,312
City of Ontario	20,904,691
City of Chino Hills	6,275,501
City of Upland	4,424,270
Subtotal CCRA Deposits Held by Member Agencies**	<u>\$65,994,860</u>

\*\*Total reported as of June 2019

**CalPERS**

CERBT Account (OPEB)	<u>\$17,301,467</u>
Subtotal CalPERS Accounts	\$17,301,467

**Escrow Deposits**

Genesis Construction	\$78,417
Stanek Construction	46,437
Subtotal Escrow Deposits	<u>\$124,854</u>

***Total Restricted Deposits*** \$108,436,700

***Total Cash, Investments, and Restricted Deposits as of July 31, 2019*** \$259,751,259

Total Cash, Investments, and Restricted Deposits as of 07/31/19 \$259,751,259

Less: Total Cash, Investments, and Restricted Deposits as of 06/30/19 256,605,359

***Total Monthly Increase (Decrease)*** \$3,145,900

**INLAND EMPIRE UTILITIES AGENCY**

**Cash and Investment Summary**

Month Ended  
July 31, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
<b>Cash, Bank Deposits, and Bank Investment Accounts</b>														
<b>Citizens Business Bank (CBB)</b>														
Demand Account							\$630,901	\$630,901	N/A	\$630,901		N/A	N/A	\$630,901
Payroll Checking							0	0	N/A	0		N/A	N/A	0
Workers' Compensation Account							43,609	43,609	N/A	43,609		N/A	N/A	43,609
Subtotal CBB Accounts							\$674,510	\$674,510		\$674,510				\$674,510
<b>US Bank (USB)</b>														
Custodial Money Market (Investment Mgmt.)							\$615,540	\$615,540	N/A	\$615,540		1.79%	N/A	\$615,540
Custodial Money Market (Debt Service)							126,728	126,728	N/A	126,728		1.79%	N/A	126,728
Subtotal USB Account							\$742,268	\$742,268		\$742,268		1.79%		\$742,268
<b>Petty Cash</b>							\$2,250	\$2,250	N/A	\$2,250		N/A	N/A	\$2,250
<b>Total Cash, Bank Deposits and Bank Investment Accounts</b>							<b>\$1,419,028</b>	<b>\$1,419,028</b>		<b>\$1,419,028</b>				<b>\$1,419,028</b>
<b>Investments</b>														
<b>CBB Daily Repurchase (Sweep) Accounts</b>														
Fannie Mae							\$14,582,030	\$14,582,030	N/A	\$14,582,030		1.10%	N/A	\$14,582,030
Subtotal CBB Repurchase Accounts							\$14,582,030	\$14,582,030		\$14,582,030		1.10%		\$14,582,030
<b>LAIF Accounts</b>														
Non-Restricted Funds							\$21,665,351	\$21,665,351	N/A	\$21,665,351		2.379%	N/A	\$21,665,351
Subtotal LAIF Accounts							\$21,665,351	\$21,665,351		\$21,665,351		2.379%		\$21,665,351
<b>CAMP Accounts</b>														
Non-Restricted Funds							\$22,287,331	\$22,287,331	N/A	\$22,287,331		2.42%	N/A	\$22,287,331
Subtotal CAMP Accounts							\$22,287,331	\$22,287,331		\$22,287,331		2.42%		\$22,287,331
<b>Subtotal Agency Managed Investment Accounts</b>							<b>\$58,534,712</b>	<b>\$58,534,712</b>		<b>\$58,534,712</b>		<b>2.08%</b>		<b>\$58,534,712</b>
<b>Brokered Certificates of Deposit (CDs)</b>														
Bank of Nova Scotia Houston	06/07/18	718	A-1	P-1			\$1,410,000	\$1,409,464	729	\$1,409,769	3.08%	3.10%	06/05/20	\$1,422,980
Bank of Montreal Chicago	08/03/18	720	A+	Aa2			1,400,000	1,400,000	731	1,400,000	3.19%	3.23%	08/03/20	1,411,609
Synchrony Bank	10/02/15	1800	N/R	N/R			240,000	240,000	1827	240,000	2.25%	2.25%	10/02/20	240,657
Royal Bank of Canada NY	06/08/18	1079	AA-	Aa2			815,000	815,000	1095	815,000	3.24%	3.24%	06/07/21	832,527
Subtotal Brokered CDs							\$3,865,000	\$3,864,464		\$3,864,769		3.12%		\$3,907,773

**INLAND EMPIRE UTILITIES AGENCY**

**Cash and Investment Summary**

Month Ended  
July 31, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
<b>Investments (continued)</b>														
<b>US Treasury Note</b>														
US Treasury Note	04/18/18	807	AA+	Aaa			\$2,195,000	\$2,149,128	819	\$2,175,202	1.500%	2.46%	07/15/20	\$2,183,081
US Treasury Note	04/18/18	1003	AA+	Aaa			2,225,000	2,201,012	1019	2,211,925	2.125%	2.53%	01/31/21	2,229,519
US Treasury Note	01/24/19	741	AA+	Aaa			1,900,000	1,886,938	753	1,890,189	2.250%	2.59%	02/15/21	1,907,794
US Treasury Note	03/15/19	825	AA+	Aaa			2,781,000	2,761,120	838	2,764,396	2.125%	2.45%	06/30/21	2,791,754
US Treasury Note	04/17/18	1184	AA+	Aaa			2,615,000	2,588,543	1201	2,598,703	2.250%	2.57%	07/31/21	2,632,058
US Treasury Note	07/17/18	1184	AA+	Aaa			580,000	567,426	1202	571,297	2.000%	2.69%	10/31/21	581,405
US Treasury Note	04/17/18	1303	AA+	Aaa			2,555,000	2,480,346	1323	2,506,183	1.750%	2.60%	11/30/21	2,547,215
US Treasury Note	04/25/18	1416	AA+	Aaa			2,500,000	2,418,750	1436	2,444,029	1.875%	2.75%	03/31/22	2,501,660
US Treasury Note	08/03/18	1318	AA+	Aaa			3,070,000	2,969,266	1336	2,995,688	1.875%	2.82%	03/31/22	3,072,038
US Treasury Note	09/06/18	1285	AA+	Aaa			3,790,000	3,678,225	1302	3,705,514	1.875%	2.75%	03/31/22	3,792,516
US Treasury Note	04/17/18	1453	AA+	Aaa			1,605,000	1,558,480	1474	1,572,816	1.875%	2.64%	04/30/22	1,605,313
US Treasury Note	07/05/18	1435	AA+	Aaa			1,300,000	1,252,570	1456	1,264,850	1.750%	2.72%	06/30/22	1,296,496
US Treasury Note	06/06/18	1554	AA+	Aaa			2,065,000	1,980,706	1577	2,002,289	1.750%	2.76%	09/30/22	2,058,386
US Treasury Note	05/04/18	1617	AA+	Aaa			1,600,000	1,546,625	1641	1,560,743	2.000%	2.80%	10/31/22	1,607,062
US Treasury Note	10/04/18	1557	AA+	Aaa			1,040,000	990,356	1580	999,378	1.750%	2.93%	01/31/23	1,036,303
US Treasury Note	04/17/18	1751	AA+	Aaa			305,000	288,535	1778	292,687	1.500%	2.69%	02/28/23	301,307
US Treasury Note	07/05/18	1673	AA+	Aaa			1,275,000	1,206,269	1699	1,221,372	1.500%	2.74%	02/28/23	1,259,560
US Treasury Note	02/12/19	1489	AA+	Aaa			1,235,000	1,189,508	1508	1,194,425	1.500%	2.44%	03/31/23	1,219,563
US Treasury Note	01/24/19	1596	AA+	Aaa			2,000,000	1,899,453	1618	1,910,696	1.38%	2.58%	06/30/23	1,964,062
US Treasury Note	02/12/19	1609	AA+	Aaa			1,260,000	1,196,951	1630	1,203,265	1.25%	2.44%	07/31/23	1,230,863
US Treasury Note	05/03/19	1587	AA+	Aaa			650,000	667,088	1611	666,181	2.88%	2.25%	09/30/23	676,356
US Treasury Note	03/08/19	1687	AA+	Aaa			3,450,000	3,484,904	1713	3,482,143	2.75%	2.52%	11/15/23	3,576,004
US Treasury Note	01/09/19	1761	AA+	Aaa			2,525,000	2,479,826	1786	2,484,751	2.13%	2.52%	11/30/23	2,552,914
US Treasury Note	01/31/19	1770	AA+	Aaa			120,000	120,356	1795	120,323	2.63%	2.56%	12/31/23	123,895
US Treasury Note	06/04/19	1766	AA+	Aaa			2,345,000	2,355,534	1792	2,355,216	2.00%	1.90%	04/30/24	2,359,931
US Treasury Note	07/03/19	1797	AA+	Aaa			1,485,000	1,500,314	1853	1,500,082	2.00%	2.00%	06/30/24	1,494,455
Subtotal US Treasuries							\$48,471,000	\$47,418,229		\$47,694,343		2.57%		\$48,601,510
<b>U.S. Government Sponsored Entities</b>														
Federal Home Loan Bank	04/25/18	646	AA+	Aaa			1,000,000	993,050	657	997,929	2.13%	2.52%	02/11/20	999,722
Federal Home Loan Bank	04/18/18	702	AA+	Aaa			2,500,000	2,495,600	712	2,498,486	2.38%	2.47%	03/30/20	2,504,855
Freddie Mac Bond	04/17/18	1019	AA+	Aaa			2,500,000	2,485,350	1036	2,491,914	2.38%	2.59%	02/16/21	2,514,108
Freddie Mac Bond	04/25/18	1011	AA+	Aaa			2,550,000	2,527,994	1028	2,537,743	2.38%	2.70%	02/16/21	2,564,390
Fannie Mae Bond	04/17/18	1076	AA+	Aaa			2,510,000	2,502,671	1092	2,505,766	2.50%	2.60%	04/13/21	2,532,843
Federal Home Loan Bank	01/24/19	987	AA+	Aaa			1,865,000	1,882,717	1001	1,879,458	3.00%	2.63%	10/21/21	1,908,087
Fannie Mae Bond	01/11/19	1080	AA+	Aaa			795,000	794,428	1096	794,530	2.63%	2.65%	01/11/22	807,578
Federal Home Loan Bank	05/28/19	1075	AA+	Aaa			1,520,000	1,519,772	1091	1,519,786	2.65%	2.66%	05/23/22	1,520,042
Fannie Mae Bond	04/17/18	1608	AA+	Aaa			1,655,000	1,603,678	1632	1,617,866	2.00%	2.74%	10/05/22	1,660,119
Freddie Mac Bond	07/05/18	1784	AA+	Aaa			1,450,000	1,444,461	1810	1,445,605	2.75%	2.83%	06/19/23	1,494,108
Fannie Mae Bond	12/06/18	1716	AA+	Aaa			855,000	853,273	1741	853,514	2.88%	2.92%	09/12/23	887,133
Fannie Mae Bond	11/05/18	1747	AA+	Aaa			1,820,000	1,803,274	1772	1,805,699	2.88%	3.08%	09/12/23	1,888,401
Federal Home Loan Bank	01/31/19	1748	AA+	Aaa			870,000	895,642	1772	893,168	3.38%	2.72%	12/08/23	922,515
Fannie Mae Bond	02/08/19	1797	AA+	Aaa			680,000	677,470	1823	677,699	2.50%	2.58%	02/05/24	697,503
Federal Home Loan Bank	02/15/19	1798	AA+	Aaa			190,000	189,327	1824	189,386	2.50%	2.58%	02/13/24	195,299
Subtotal U.S. Gov't Sponsored Entities							22,760,000	22,668,708		\$22,708,549		2.68%		\$23,096,703



**INLAND EMPIRE UTILITIES AGENCY**

**Cash and Investment Summary**

Month Ended  
July 31, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
<b>Investments (continued)</b>														
<b>Commercial Paper</b>														
JP Morgan Securities	11/13/18		A-1	P-1			\$1,020,000	\$997,135	269	\$1,019,320	3.07%		08/09/19	\$1,019,403
Subtotal Commercial Paper							\$1,020,000	\$997,135		\$1,019,320	3.07%			\$1,019,403
<b>Municipal Bonds</b>														
University of California Taxable Revenue Bonds	02/09/17		AA	N/R			\$1,000,000	\$996,800	934	\$999,894	1.625%	1.75%	09/01/19	\$999,520
Subtotal State and Local Municipal Bonds							\$1,000,000	\$996,800		\$999,894	1.75%			\$999,520
<b>Investments (continued)</b>														
<b>Medium Term Notes</b>														
UPS of America Inc	04/18/18	703	A+	A1			725,000	802,046	714	751,742	8.38%	2.75%	04/01/20	752,947
Toyota Motor	01/08/19	720	AA-	Aa3			200,000	199,880	731	199,913	3.05%	3.08%	01/08/21	202,509
Hershey Company	05/10/18	1085	A	A1			335,000	334,769	1101	334,860	3.10%	3.12%	05/15/21	340,390
American Honda Finance	04/18/18	1164	A	A2			800,000	767,016	1181	779,768	1.65%	3.00%	07/12/21	789,574
Boeing Co	04/18/18	1197	A	A2			680,000	805,678	1215	758,497	8.75%	2.88%	08/15/21	762,891
Toyota Motor	04/27/18	1334	AA-	Aa3			1,000,000	978,790	1355	985,748	2.60%	3.21%	01/11/22	1,009,174
Bank of NY Mellon	04/18/18	1369	A	A1			1,400,000	1,371,048	1391	1,380,478	2.60%	3.18%	02/07/22	1,411,791
American Express	04/18/18	1395	A-	A2			800,000	785,488	1415	790,121	2.70%	3.20%	03/03/22	807,273
Walt Disney Company	04/18/18	1396	A	A2			815,000	798,692	1416	803,905	2.45%	3.00%	03/04/22	820,660
Paccar Financial Corp	05/10/19	1080	A+	A1			930,000	929,498	1483	929,534	2.65%	2.67%	05/10/22	939,782
Visa Inc	04/18/18	1587	AA-	Aa3			825,000	795,407	1611	803,652	2.15%	3.03%	09/15/22	825,984
Bank of America	04/18/18	1623	A-	A2			800,000	769,264	1647	777,565	2.50%	3.43%	10/21/22	800,412
Oracle Corp	04/19/18	1736	AA-	A1			1,420,000	1,389,001	1763	1,396,832	2.63%	3.11%	02/15/23	1,437,656
Amazon Inc	04/15/19	1387	AA-	A3			935,000	925,996	1774	926,664	2.40%	2.66%	02/22/23	943,886
Burlington North Santa Fe Corp	04/18/18	1767	A+	A3			800,000	790,800	1792	793,084	3.00%	3.26%	03/15/23	820,067
Bank of NY Mellon	01/24/19	1534	A	A1			1,375,000	1,387,595	1555	1,386,191	3.50%	3.27%	04/28/23	1,429,374
Pfizer Inc	04/04/19	1781	AA	A1			1,260,000	1,276,392	1807	1,275,390	2.95%	2.67%	03/15/24	1,298,013
Subtotal Medium Term Notes							\$15,100,000	\$15,107,360		\$15,073,944	3.03%			\$15,392,383
<b>Subtotal PFM Managed Investment Accounts</b>							<b>\$92,216,000</b>	<b>\$91,052,696</b>		<b>\$91,360,819</b>	<b>2.69%</b>			<b>\$93,017,292</b>
<b>Total Investments</b>							<b>\$150,750,712</b>	<b>\$149,587,408</b>		<b>\$149,895,531</b>				<b>\$151,552,004</b>
<i>(Source of Investment Amortized Cost: PFM)</i>														
<b>Restricted Deposits</b>														
<b>Investment Pool Accounts</b>														
CAMP - Water Connection Reserves							\$15,960,387	\$15,960,387	N/A	\$15,960,387	2.42%		N/A	\$15,960,387
LAIF - Self Insurance Reserves							6,444,821	6,444,821	N/A	6,444,821	2.38%		N/A	6,444,821
<b>Total Investment Pool Accounts</b>							<b>\$22,405,208</b>	<b>\$22,405,208</b>		<b>\$22,405,208</b>	<b>2.41%</b>			<b>\$22,405,208</b>
<b>Debt Service and Arbitrage Accounts</b>														
2008B Debt Service Accounts							\$2,609,795	\$2,609,795	N/A	\$2,609,795	1.74%			\$2,609,795
2010A Debt Service Accounts							3	3	N/A	3	0.34%			3
2017A Debt Service Accounts							513	513	N/A	513	0.25%			513
<b>Total Debt Service Accounts</b>							<b>\$2,610,311</b>	<b>\$2,610,311</b>		<b>\$2,610,311</b>	<b>1.74%</b>			<b>\$2,610,311</b>

**INLAND EMPIRE UTILITIES AGENCY**

**Cash and Investment Summary**

Month Ended  
July 31, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
<b>Restricted Deposits (continued)</b>														
<b>CCRA Deposits Held by Member Agencies</b>														
City of Chino							\$10,665,100	\$10,665,100	N/A	\$10,665,100		N/A	N/A	\$10,665,100
City of Chino Hills							6,275,501	6,275,501	N/A	6,275,501		N/A	N/A	6,275,501
Cucamonga Valley Water District							11,280,117	11,280,117	N/A	11,280,117		N/A	N/A	11,280,117
City of Fontana							9,363,869	9,363,869	N/A	9,363,869		N/A	N/A	9,363,869
City of Montclair							3,081,312	3,081,312	N/A	3,081,312		N/A	N/A	3,081,312
City of Ontario							20,904,691	20,904,691	N/A	20,904,691		N/A	N/A	20,904,691
City of Upland							4,424,270	4,424,270	N/A	4,424,270		N/A	N/A	4,424,270
<b>Subtotal CCRA Deposits Held by Member Agencies**</b>							<b>\$65,994,860</b>	<b>\$65,994,860</b>		<b>\$65,994,860</b>				<b>\$65,994,860</b>
<i>**Total reported as of June 2019</i>														
<b>CalPERS Deposits</b>														
CERBT Account (OPEB)							\$15,000,000	\$15,000,000	N/A	\$17,301,467		N/A	N/A	\$17,301,467
<b>Subtotal CalPERS Deposits</b>							<b>\$15,000,000</b>	<b>\$15,000,000</b>		<b>\$17,301,467</b>				<b>\$17,301,467</b>
<i>CERBT Strategy 2 Performance as of June 30, 2019 based on 1 Year Net Return was 6.98%.</i>														
<b>Escrow Deposits</b>														
Genesis Construction Escrow							\$78,417	\$78,417	N/A	\$78,417		N/A	N/A	\$78,417
Stanek Contractors Escrow							46,437	46,437	N/A	46,437		N/A	N/A	46,437
<b>Subtotal Escrow Deposits</b>							<b>\$124,854</b>	<b>\$124,854</b>		<b>\$124,854</b>				<b>\$124,854</b>
<b>Total Restricted Deposits</b>							<b>\$106,135,233</b>	<b>\$106,135,233</b>		<b>\$108,436,700</b>				<b>\$108,436,700</b>
<b>Total Cash, Investments, and Restricted Deposits as of July 31, 2019</b>							<b>\$258,304,973</b>	<b>\$257,141,669</b>		<b>\$259,751,259</b>				<b>\$261,407,732</b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Cash and Investment Summary**

Month Ended  
 July 31, 2019

**July Purchases**

No.	Date	Transaction	Investment Security	Type	Par Amount Purchased	Investment Yield to Maturity
1	07/03/19	Buy	US Treasury Note	UST	\$1,485,000	2.00%
					<b><u>\$ 1,485,000</u></b>	

**July Investment Maturities, Calls & Sales**

No.	Date	Transaction	Investment Security	Type	Par Amount Matured/Sold	Investment Yield to Maturity
1	07/03/19	Sell	FHLB Note	GSE	\$999,900	2.13%
2	07/03/19	Sell	FNMA Note	GSE	499,230	1.25%
<b>Total Maturities, Calls &amp; Sales</b>					<b><u>\$ 1,499,130</u></b>	

## INLAND EMPIRE UTILITIES AGENCY

### Cash and Investment Summary

Month Ended

July 31, 2019

#### Directed Investment Category

	<u>Amount Invested</u>	<u>Yield</u>
CBB Repurchase (Sweep)	\$14,582,030	1.100%
LAIF - Unrestricted	21,665,351	2.379%
CAMP - Unrestricted	22,287,331	2.420%
Brokered Certificates of Deposit	3,864,769	3.124%
Medium Term Notes	15,073,944	3.032%
Municipal Bonds	999,894	1.753%
Commercial Paper	1,019,320	3.070%
US Treasury Notes	47,694,343	2.568%
U.S. Government Sponsored Entities	22,708,549	2.680%
<b>Total Investment Portfolio</b>	<b>\$149,895,531</b>	
<b>Investment Portfolio Rate of Return</b>		<b>2.452%</b>

#### Restricted/Transitory/Other Accounts

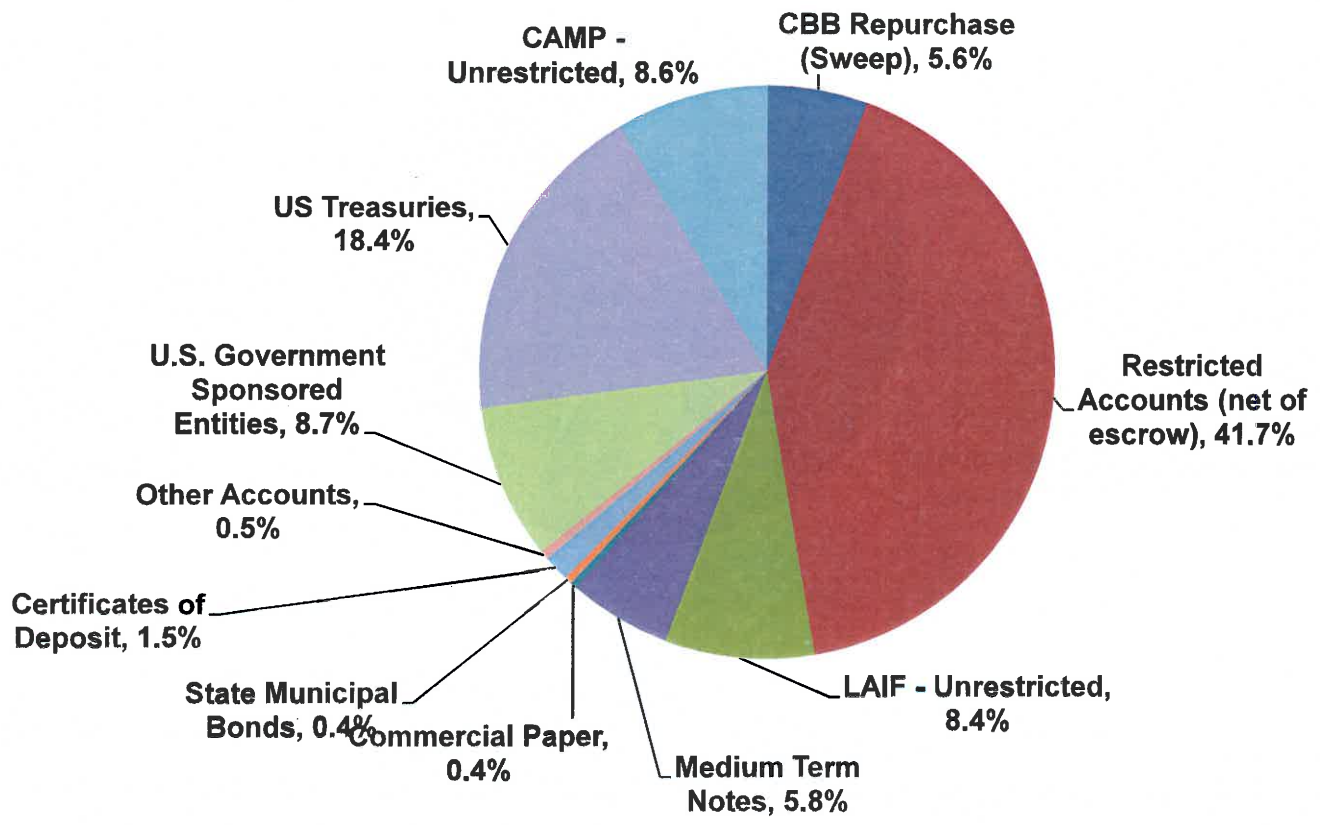
	<u>Amount Invested</u>	<u>Yield</u>
CCRA Deposits Held by Member Agencies	\$65,994,860	N/A
CalPERS OPEB (CERBT) Account	17,301,467	N/A
CAMP Restricted Water Connection Reserve	15,960,387	2.420%
LAIF Restricted Insurance Reserve	6,444,821	2.379%
US Bank - 2008B Debt Service Accounts	2,609,795	1.740%
US Bank - 2010A Debt Service Accounts	3	0.340%
US Bank - 2017A Debt Service Accounts	513	0.250%
US Bank - Pre-Investment Money Market Account	742,268	1.790%
Citizens Business Bank - Demand Account	630,901	N/A
Citizens Business Bank - Workers' Compensation Account	43,609	N/A
Other Accounts*	2,250	N/A
Escrow Account	124,854	N/A
<b>Total Restricted/Transitory/Other Accounts</b>	<b>\$109,855,728</b>	
<b>Average Yield of Other Accounts</b>		<b>2.323%</b>

#### **Total Agency Directed Deposits**

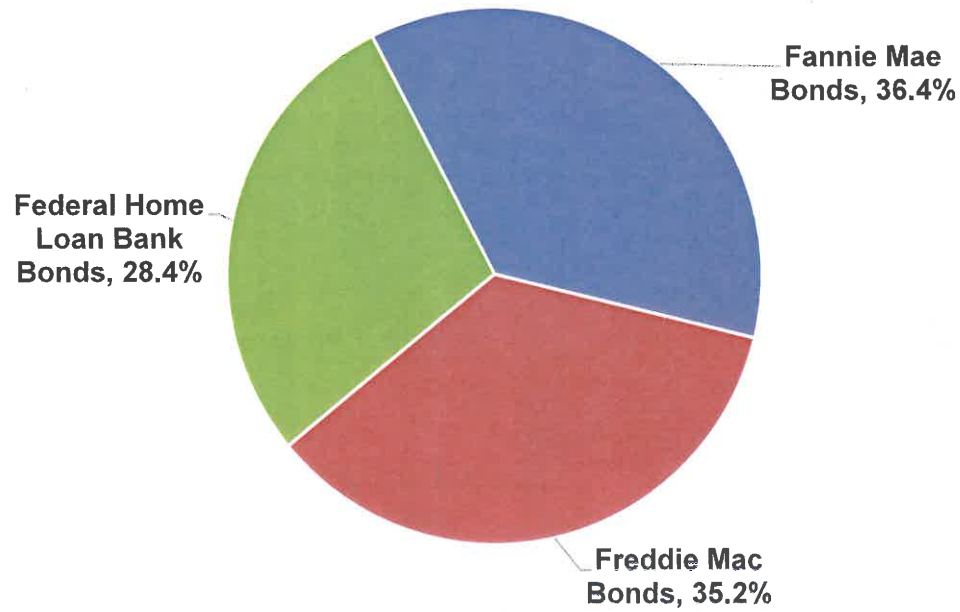
**\$259,751,259**

\*Petty Cash

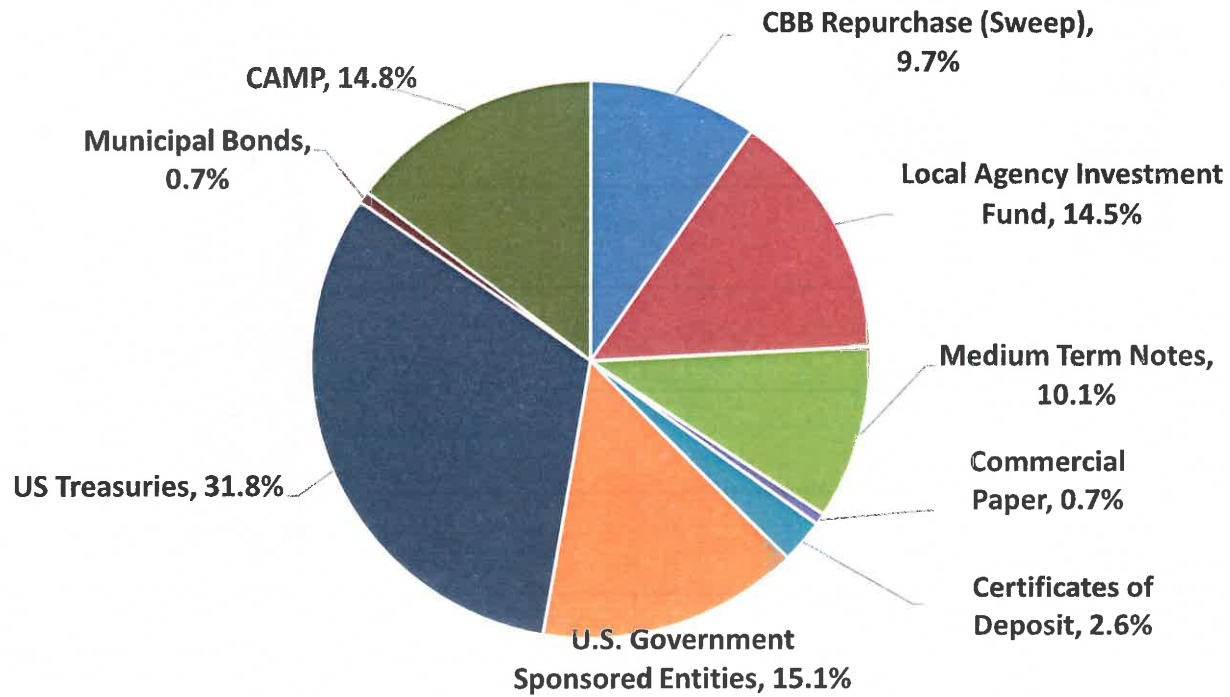
**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
 Month Ended July 31, 2019  
 Agency Investment Portfolio (Net of Escrow Accounts)  
**\$259,626,405**



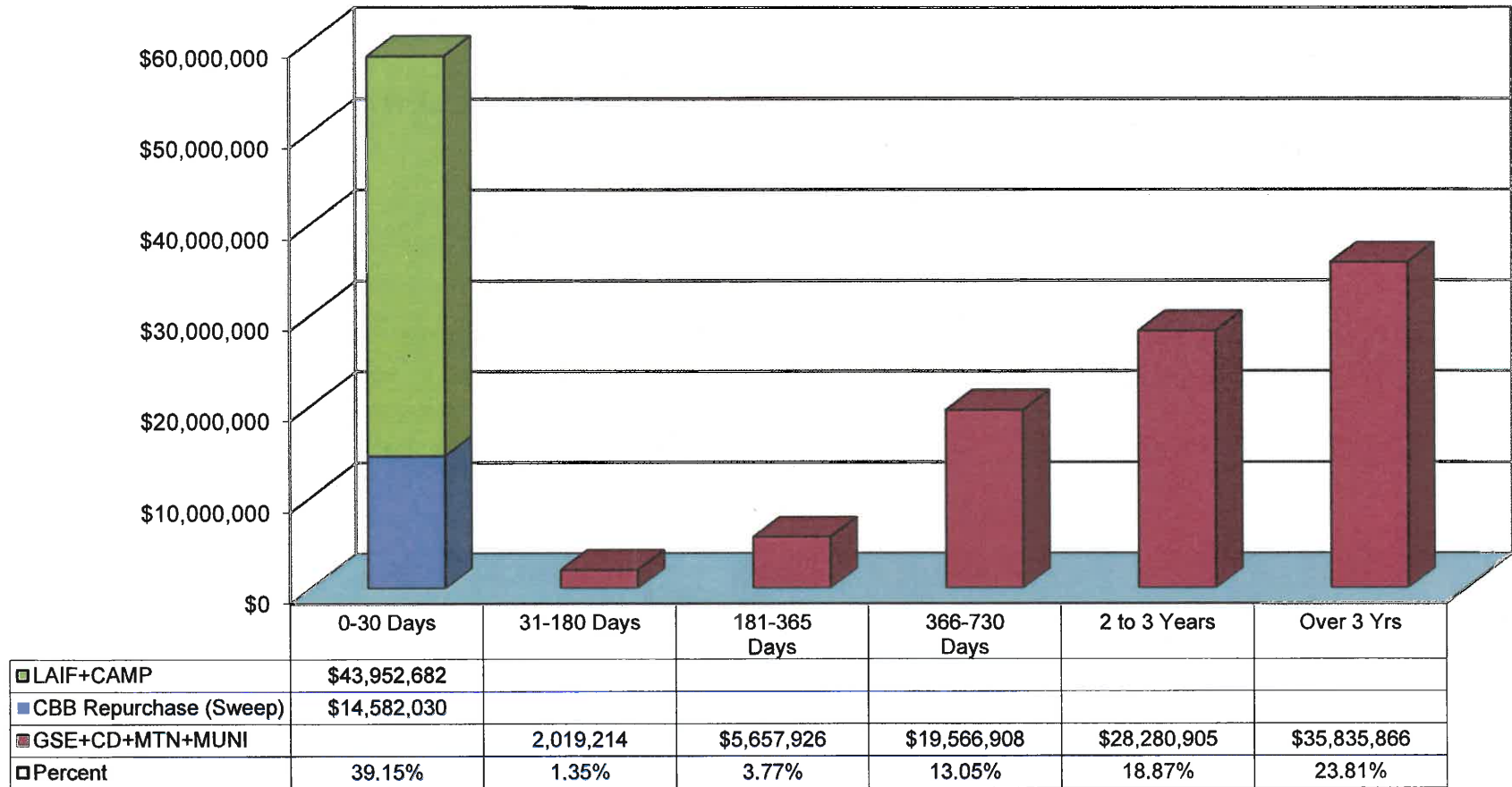
***Inland Empire Utilities Agency***  
**Treasurer's Report of Financial Affairs**  
Month Ended July 31, 2019  
U.S. Government Sponsored Entities Portfolio  
**\$22,708,549**



**Inland Empire Utilities Agency  
Treasurer's Report of Financial Affairs  
Month Ended July 31, 2019  
Unrestricted Agency Investment Portfolio  
\$149,895,531**

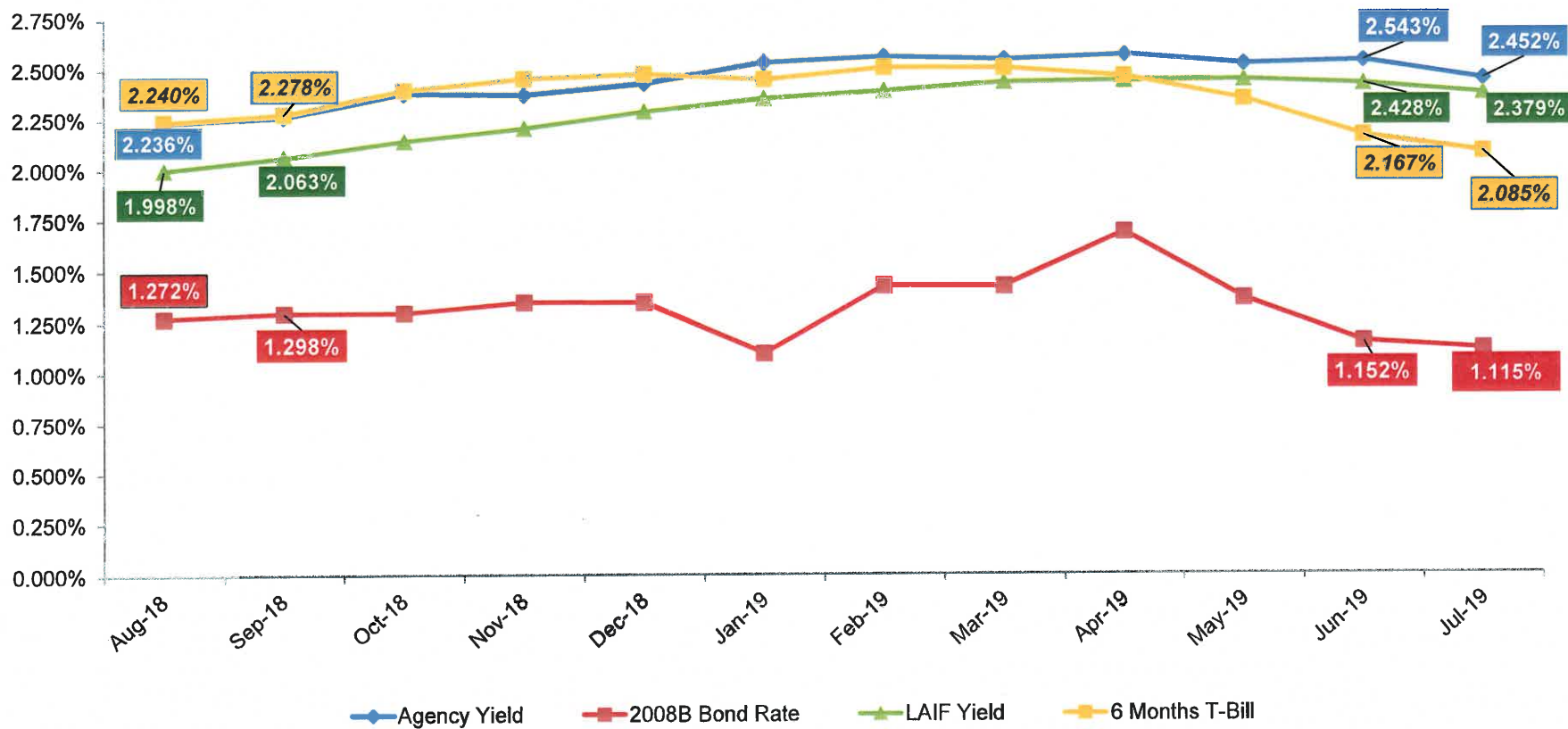


**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
 Month Ended July 31, 2019  
 Agency Investment Portfolio Maturity Distribution (Unrestricted)  
**\$149,895,531**





**Inland Empire Utilities Agency  
Treasurer's Report of Financial Affairs  
Month Ended July 31, 2019  
Agency Investment Portfolio Yield Comparison**



**INFORMATION  
ITEM**

**51**



**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**Committee:** Finance & Administration

**From:** Shivaji Deshmukh, General Manager SDM

09/11/19

**Executive Contact:** Christina Valencia, Executive Manager of Finance & Administration/AGM  
**Subject:** Fiscal Year 2018/19 Fourth Quarter Budget Variance, Performance Goal Updates, and Budget Transfers

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**Executive Summary:**

The budget variance report presents the Agency's financial performance through the fourth quarter ended June 30, 2019 and various related analyses are provided in the attachments.

The Agency's total revenues and other funding sources were \$245 million, or 87 percent of the fiscal year budget of \$281 million. The unfavorable variance is due to lower than anticipated grant and loan receipts which are primarily reimbursable in nature and are dependent upon related capital project expenditures.

The Agency's total expenses and other uses of funds were \$221 million, or 79 percent of the fiscal year budget of \$280 million. Lower than budgeted administrative and operating expenses coupled with delayed capital project execution account for the positive variance.

The net change of the unaudited total revenues and other funding sources over the total expenses and other uses of funds for the fiscal year is an increase of \$24 million.

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**Staff's Recommendation:**

The Fiscal Year (FY) 2018/19 fourth quarter budget variance, performance goals updates, and budget transfers is an informational item for the Board of Directors to receive and file.

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**Budget Impact** Budgeted (Y/N): N    Amendment (Y/N): N    Amount for Requested Approval:

Account/Project Name:

*Fiscal Impact (explain if not budgeted):*

The net change of the total revenues and other funding sources over the total expenses and other uses of funds is an increase of \$24 million for the quarter ended June 30, 2019.

Full account coding (internal AP purposes only):

-   -   -  
-   -   -

Project No.:

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**Prior Board Action:**

None.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The quarterly budget variance report is consistent with the Agency's business goal of fiscal responsibility to demonstrate the Agency has appropriately funded operational, maintenance, and capital costs.

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**Attachments:**

Attachment 1 - Background

Exhibit A - Q4 Budget Variance Summary and Detail Report

Exhibit B - Business Goals and Objectives Report by Initiatives

Exhibit C-1 - Summary of Annual Budget Transfers in the Fourth Quarter

Exhibit C-2 - Summary of the GM Contingency Account Activity

Exhibit D - Project Budget Transfers for Capital & Non-Capital Projects

Attachment 2 - PowerPoint

## Background

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Subject: Fiscal Year 2018/19 Fourth Quarter Budget Variance, Performance Goals Updates, and Budget Transfers

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The Budget Variance report presents the Agency's financial performance through the fourth quarter ending June 30, 2019, and includes the following highlights:

### TOTAL REVENUES AND OTHER FUNDING SOURCES

Overall, the Agency's total revenue and other funding sources were \$245.1 million, or 87 percent of the fiscal year budget of \$280.7 million for the quarter ended June 30, 2019 (Exhibit A detail). The following section highlights key variances:

- **Recycled Water Sales** – Total recycled water direct sales were \$7.7 million for 16,803-acre feet (AF) and groundwater recharge sales were \$5.5 million for 11,542-acre feet (AF), a combined total of \$13.2 million or 28,345 AF sales. Total deliveries of 36,700 AF (23,000 AF Direct and 13,700 AF Recharge) were budgeted for the fiscal year. Sales demand for direct use and groundwater recharge varies depending on weather patterns, water use conservation efforts, reuse supply, and basin availability. This year's wet winter conditions impacted deliveries due to less demand for recycled water and reduced recharged deliveries to the groundwater basins because of stormwater capture.
- **Property Taxes** – Tax receipts at the end of the fourth quarter were \$53.0 million or 110.8% of the amended budget. General ad-valorem property tax receipts from the San Bernardino County Tax Assessor were \$36.7 million and "pass through" incremental Redevelopment Agencies (RDA) taxes were \$16.3 million. Property tax receipts are budgeted based on valuation projected by the county, increased home sales, and anticipated adjustments in property tax distribution due to the dissolution of the redevelopment agencies.
- **Connection Fees** – Total connection fees receipts were \$28.8 million or 87.4 percent of the budget. Receipts include \$22.4 million for new regional wastewater system connections (EDU), and \$6.3 million for new water connections (MEU). The number of new EDU connections reported through the fourth quarter were 3,392 EDUs compared to the annual budget of 4,000 EDUs and the total new water connections were 4,600 MEUs compared to the 4,000 budgeted MEUs.
- **Grants & Loans** – Total grant and loan receipts were \$7.9 million, or 18.3 percent of the fiscal year budget. Included is \$3.6 million of State Revolving Fund (SRF) loan for San Sevaine Basin Improvements and \$2.2 million for the regional water quality laboratory. Grants and loan receipts are primarily reimbursable in nature and as such are dependent upon related capital project expenditures. The annual grants budget of \$14.8 million included \$6.7 million for Northeast/Southern project in the Recycled Water fund, \$5.4 million for the new water quality laboratory in the Regional Wastewater Operations and Maintenance fund and \$2.1 million for Santa Ana River Conservation & Conjunctive Use Program (SARCCUP) project in the Water Resources fund. Grant receipts consist of

reimbursements from federal and state programs may contain pass-through funding for other agencies. State Revolving Fund (SRF) loan proceeds annual budget of \$28.6 million included \$9.0 million for Recharge Master Plan Update in the Recharge Water Fund, \$7.9 million for Northeast/Southern project in the Recycled Water Fund, \$7.7 million for the RP-5 Solids Treatment and Liquid Expansion projects in the Regional Wastewater Capital Improvement fund, and \$4.0 million for the new water quality laboratory in the Regional Wastewater Operations and Maintenance fund.

## TOTAL EXPENSES AND USES OF FUNDS

The Agency's total expenses and uses of funds were \$220.7 million, or 78.8 percent of the \$280.0 million budget, including the budget amendment for open encumbrances carried forward from the prior fiscal year and approved by the Board on September 19, 2018. Key expense highlights for the quarter ending June 30, 2019 include:

### Administrative Expenses

- **Professional Fees & Services** – Total expenses were \$8.1 million, or 67.1 percent of the year to date budget. The positive variance can be attributed to the timing of contract services deferred such as: rehabilitation of clarifiers and aeration basins; repairs and calibration of critical compliance equipment and treatment process; and contractor and consultant support for project management and administrative services. A portion of the unspent budget was included in the encumbrances to be carried forward to FY 2019/20.
- **O&M (Non-capital) Projects** – O&M and reimbursable project costs were \$10.3 million or 34.9 percent of their year to date budget. The favorable balance is mainly due to lower spending on the TCE Plume Cleanup project and the Santa Ana River Conservation & Conjunctive Use Program (SARCCUP). IEUA's participation in SARCCUP is limited to conservation efforts, as a result, expenditures were much lower than the FY 2018/19 budget.

### Operating Expenses

- **Operating Fees** – Spending in this category was \$11.5 million, or 85.6 percent of the budget. The majority of the expense is the non-reclaimable wastewater system (NRWS) “pass-through” fees from Sanitation District of Los Angeles County (SDLAC) and Santa Ana Watershed Project Authority (SAWPA). The category also includes \$3.0 million of readiness-to-serve (RTS) obligation pass-through to MWD.
- **MWD Water Purchases** – Total Metropolitan Water District of Southern California (MWD) pass-through imported water purchases was \$45.5 million or 105.9 percent of budget. Imported water deliveries were 64,741 AF compared to the annual budgeted quantity of 50,000 AF. The shift by some member agencies to imported water use from local supplies due to water quality issues accounts for the higher deliveries. Water purchases from were offset from deliveries by a \$1.3 million (13,010 AF) water management local resources programs credit from MWD.

## Non-Operating Expenses

- Capital Projects** – Total capital project expenditures through the end of the fourth quarter were \$55.3 million or 63.3 percent of the year to date budget of \$87.4 million. Favorable variance in capital spending is largely driven by delay in contractor work, and design recommendation reviews, as well as extended request for proposals and subsequent contract award delay. Capital project costs related to the Regional Wastewater program through the fourth quarter were \$45.0 million, or 87 percent of the \$51.9 million annual program budget. Recycled Water capital projects accounted for \$6.8 million, or 42 percent of the \$16.2 million annual program budget.

A detailed explanation of significant revenue and expenses are included in the attached Exhibit A.

## FUND BALANCES AND RESERVES

The net change of the total revenues and other funding sources over the total expenses and other uses of funds for this quarter to date is an increase of \$24.4 million.

Table 1 provides an overview of the fiscal year budget variance in revenues, expenses, and fund balance.

**Table 1: Fiscal Year and Year to Date (YTD)  
Revenues, Expenses, and Fund Balance (\$Millions)  
Quarter Ending June 30, 2019**

Operating	FY 2018/19 Amended Budget	Actual YTD	% Budget Used YTD
Operating Revenue	\$154.1	\$153.3	99.4%
Operating Expense	(\$169.5)	(\$143.0)	84.4%
<b>Net Operating Increase/(Decrease)</b>	<b>(\$15.4)</b>	<b>\$10.3</b>	
Non- Operating			
Non-Operating Revenue	\$126.6	\$91.8	72.5%
Non-Operating Expense	(\$110.5)	(\$77.7)	70.3%
<b>Net Non-Operating Incr./ (Decrease)</b>	<b>\$16.1</b>	<b>\$14.1</b>	
Total Sources of Funds	\$280.7	\$245.1	87.3%
Total Uses of Funds	(\$280.0)	(\$220.6)	78.8%
<b>Total Net Increase/(Decrease)</b>	<b>\$0.7</b>	<b>\$24.4</b>	

## **GOALS AND OBJECTIVES**

Exhibit B provides information on division and related department goals and objectives and the status of each through the end of the third quarter. The goals and objective indicators are used to track the volume and complexity of work by type and to track the effort invested to accomplish that work. Staff use the performance indicators to track productivity and to justify current resource allocations, re-allocation and requests for additional staff.

## **BUDGET TRANSFERS AND AMENDMENTS**

*Intra-fund O&M* budget transfers for the fourth quarter accounted for \$1.3 million as detailed in Exhibit C-1.

The *General Manager (GM) Contingency Account* adopted budget of \$300,000 in the Administrative Services Fund, utilized \$280,000 through the fourth quarter to support unplanned but necessary expenses as listed in Exhibit C-2.

*Intra-fund Capital and O&M projects* budget transfers accounted for approximately \$0.1 million as listed in Exhibit D.

The budget variance analysis report is consistent with the Agency's business goal of fiscal responsibility: to demonstrate the Agency appropriately funded operational, maintenance, and capital costs.

## **IMPACT ON BUDGET**

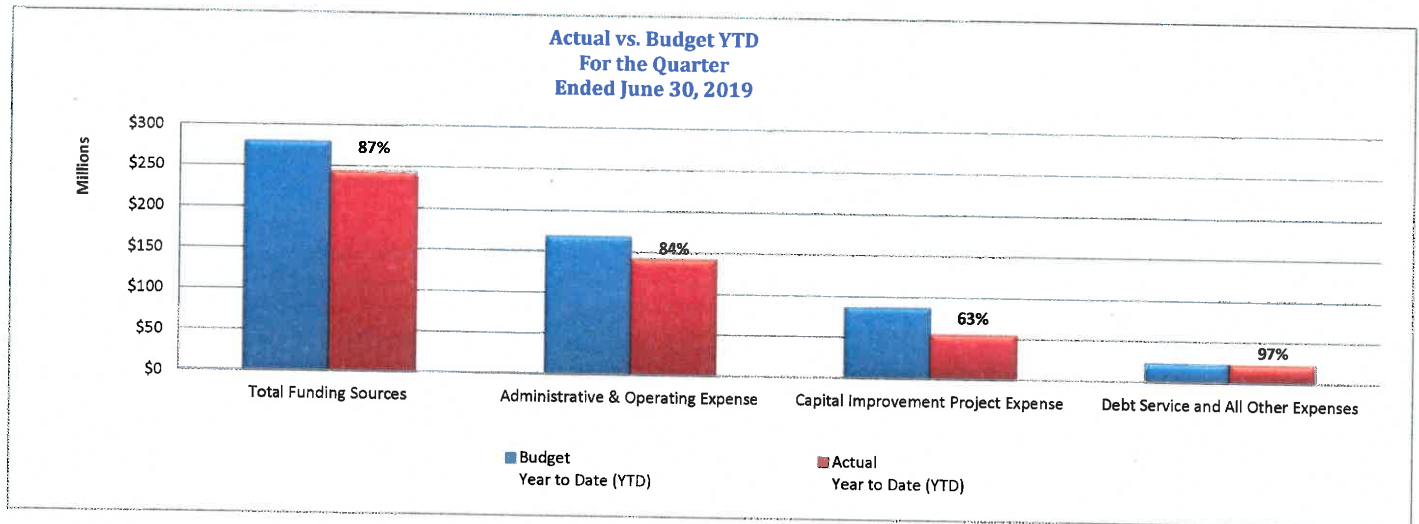
The net change of the total revenues and other funding sources over the total expenses and other uses of funds for this quarter is an increase of \$24.4 million.



I. Actual vs. Budget Summary:

Quarter Ended June 30, 2019

	Amended Budget	Budget Year to Date (YTD)	Actual Year to Date (YTD)	Budget YTD vs. Actual	% of Budget Used YTD
Operating Revenues	\$154,107,576	\$154,107,577	\$153,254,619	(\$852,958)	99.4%
Non-Operating (Other Sources of Fund)	126,618,589	126,618,590	91,835,245	(34,783,345)	72.5%
<b>TOTAL FUNDING SOURCES</b>	<b>280,726,165</b>	<b>280,726,167</b>	<b>245,089,864</b>	<b>(35,636,303)</b>	<b>87.3%</b>
Administrative & Operating Expense	(169,496,533)	(169,496,534)	(142,997,028)	26,499,506	84.4%
Capital Improvement Project Expense	(87,427,928)	(87,427,928)	(55,329,785)	32,098,143	63.3%
Debt Service and All Other Expenses	(23,067,036)	(23,067,037)	(22,351,397)	715,640	96.9%
<b>TOTAL USES OF FUNDS</b>	<b>(279,991,497)</b>	<b>(279,991,499)</b>	<b>(220,678,210)</b>	<b>59,313,289</b>	<b>78.8%</b>
Surplus/(Deficit)	\$734,668	\$734,668	\$24,411,654	\$23,676,986	



2. Actual Revenue vs. Budget:

Quarter Ended June 30, 2019

	Amended Budget	Budget Year to Date (YTD)	Actual Year to Date (YTD)	Budget YTD vs. Actual	% of Budget Used YTD
<b>Operating Revenues:</b>					
User Charges	\$84,243,779	\$84,243,779	\$84,870,554	\$626,775	100.7%
Recycled Water Sales	18,188,000	18,188,000	13,232,235	(\$4,955,765)	72.8%
MWD Water Sales	42,996,000	42,996,000	45,519,432	\$2,523,432	105.9%
Cost Reimbursement	6,083,947	6,083,947	5,970,231	(\$113,716)	98.1%
Interest	2,595,850	2,595,850	3,662,166	\$1,066,316	141.1%
<b>OPERATING REVENUES</b>	<b>154,107,576</b>	<b>154,107,576</b>	<b>153,254,618</b>	<b>(852,958)</b>	<b>99.4%</b>
<b>Non-Operating Revenues:</b>					
Property Tax - Debt, Capital, Reserves	\$47,887,800	\$47,887,800	\$53,040,078	\$5,152,278	110.8%
Connection Fees	32,911,999	32,911,999	28,769,177	(\$4,142,822)	87.4%
Grants & Loans	43,367,567	43,367,567	7,948,870	(\$35,418,697)	18.3%
Other Revenue	2,451,224	2,451,226	2,077,121	(\$374,105)	84.7%
<b>NON-OPERATING REVENUES</b>	<b>126,618,590</b>	<b>126,618,592</b>	<b>91,835,246</b>	<b>(34,783,346)</b>	<b>72.5%</b>
<b>Total Revenues</b>	<b>\$280,726,166</b>	<b>\$280,726,168</b>	<b>\$245,089,864</b>	<b>(\$35,636,304)</b>	<b>87.3%</b>

**User Charges, 100.7%** User charges were \$84.9 million, or 100.7 percent of the year to date budget. The category includes \$66.5 million monthly sewer charges based on equivalent dwelling units (EDU), \$12.1 million non-reclaimable wastewater fees paid by industrial and commercial users connected to the brine line system, and \$6.3 million of monthly meter equivalent unit charges (MEU) imposed on all potable water connections and Readiness-to-Serve Ten Year Rolling Average (RTS TYRA) charges to meet our Readiness-to-Serve obligation to Metropolitan Water District (MWD).

**Property Tax/ AdValorem, 110.8%** Tax receipts at the end of the fiscal year were \$53.0 million or 110.8% of the amended budget. General ad-valorem property tax receipts from the San Bernardino County Tax Assessor were \$36.7 million and "pass through" incremental Redevelopment Agencies (RDA) taxes were \$16.3 million. Property tax receipts are budgeted based on valuation projected by the county, increased home sales, and anticipated adjustments in property tax distribution due to the dissolution of the redevelopment agencies.

**Recycled Water Sales, 72.8%** Recycled water direct sales were \$7.7 million for 16,803 acre feet (AF) and groundwater recharge sales were \$5.5 million for 11,542 acre feet (AF), for a combined total of \$13.2 million or 28,345 AF. Total deliveries of 36,700 AF (23,000 AF Direct and 13,700 AF Recharge) were budgeted for the fiscal year. Sales demand for direct use and groundwater recharge varies depending on weather patterns, water use conservation efforts, reuse supply, and basin availability. This year's wet winter condition impacted deliveries due to less demand for recycled water and reduced recharged deliveries to the groundwater basins.

**Interest Income, 141.1%** Interest Income is \$3.7 million or 141.1 percent of the year's budget. The Agency earns interest income by investing funds not immediately required for daily operations. The Agency's average portfolio yield as of June 2019 was 2.5%. The budgeted interest rate assumption of 1.5% is now below the actual yield but the basis was calculated based on the Agency's overall fund balance which is higher than the agency's portfolio.

**MWD Water Sales, 105.9%** Total Metropolitan Water District of Southern California (MWD) pass-through imported water revenue was \$45.5 million or 105.9 percent of budget. Imported water deliveries were 64,741 AF compared to the annual budgeted quantity of 50,000 AF. The high demand was mainly due to some member agencies shifting to imported water away from local supplies due to water quality issues.

**Connection Fees, 87.4%** Total connection fee receipts of \$28.8 million or 87.4 percent of the budget. Receipts include \$22.4 million for new regional system connections (EDU), and \$6.3 million for new water connections (MEU). The number of new EDU connections reported through the fourth quarter were 3,392 EDUs compared to the annual budget of 4,000 EDUs, and the total new water connections were 4,060 MEUs compared to the 4,000 budgeted MEU.

**Grants and Loans, 18.3%** Grant and loan receipts were \$7.9 million, or 18.3 percent of the fiscal year's budget. Included is \$3.6 million of State Revolving Fund (SRF) loan for San Sevaine Basin Improvements and \$2.2 million for the regional water quality laboratory. Grants and loan receipts are primarily reimbursable in nature and as such are dependent upon related capital project expenditures. The annual grants budget of \$14.8 million included \$6.7 million for Northeast/Southern project Recycled Water fund, \$5.4 million for the new water quality laboratory Regional Wastewater Operations and Maintenance fund and \$2.1 million for Santa Ana River Conservation & Conjunctive Use Program (SARCCUP) project Water fund. Grant receipts consist of reimbursements from federal and state programs may contain pass-through funding for other agencies. State Revolving Fund (SRF) loan proceeds annual budget of \$28.6 million included \$9.0 million for Recharge Master Plan Update in the Recharge Water Fund, \$7.9 million for Northeast/Southern project Recycle Water Fund, \$7.7 million for the RP-5 Solids Treatment and Liquid Expansion projects in the Regional Wastewater Capital fund, and \$4.0 million for the new water quality laboratory in the Regional Wastewater Operations and Maintenance fund.

**Cost Reimbursements JPA, 98.1%** Total cost reimbursements were \$6.0 million, or 98.1 percent of budget. Actuals include reimbursements of \$3.7 million from the Inland Empire Regional Composting Authority (IERCA) and \$1.0 million from Chino Basin Desalter Authority (CDA) for the Agency's operation & maintenance of the IERCA Composter and CDA Desalter facilities. Also included is \$1.2 million for the operations & maintenance costs related to the groundwater recharge basins, net of the Agency's pro-rata share for the recycled water recharge costs. Annual total cost reimbursement budget of \$6.1 million includes: \$3.9 million from IERCA, \$1.2 million from CDA, and \$1.0 million from CBWM.

**Other Revenues, 84.7%** Total other revenues and project reimbursements were \$2.1 million, or 84.7 percent of the year to date budget. Actual receipts include \$0.9 million from Chino Basin Waster Master(CBWM) for their share of the 2008B Rate Variable bond debt service and fixed project costs, \$0.6 million in lease revenues, and \$0.3 million on project reimbursements.

**3. Actual Operating and Capital Expense vs. Budget:**

**Quarter Ended June 30, 2019**

	Amended Budget	Budget Year to Date (YTD)	Actual Year to Date (YTD)	Budget YTD vs. Actual	% of Budget Used YTD
<b>Operating Expenses:</b>					
Employment	\$45,938,596	\$45,938,597	\$44,981,332	\$957,265	97.9%
Admin & Operating	80,561,937	80,561,937	52,496,263	\$28,065,674	65.2%
MWD Water Purchases	42,996,000	42,996,000	45,519,432	(\$2,523,432)	105.9%
<b>OPERATING EXPENSES</b>	<b>\$169,496,533</b>	<b>\$169,496,534</b>	<b>\$142,997,027</b>	<b>\$26,499,507</b>	<b>84.4%</b>
<b>Non-Operating Expenses:</b>					
Capital	87,427,928	87,427,928	55,329,785	\$32,098,143	63.3%
Debt Service and All Other Expenses	23,067,036	23,067,037	22,351,398	\$715,639	96.9%
<b>NON-OPERATING EXPENSES</b>	<b>\$110,494,964</b>	<b>\$110,494,965</b>	<b>\$77,681,183</b>	<b>\$32,813,782</b>	<b>70.3%</b>
<b>Total Expenses</b>	<b>\$279,991,497</b>	<b>\$279,991,499</b>	<b>\$220,678,210</b>	<b>\$59,313,289</b>	<b>78.8%</b>

**Employment Expenses**  
net of allocation to projects

**Employment, 97.9%**  
Employment expenses were \$45.0 million or 97.9 percent of the budget. At the end of the fourth quarter, total filled regular positions were 260 compared to the 290 authorized positions and 14 limited term positions (FTEs). Recruitment of key positions as part of the Agency's succession planning effort is expected to lower the vacancy factor going forward. The budget and actual expenses include \$7.3 million payment toward the agency employee retirement unfunded liabilities which have been paid during the first quarter.

**Administrative & Operating Expenses**

**Office and Administrative, 65.8%**  
Office and administrative for the fiscal year was \$1.5 million. The favorable variance was in part due lower advertising, and department training expense.

**Professional Fees & Services, 67.1%**  
Total expenses were \$8.1 million, or 67.1 percent of the year's budget. The positive variance can be attributed to the timing of contract services deferred such as: rehabilitation of clarifiers and aeration basins; repairs and calibration of critical compliance equipment and treatment process; and contractor and consultant support for project management and administrative services. A portion of the unspent budget was included in the encumbrances to be carried forward to FY 2019/20.

**Materials & Supplies/Leases/Contribution, 81.9%**  
Expenses through the end of fourth quarter were \$3.2 million or 81.9 percent of budget. The favorable variance was primarily due to staff's effort to monitor operational equipment usage to ensure maximum use from supplies, replacement parts, and consumables used by treatment plants. As a result, operations-related repairs required fewer corrective tasks than budgeted.

**Biosolids Recycling, 93.4%**  
Biosolids expenses were \$4.3 million or 93.4 percent of the year's budget. Biosolids budget includes costs for hauling and disposal of biosolids and non-biological materials. Year to date tonnage of the agency's biosolids generated from all its water recycling facilities shipped to IERCA was 67,317 tons with a hauling rate of \$56.00 per ton.

**Chemicals, 91.1%**  
Chemical expenses were \$4.7 million, or 91.1 percent of the budget. Chemicals are essential in meeting regulatory requirements, treatment process performance goals, and sustainment of high quality recycled water. A reduced polymer dosage contributed to the favorable variance.

Administrative & Operating Expenses continued

**Operating Fees, 85.6%**

Spending in this category was \$11.5 million, or 85.6 percent of the year to date budget. The majority of the expense is Non-reclaimable wastewater system (NRWS) "pass-through" fees from Sanitation District of Los Angeles County (SDLAC) and Santa Ana Watershed Project Authority (SAWPA). The category also includes \$3.0 million of readiness-to-serve (RTS) obligation pass-through to MWD, budgeted at \$2.9 million.

**MWD Water Purchases, 105.9%**

Total Metropolitan Water District of Southern California (MWD) pass-through imported water revenue was \$45.5 million or 105.9 percent of budget. Imported water deliveries were 64,741 AF compared to the annual budgeted quantity of 50,000 AF. The high demand was mainly due to some member agencies shifting to imported water away from local supplies due to water quality issues.

**Utilities, 93.4%**

Total utilities expenses were \$6.3 million of the \$8.3 million of the fiscal year budget. This category includes the purchase of electricity from Southern California Edison (SCE) or the grid, natural gas, and purchase of renewable energy generated on site from solar and wind. The favorable variance is mainly attributed to lower utility rates. The average rate for imported electricity was \$0.12/kWh compared to the budgeted rate of \$0.125/kWh.

**O&M and Reimbursable Projects, 32.2% and 66.4%**

The combined O&M and reimbursable project costs were \$10.3 million or 34.9 percent of their combined year to date budget. The favorable balance is mainly due to lower spending on the TCE Plume project and the Santa Ana River Conservation & Conjunctive Use Program (SARCCUP). IEUA's participation in SARCCUP was limited to primarily conservation efforts, as a result, expenditures were much lower than the FY 2018/19 budget.

Financial Expenses

**Financial Expense, 96.7%**

Total financial expenses were \$22.0 million through the end of the fiscal year. Actual costs included \$15.4 million paid towards principal for the 2008B Revenue Bond, 2010A Revenue Bond, 2017A Revenue Bond, and State Revolving Fund (SRF) notes. Total interest payments were \$6.3 million and \$0.3 million for financial administration fees.

Other Expenses

**Other Expenses, 111.6%**

Total other expenses were \$0.4 million or 111.6 percent of the budget. This category included an annual contributions-in-aid to the Santa Ana Watershed Project Authority for \$0.3 million and a one time \$50 thousand refund of overpayment of water connection fees that was paid by one of the builders from previous fiscal year.

Capital Expenses

**Capital Costs, 63.3%**

Total capital project expenditures year to date were \$55.3 million or 63.3 percent of the fiscal year budget of \$87.4 million. The favorable variance is primarily due to contractor delays, design recommendation reviews, and extended request for proposals and related contract award delays. Capital project costs related to the regional wastewater program through the fourth quarter were \$45.0 million, or 87 percent of the \$51.9 million annual program budget. Recycled water capital projects accounted for \$6.8 million, or 42 percent of the \$16.2 million annual program budget.

Summary of major capital and non-capital project expenses and status as of June 30, 2019

Capital Projects		Annual Budget	Actual YTD	% of Budget Used YTD
EN14019	RP-1 Headworks Gate Replacement The project schedule was slightly delayed with recovery in progress due to additional days negotiated with the contractor due to the procurement of the motor control center. The annual budget of the project was exceeded, but the project spending remains within the total project budget of \$9.8 million.	3,450,000	6,149,192	178.2%
EN19001	RP-5 Liquids Treatment Expansion Project is in design phase with 90% of design completed. The project will be amended to include the renewable energy and efficiency project (REEP). This amendment will cause no foreseeable change in project schedule or budget. The project spending is well within the total project budget of \$175.0 million.	4,449,209	5,420,968	121.8%
EN15012	RP-1 East Primary Effluent Conveyance Improven The purpose of the project is to decommission an obsolete primary effluent pump station to address a flow bottleneck causing operational constraints, reduce odor and vector issues, simplify the associated piping network, and remove other obsolete ancillary equipment in the pump station area. The project is in the bid and award phase and is scheduled to be completed on time. The project exceeded its annual appropriation but remained within the total project budget of \$6.7 million.	4,500,000	5,370,497	119.3%
EN19006	RP-5 Solids Handling Facility Project is in design phase with 90% of design completed. The project will be amended to include the renewable energy and efficiency project (REEP). This amendment will cause no foreseeable change in project schedule or budget. The project's current total project budget is \$165 million.	4,710,521	6,099,881	129.5%

O&M & Reimbursable Projects		Annual Budget	Actual YTD	% of Budget Used YTD
RW19002	<p><b>CBWM Pomona Extensometer</b></p> <p>The goal of this project is to construct new Chino Basin Watermaster (CBWM) wells to record subsidence and groundwater levels. This is a 100% reimbursable project from CBWM for which State Revolving Fund loans and grants are also anticipated. Construction is at 95% and the project is scheduled to be completed on time.</p>	1,463,581	1,153,332	78.8%
PA17006	<p><b>Agency-Wide Aeration Panel Replacements</b></p> <p>The project scope involves the replacement of aeration panels at RP-1, RP-4, RP-5, and CCWRF. The aeration panel replacement will improve oxygen transfer efficiency and operational effectiveness of the wastewater treatment process. The RP-5 Aeration Panel construction is estimated to be completed in this fiscal year.</p>	1,929,402	1,926,339	99.8%
WR16024	<p><b>Santa Ana River Conservation and Conjunctive Use Program (SARCCUP)</b></p> <p>The Santa Ana River Conservation &amp; Conjunctive Use Program (SARCCUP) project is ongoing with multiple agencies sharing the costs. Level of participation drives expenses. Currently, IEUA's participation in SARCCUP is limited to primarily conservation efforts.</p>	3,581,604	197,117	5.5%

**INLAND EMPIRE UTILITIES AGENCY**  
**Fiscal Year 2018/19**  
**CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT**  
**Quarter Ended June 30, 2019**

	Amended Budget	Budget YTD	Actual YTD	Variance YTD	% Budget Used YTD
<b><u>OPERATING REVENUES</u></b>					
User Charges	\$84,243,779	\$84,243,779	\$84,870,554	\$626,775	100.7%
Recycled Water	18,188,000	18,188,000	13,232,235	(4,955,765)	72.8%
MWD Water Sales	42,996,000	42,996,000	45,519,432	2,523,432	105.9%
Cost Reimbursement from JPA	6,083,947	6,083,947	5,970,231	(113,716)	98.1%
Interest Revenue	2,595,850	2,595,850	3,662,166	1,066,316	141.1%
<b>TOTAL OPERATING REVENUES</b>	<b>\$154,107,576</b>	<b>\$154,107,577</b>	<b>\$153,254,619</b>	<b>(\$852,958)</b>	<b>99.4%</b>
<b><u>NON-OPERATING REVENUES</u></b>					
Property Tax	\$47,887,800	\$47,887,800	\$53,040,078	\$5,152,278	110.8%
Connection Fees	32,911,999	32,911,999	28,769,177	(4,142,823)	87.4%
Grants	14,781,667	14,781,667	2,069,985	(12,711,682)	14.0%
SRF Loan Proceeds	28,585,900	28,585,900	5,878,885	(22,707,015)	20.6%
Project Reimbursements	1,522,918	1,522,918	1,122,207	(400,711)	73.7%
Other Revenue	928,305	928,305	954,913	26,608	102.9%
<b>TOTAL NON OPERATING REVENUES</b>	<b>\$126,618,589</b>	<b>\$126,618,590</b>	<b>\$91,835,245</b>	<b>(\$34,783,345)</b>	<b>72.5%</b>
<b>TOTAL REVENUES</b>	<b>\$280,726,166</b>	<b>\$280,726,168</b>	<b>\$245,089,864</b>	<b>(\$35,636,303)</b>	<b>87.3%</b>
<b><u>ADMINISTRATIVE and OPERATING EXPENSES</u></b>					
<b>EMPLOYMENT EXPENSES</b>					
Wages	\$22,137,889	\$22,137,889	\$26,580,830	(\$4,442,941)	120.1%
Benefits	23,800,708	23,800,708	18,400,502	5,400,207	77.3%
<b>TOTAL EMPLOYMENT EXPENSES</b>	<b>\$45,938,596</b>	<b>\$45,938,597</b>	<b>\$44,981,332</b>	<b>\$957,266</b>	<b>97.9%</b>
<b>ADMINISTRATIVE EXPENSES</b>					
Office & Administrative	\$2,332,221	\$2,332,221	\$1,534,861	\$797,361	65.8%
Insurance Expenses	874,300	874,300	677,978	196,322	77.5%
Professional Fees & Services	12,107,038	12,107,038	8,125,392	3,981,646	67.1%
O&M Projects	27,005,709	27,005,709	8,685,805	18,319,904	32.2%
Reimbursable Projects	2,366,192	2,366,192	1,572,064	794,128	66.4%
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$44,685,458</b>	<b>\$44,685,459</b>	<b>\$20,596,101</b>	<b>\$24,089,361</b>	<b>46.1%</b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Fiscal Year 2018/19**  
**CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT**  
**Quarter Ended June 30, 2019**

	Amended Budget	Budget YTD	Actual YTD	Variance YTD	% Budget Used YTD
<b>OPERATING EXPENSES</b>					
Material & Supplies/Leases	\$3,860,455	\$3,860,455	\$3,161,468	\$698,987	81.9%
Biosolids Recycling	4,643,114	4,643,114	4,335,811	307,303	93.4%
Chemicals	5,118,940	5,118,940	4,663,550	455,391	91.1%
MWD Water Purchases	42,996,000	42,996,000	45,519,432	(2,523,432)	105.9%
Operating Fees/RTS Fees/Exp. Alloc.	13,395,045	13,395,045	11,465,022	1,930,023	85.6%
Utilities	8,858,925	8,858,925	8,274,311	584,614	93.4%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$78,872,479</b>	<b>\$78,872,478</b>	<b>\$77,419,594</b>	<b>\$1,452,886</b>	<b>98.2%</b>
<b>TOTAL ADMINISTRATIVE and OPERATING EXPENSES</b>	<b>\$169,496,533</b>	<b>\$169,496,534</b>	<b>\$142,997,028</b>	<b>\$26,499,513</b>	<b>84.4%</b>
<b><u>NON-OPERATING EXPENSES</u></b>					
<b>CAPITAL OUTLAY</b>	<b>\$87,427,928</b>	<b>\$87,427,928</b>	<b>\$55,329,785</b>	<b>\$32,098,143</b>	<b>63.3%</b>
<b>FINANCIAL EXPENSES</b>					
Principal, Interest and Financial Expenditures	22,741,648	22,741,648	21,988,179	753,469	96.7%
<b>OTHER NON OPERATING EXPENSES</b>	<b>325,388</b>	<b>325,388</b>	<b>363,218</b>	<b>(37,830)</b>	<b>111.6%</b>
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$110,494,964</b>	<b>\$110,494,965</b>	<b>\$77,681,182</b>	<b>\$32,813,782</b>	<b>70.3%</b>
<b>TOTAL EXPENSES</b>	<b>\$279,991,497</b>	<b>\$279,991,499</b>	<b>\$220,678,210</b>	<b>\$59,313,295</b>	<b>78.8%</b>
<b>REVENUES IN EXCESS/ (UNDER) EXPENSES</b>	<b>\$734,669</b>	<b>\$734,669</b>	<b>\$24,411,654</b>	<b>\$23,676,986</b>	

Totals may not add up due to rounding

**Business Goals Status Updates – FY 2018/19 4th Quarter**

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION AGENCY MANAGEMENT			<p>Twenty-four staff members took part in the graduation ceremony for the Career Management Program in June. Three staff members completed the Southern California Local Government Leadership Academy by Cal Poly Pomona. Staff continues to complete courses offered by Skill Soft, attend seminars and cross train within the dept.</p>		



**Business Goals Status Updates – FY 2018/19 4th Quarter**

**Exhibit B**

INITIATIVES  DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
<b>EXTERNAL AFFAIRS</b>		<p>The Grants Department has provided support for two major projects that are part of this initiative by strategically pursuing state and/or federal funding:</p> <p><u>IEUA-JCSD Intertie:</u> A State Revolving Fund (SRF) loan, which includes a \$5 million grant award, has been Included in the SWRCB SRF loan Fundable List (State FY2019/20 SRF loan funding budget) for the JCSD-IEUA Intertie Project.</p> <p><u>RP-5 Expansion:</u> Applications have been submitted to both federal (Water Infrastructure Finance and Innovation Act - WIFIA) and state (SRF) funding agencies to support the \$365M cost of this project. The Project has been Included in the SWRCB SRF loan Fundable List</p>	<p>The Grants Department has 2 staff members that successfully completed the Agency Career Management Program in June 2019.</p> <p>Records Management staff attended Laserfiche Empower training, Liebert Cassidy Whitmore training and conducted several in-house webinar training sessions. Staff continues records management development by attending ARMA training both on the national and local levels, attending SkillsSoft training, as well as attending the Feith University Records Management Online courses and training.</p>		<p>The Grants Department has continued collaborative efforts with the Business Information Systems (BIS) Department to modify and enhance the SAP grant module, which will improve the grant invoice and compliance processes.</p> <p>The Records Management Group continues its collaborative efforts with the Business Information Systems (BIS) Department to migrate SAP attachments (records) into the Laserfiche system. Records Management BIS and Safety continues its collaborative efforts for implementation of an Agency-wide Training Application for Safety Tailgates Tracking. Go Live is schedule for January 2020.</p>

## Business Goals Status Updates – FY 2018/19 4th Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION		(State FY2019/20 SRF loan funding budget) for \$101 million. An application for the WIFIA loan program in the amount of \$176 million is currently under EPA review.			

## Business Goals Status Updates – FY 2018/19 4th Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION					
<b>ENGINEERING, PLANNING &amp; SCIENCE</b>	<p>The Engineering and Construction Management Department continues to provide ongoing support to operations and maintenance to coordinate and schedule needed condition assessment of critical processes. These reports are used by engineering and operation staff to track asset condition and plan budget and project for asset repairs, replacement or rehabilitation. In parallel to this, a comprehensive study of the Agency’s asset management program is in progress and nearing completion. The study will identify needs and gaps within the Agency’s program, recommend strategies to effectively implement the program, and organize an asset governance structure to support the program. Lastly, an RFP is in final development to complete</p>	<p>As part of the Engineering and Construction Management Department’s goal of providing high quality project management for the completion of Capital Improvement Projects the Department’s KPIs are as follows:</p> <p>4<sup>th</sup> Quarter Capital Spending was 58%. We did not meet our goal of &gt;= 90%.</p> <p>4<sup>th</sup> Quarter Actual Expenditures as a percentage of or forecasted expenditures was 77%. We did not meet our goal of &gt;= 90%.</p> <p>4<sup>th</sup> Quarter Design Scope Amendment ratio was 18.54%. We did not meet our goal of &lt;=10%</p> <p>4<sup>th</sup> Quarter Change Order ratio was 5.22%. We met our goal of &lt;=10%.</p>	<p>The Engineering and Construction Management Department did not have any monthly mentoring sessions during the 4<sup>th</sup> qtr. Overall for the year, the Department conducted 5 sessions. The goal of 10 per year was not met. The overall percentage was 50% for the 12-month period.</p>		

## Business Goals Status Updates – FY 2018/19 4th Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION	<p>a system wide assessment of the Agency’s sewer system and prepare an optimize maintenance and capital plan to support the ongoing life cycle of the sewer system</p>	<p>4<sup>th</sup> Quarter Project Costs within 110% of Total Project Budget Established in the Project Charter was 43.75%. Seven out of sixteen projects met the goal.</p> <p>As part of The Engineering and Construction Management Department’s implementation of energy efficient projects and efficiencies into existing facilities and equipment. staff identified energy savings design elements including the replacement of the aeration blowers, the aeration diffusers and changes from DO controls to Ammonia controls. However, the audit process was started, and the CCWRF Asset Management and Improvements Package I (EN17006), was put hold pending validation of costs. At this time, no additional projects are at a stage in their life cycle to</p>			

## Business Goals Status Updates – FY 2018/19 4th Quarter

Exhibit B

INITIATIVES DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
		implement energy efficient enhancements, as they progress the department will actively seek ways to implement energy initiatives and programs to achieve statewide environmental and renewable energy goals and stabilize future costs.			

## Business Goals Status Updates – FY 2018/19 4th Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
<p><b>DIVISION</b></p> <p><b>FINANCE &amp; ADMINISTRATION</b></p>	<p>BIS coordinated the demo and procurement of a tool to help with data entry and extraction from SAP. This pilot project can potentially help with reducing repetitive processes and mass upload or change of SAP data. BIS plans to test the feasibility with master data for procurement and Operations Division as part of asset and equipment data cleanup effort.</p>		<p>BIS started the cross-training one of the analysts, who will potentially replace the soon to retire analyst. The training is for SAP time management module, critical piece for Agency payroll processing.</p>		<p>Working with HR and payroll team, BIS developed a report that shows timesheet approval status each pay period to help inform supervisors and managers of their performance related to timely approval. The report is sent to each approver via email every two weeks.</p> <p>BIS and ISS working together to deploy Microsoft Delve as the new employee directory. It provides both the photo and personnel information, as well as integrating to Outlook calendar for availability and easy access to recently used files and those files shared with others.</p> <p>BIS coordinated with Finance and Accounting and implemented the reduction of WBS</p>

## Business Goals Status Updates – FY 2018/19 4th Quarter

Exhibit B

INITIATIVES DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
					<p>element to simplify its use and reporting.</p> <p>BIS enhanced the purchase requisition approval process by adding an email alert to buyer (staff in CAP) once the PR is fully approved. The email notification allows buyers to be aware of when a PR is ready for processing and proactively prepare for the purchase order (e.g., reviewing specs, identify potential vendors, etc.).</p> <p>BIS, working with support consultants, completed the system upgrade that brings the software to a current version that includes stronger cybersecurity and better compatibility with other modules and software.</p>

**Business Goals Status Updates – FY 2018/19 4th Quarter**

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION OPERATIONS				Finished Implementing some of the Department of Homeland Security’s recommendations, and will be presenting updates at the November Board Workshop	



**Inland Empire Utilities Agency  
Inter-Departmental / Division Transfers FY 2018/19  
Budget Transfer**

Fund	Fund Name	Date	O&M Transfer From	Category	Amt Transfer Out	O&M Transfer To	Category	Amount Transfer In	Description	QTR
10200	Administrative Services	4/11/19	511220	Travel - Mileage	\$1,000	521080	Other Contract Svcs	\$1,000	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		4/11/19	512210	Printing/Copying	\$2,000	521080	Other Contract Svcs	\$2,000	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		4/11/19	512350	Postage/Delivery	\$500	521080	Other Contract Svcs	\$500	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		4/11/19	513010	Meeting Expenses	\$500	521080	Other Contract Svcs	\$500	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		4/11/19	514110	Subscriptions/Publ	\$1,000	521080	Other Contract Svcs	\$1,000	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		4/17/19	520980	Prof Svcs - Other	\$3,000	521080	Other Contract Svcs	\$3,000	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		4/18/19	511120	Empl Training	\$1,500	511120	Empl Training	\$1,500	Transfer to cover employee Compost Operator Training.	4
		5/2/19	521050	Contract Materials	\$2,000	513010	Meeting Expenses	\$2,000	Transfer from Contract Materials to Meeting Expenses	4
		5/2/19	521050	Contract Materials	\$1,320	514020	Memberships	\$1,320	Transfer from Contract Materials to Memberships	4
		5/8/19	521080	Other Contract Services	\$1,700	521080	Other Contract Svcs	\$1,700	Transfer for temporary staff as the expense was higher than expected when a staff member extended their leave.	4
		5/28/19	521080	Other Contract Services	\$20,000	521080	Other Contract Svcs	\$20,000	Transfer to cover PFM Inv. Advisory expenses through the remainder of the fiscal year.	4
		5/31/19	521010	Contract Labor	\$11,325	526510	Haz Mat Disposal	\$11,325	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$12,330	512450	Fleet Parts, Supplies	\$12,330	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$829	512450	Fleet Parts, Supplies	\$829	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$6,588	512110	Supplies - General	\$6,588	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$13,159	512450	Fleet Parts, Supplies	\$13,159	Transfer to cover reclassification requests.	4
		6/4/19	510040	Election Expenses	\$1,500	520210	Legal - General	\$1,500	Transfer to cover unforeseen general legal expenses.	4
		6/4/19	511240	Travel Cost - Meals	\$750	520210	Legal - General	\$750	Transfer to cover unforeseen general legal expenses.	4
		6/4/19	511290	Travel Cost - Other	\$1,725	520210	Legal - General	\$1,725	Transfer to cover unforeseen general legal expenses.	4
		6/4/19	513020	Conference Expense	\$1,970	520210	Legal - General	\$1,970	Transfer to cover unforeseen general legal expenses.	4
		6/4/19	514110	Subscriptions/Publ	\$3,000	520210	Legal - General	\$3,000	Transfer to cover unforeseen general legal expenses.	4
		6/5/19	510040	Elections	\$115,000	520210	Legal - General	\$115,000	Transfer required due to unforeseen general legal expenses.	4
		6/5/19	511230	Travel - Transportation	\$4,000	520210	Legal - General	\$4,000	Transfer required due to unforeseen general legal expenses.	4
		6/5/19	511250	Travel - Lodging	\$2,000	520210	Legal - General	\$2,000	Transfer required due to unforeseen general legal expenses.	4
		6/5/19	513010	Meeting Expenses	\$4,000	520210	Legal - General	\$4,000	Transfer required due to unforeseen general legal expenses.	4
		6/5/19	514110	Subscriptions/Publ	\$10,000	520210	Legal - General	\$10,000	Transfer required due to unforeseen general legal expenses.	4
		6/11/19	521080	Other Contract Services	\$24,000	521010	Contract Labor	\$24,000	Transfer to cover the June 2019 service agreement for the laboratory GCs	4
		6/18/19	520930	Prof Svcs - Pub Inv	\$5,000	512110	Supplies - General	\$5,000	To cover the costs of flags and canopies.	4

Fund	Fund Name	Date	O&M Transfer From	Category	Amt Transfer Out	O&M Transfer To	Category	Amount Transfer In	Description	QTR
10200	Administrative Services	6/19/19	511210	OT Meals	\$200	521080	Other Contract Svcs	\$200	Other contract services budgeted for OPEB actuarial valuation were used to pay for temporary staff covering maternity leave.	4
		6/19/19	511240	Travel Meals	\$100	521080	Other Contract Svcs	\$100	Other contract services budgeted for OPEB actuarial valuation were used to pay for temporary staff covering maternity leave.	4
		6/19/19	512010	Office Supplies - General	\$1,250	521080	Other Contract Svcs	\$1,250	Other contract services budgeted for OPEB actuarial valuation were used to pay for temporary staff covering maternity leave.	4
		6/19/19	512210	Printing/Copying	\$500	521080	Other Contract Svcs	\$500	Other contract services budgeted for OPEB actuarial valuation were used to pay for temporary staff covering maternity leave.	4
		6/20/19	521010	Contract Labor	\$20,000	520210	Legal - General	\$20,000	Transfer to cover unforeseen general legal expenses.	4
		6/24/19	511310	Employee Recognition	\$3,470	512730	Equip Rental_Admin	\$3,470	Transfer due to the date change for the 2019 picnic which caused two picnics to be charged in FY 2018/19	4
		6/24/19	521080	Other Contract Services	\$1,500	521080	Other Contract Svcs	\$1,500	The expense for the temporary employee was higher than expected due to an extended leave by staff.	4
		6/25/19	509330	State Unemployment Ins	\$50,000	521080	Other Contract Svcs	\$50,000	Transfer to cover unexpected increases in third party investigations and other related professional services for the FY.	4
10700	Water Resources	5/1/19	521080	Prof Fees & Svcs	\$50,000	570011	Contrib in Aid	\$50,000	Transfer to cover the contribution in aid for SAWPA FY 18/19.	4
10800	Regional Wastewater Operations & Maintenance	4/18/19	521080	Other Contract Services	\$80,000	512170	O&M Supplies	\$80,000	Transfer required to purchase necessary collection supplies to move forward with projects, efficiency of inspections, sanitary sewer overflow warning technology, confined space safety equip., etc.	4
		5/2/19	521010	Prof Fees	\$60,000	530016	Sodium Hypochlorite	\$60,000	Chemical budget has a shortfall for the year. Request is due to a 30% increase in Hypochlorite cost and less effective mixing due to a failed mixer.	4
		5/2/19	521010	Prof Fees	\$40,000	530016	Sodium Hypochlorite	\$40,000	Chemical budget has a shortfall for the year. Request is due to a 30% increase in Hypochlorite cost and less effective mixing due to a failed mixer.	4
		5/2/19	521050	Contract Materials	\$10,000	530020	Sodium Bisulfite	\$10,000	Chemical budget has a shortfall for the year.	4
		5/2/19	521050	Contract Materials	\$1,000	530012	Aluminum Sulfate	\$1,000	Chemical Budget has a shortfall for the year. Aluminum Sulfate cost per dry ton was not correctly estimated.	4
		5/2/19	521050	Contract Materials	\$4,000	530020	Sodium Bisulfite	\$4,000	Chemical budget has a shortfall for the year.	4
		5/2/19	521050	Contract Materials	\$20,000	530024	Ferric Chloride	\$20,000	Chemical budget has a shortfall for the year. Budget for Ferric Chloride was not correctly estimated.	4
		5/2/19	521050	Contract Materials	\$5,000	530016	Sodium Hypochlorite	\$5,000	Chemical budget has a shortfall for the year. Request is due to a 30% increase in Hypochlorite cost and less effective mixing due to a failed mixer.	4
		5/2/19	521050	Contract Materials	\$20,000	530024	Ferric Chloride	\$20,000	Chemical budget has a shortfall for the year. Budget for Ferric Chloride was not correctly estimated.	4
		5/2/19	521050	Contract Materials	\$40,000	530028	Polymer	\$40,000	Chemical budget has a shortfall for the year.	4
		5/2/19	521050	Contract Materials	\$7,850	521080	Other Contract Svcs	\$7,850	Transfer to cover the costs of Lube Oil Analysis.	4
		5/2/19	530039	Iron Sponge	\$30,985	530013	Anthracite	\$30,985	To cover the cost of Anthracite and to align with actual budget.	4
		5/6/19	520920	Prof Svcs - Eng	\$10,250	521220	Lab Svcs - Outside	\$10,250	Transfer needed for unanticipated Contract Lab Services due to delays in ELAP certification for some tests in the Water Quality Laboratory.	4
5/6/19	520920	Prof Svcs - Eng	\$6,450	521220	Lab Svcs - Outside	\$6,450	Transfer needed for unanticipated Contract Lab Services due to delays in ELAP certification for some tests in the Water Quality Laboratory.	4		

Fund	Fund Name	Date	O&M Transfer From	Category	Amt Transfer Out	O&M Transfer To	Category	Amount Transfer In	Description	QTR
10800	Regional Wastewater Operations & Maintenance	5/6/19	520920	Prof Svcs - Eng	\$5,575	521220	Lab Svcs - Outside	\$5,575	Transfer needed for unanticipated Contract Lab Services due to delays in ELAP certification for some tests in the Water Quality Laboratory.	4
		5/9/19	512170	O&M Supplies	\$110,833	520980	Prof Svcs - Other	\$110,833	Transfer to cover the costs of the Redwood Energy Storage for RP-4/IERCF for the remainder of the FY.	4
		5/31/19	521050	Contract Materials	\$11,740	512450	Fleet Parts, Supplies	\$11,740	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$5,330	512450	Fleet Parts, Supplies	\$5,330	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$25,481	512450	Fleet Parts, Supplies	\$25,481	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$4,544	512110	Supplies - General	\$4,544	Transfer to cover reclassification requests.	4
		5/31/19	521050	Contract Materials	\$42,550	512450	Fleet Parts, Supplies	\$42,550	Transfer to cover reclassification requests.	4
		6/13/19	545110	Electricity	\$400,000	545110	Electricity	\$400,000	Transfer to cover the costs of electricity at RP-5 that will be used through the end of FY 2018/19.	4
<b>Total O&amp;M Transfers Out</b>					<b>\$1,320,303</b>	<b>Total O&amp;M Transfers In</b>			<b>\$1,320,303</b>	

**Inland Empire Utilities Agency  
FY 2018/19 General Manager Contingency Account Activity  
Budget Transfer**

Date	From Proj/Category Title	Sender Amount	Receiver Fund	Receiver FA	Receiver CC	Receiver CE	To Proj/Category Title	Transfer Amount	Balance	Justification
<b>Beginning Balance, July 1, 2018</b>									<b>\$300,000</b>	
9/27/2018	GM Contingency	\$50,000	10200	100000	139100	520950	Prof Svcs - Train Consultants	\$50,000		Career management program
<b>Balance, September 30, 2018</b>									<b>\$50,000</b>	<b>\$250,000</b>
11/5/2018	GM Contingency	\$38,000	10200	100000	118100	520980	Prof Svcs - Other	\$38,000		To cover fixed-cost SAP support service contract
<b>Balance, December 31, 2018</b>									<b>\$38,000</b>	<b>\$212,000</b>
1/3/2019	GM Contingency	\$75,000	10200	100000	118100	520980	Prof Svcs - Other	\$75,000		Consultant letter agreement with interim general manager
<b>Balance, March 31, 2019</b>									<b>\$75,000</b>	<b>\$137,000</b>
6/11/2019	GM Contingency	\$115,000	10200	100000	112100	520210	Legal - General	\$103,000		To cover legal expenses through the end of the fiscal year
			10500	160000	112100	520210	Legal - General	\$2,000		
			10300	400000	112100	520210	Legal - General	\$10,000		
7/8/2019	GM Contingency	\$2,000	10200	105000	146151	980000	IS19009	\$2,000		To cover final purchase against the project
<b>Balance, June 30, 2019</b>									<b>\$117,000</b>	<b>\$20,000</b>

**Inland Empire Utilities Agency**  
**Changes in Total Project Budget: Inter-Departmental/Division Capital & O&M Transfers FY 2018/19**

**Exhibit D**

Fund	Transfer Date	Project Number	Project Title	Adopted Total Project (TP) Budget	Prior TP Changes in Current FY	Amt. of Transfer In / (Out)	New TP Budget	Annual Project Budget	Annual Proj. Budget Change	New Annual Project Budget	Project Transferred To/(From)	Justification	
<b>Capital Projects</b>													
10200	5/16/19	IS16021	SAP Roadmap & Strategies	\$2,407,766	(\$13,500)	(\$30,000)	\$2,364,266	\$286,500	(\$30,000)	\$256,500	IS19009	Transfer to fund purchase of two licenses for Microsoft SQL Server Enterprise Edition necessary to encrypt the databases used for extracted data from SAP for the purpose of reporting.	
		IS19009	Business Network Infrastructure	\$195,000	(\$15,000)	\$30,000	\$210,000	\$180,000	\$30,000	\$210,000	(IS16021)		
	5/16/19	IS16021	SAP Roadmap & Strategies	\$2,407,766	(\$43,500)	(\$5,000)	\$2,359,266	\$256,500	(\$5,000)	\$251,500	IS19013	Transfer to fund new project, IS19013, to purchase additional Sage ABRA licenses for HR and Safety staff to track various training classes that employees attend.	
		IS19013	Sage ABRA Licenses	\$0	\$0	\$5,000	\$5,000	\$0	\$5,000	\$5,000	(IS16021)		
	7/11/19	IS19009	Bus. Network Infrastructure	\$195,000	\$15,000	\$2,000	\$212,000	\$210,000	\$2,000	\$212,000	(GM Contingency)	Transfer from GM Contingency to complete the final purchase against the project.	
<b>Subtotal Administration (GG):</b>				<b>\$5,205,532</b>			<b>\$5,150,532</b>	<b>\$933,000</b>		<b>\$935,000</b>			
10800	5/20/19	EP19002	North Major Facilities Repair/Replacement	\$600,000	(\$240,000)	(\$45,000)	\$315,000	\$360,000	(\$45,000)	\$315,000	EN19043	Transfer to create new project, EN19043, to install new PVC piping and purchase and install any necessary actuator parts for each of the four actuators of the RP-1 Centrifuge Foul Air Line.	
		EN19043	RP-1 Centrifuge Foul Air Line	\$0	\$0	\$45,000	\$45,000	\$0	\$45,000	\$45,000	(EP19002)		
<b>Subtotal Regional Operations (RO):</b>				<b>\$600,000</b>			<b>\$360,000</b>	<b>\$360,000</b>		<b>\$360,000</b>			
				<b>Capital Total Project Budget</b>			<b>Total Annual Capital Budget</b>						
				Adopted	Amended	Adopted	Amended	Adopted	Amended	Adopted	Amended		
				<b>\$5,805,532</b>	<b>\$5,510,532</b>	<b>\$1,293,000</b>	<b>\$1,295,000</b>						
<b>O&amp;M Projects</b>													
10200	4/8/19	IS19001	BizNet Cybersecurity	\$75,000	(\$62,000)	(\$5,000)	\$8,000	\$13,000	(\$5,000)	\$8,000	IS19011	Transfer to create new project, IS19011, to pay for a license to allow the door access system (Kantech) to integrate with the Agency's Active Directory system.	
		IS19011	BIZ Kantech AD Integration	\$0	\$0	\$5,000	\$5,000	\$0	\$5,000	\$5,000	(IS19001)		
	5/14/19	IS18002	BizNet Cybersecurity	\$125,000	\$62,000	(\$20,000)	\$167,000	\$125,245	(\$20,000)	\$105,245	EN19042	Transfer to fund additional costs of EN19042 for the excavation of a potable water pipe break outside of the Headquarters B Building.	
		EN19042	HQ-B 2" Potable Water Leak	\$0	\$10,000	\$20,000	\$30,000	\$10,000	\$20,000	\$30,000	(IS18002)		
	5/29/19	IS18002	BizNet Cybersecurity	\$125,000	\$42,000	(\$57,000)	\$110,000	\$105,245	(\$57,000)	\$48,245	O&M: 520920	Transfer to fund a proposal from GHD to provide engineering services for the development of IEUA Engineering Standard Details that will assist in the engineering design and reliability of constructed facilities.	
<b>Subtotal Administration (GG):</b>				<b>\$325,000</b>			<b>\$320,000</b>	<b>\$253,490</b>		<b>\$196,490</b>			
10600	5/8/19	EN17020	WC On-Call Operations and Maintenance Projects	\$295,000	\$0	(\$64,500)	\$230,500	\$150,000	(\$64,500)	\$85,500	O&M: 521220	Transfer to O&M 521220 for unanticipated contract lab services due to delays in ELAP certification for some tests in the Water Quality Laboratory.	
		EN19051	RW Hydraulic Modeling	\$150,000	(\$50,000)	(\$50,000)	\$50,000	\$100,000	(\$50,000)	\$50,000	O&M: 520980		
	5/8/19	EN19051	RW Hydraulic Modeling	\$150,000	(\$50,000)	(\$50,000)	\$50,000	\$100,000	(\$50,000)	\$50,000	O&M: 520980	Transfer to O&M 520980 for plan check and inspection labor costs due to multiple recycled water involved development projects occurring this fiscal year.	
6/26/19		EN17039	8th St Basin RW Turnout Discharge Retrofit	\$562,844	(\$15,000)	(\$75,000)	\$472,844	\$450,000	(\$75,000)	\$375,000	EN19017	Transfer from EN17039 and EN19030 to EN19017 to fund emergency projects that were awarded during FY 2018/19 that had not been paid out and required budget to cover the cost of the contractor and IEUA labor expense.	
		EN19030	WC Asset Management	\$250,000	\$0	\$0	\$0	\$250,000	(\$100,000)	\$150,000	EN19017		

**Inland Empire Utilities Agency**  
**Changes in Total Project Budget: Inter-Departmental/Division Capital & O&M Transfers FY 2018/19**

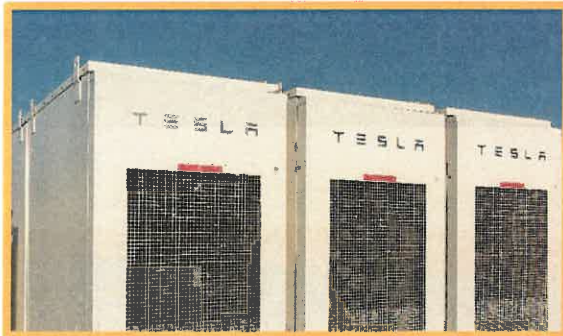
**Exhibit D**

Fund	Transfer Date	Project Number	Project Title	Adopted Total Project (TP) Budget	Prior TP Changes in Current FY	Amt. of Transfer In / (Out)	New TP Budget	Annual Project Budget	Annual Proj. Budget Change	New Annual Project Budget	Project Transferred To/(From)	Justification
		EN19017	WC Emergency O&M Projects	\$250,000	\$0	\$75,000	\$325,000	\$150,000	\$175,000	\$325,000	(EN17039; EN19030)	
<b>Subtotal Recycled Water (WC):</b>				<b>\$1,507,844</b>			<b>\$1,078,344</b>	<b>\$1,100,000</b>		<b>\$985,500</b>		
10700	5/8/19	WR17013	Sponsorships & Public Outreach	\$80,000	\$0	(\$6,000)	\$74,000	\$6,000	(\$6,000)	\$0	O&M: 570011	Transfer to cover the contribution in aid for SAWPA FY 2018/19.
<b>Subtotal Water Resources (WW):</b>				<b>\$80,000</b>			<b>\$74,000</b>	<b>\$6,000</b>		<b>\$0</b>		
10800	5/29/19	PA19003	Agency-Wide Paving	\$50,000	\$0	(\$50,000)	\$0	\$50,000	(\$50,000)	\$0	EN19034	Transfer for additional asphalt work needed at RP-1.
		EN19034	RP-1 Operations Building Paving	\$170,000	\$0	\$50,000	\$220,000	\$170,000	\$50,000	\$220,000	(PA19003)	
<b>Subtotal Regional Operations (RO):</b>				<b>\$220,000</b>			<b>\$220,000</b>	<b>\$220,000</b>		<b>\$220,000</b>		
							<b>O&amp;M Total Project Budget</b>		<b>Total Annual O&amp;M Project Budget</b>			
							Adopted	Amended	Adopted	Amended		
							\$2,132,844	\$1,692,344	\$1,579,490	\$1,401,990		

<b>Total Capital and O&amp;M Project Transfers:</b>	\$54,500
<b>Total Project Budget Change - Capital:</b>	-\$295,000
<b>Total Project Budget Change - O&amp;M Proj:</b>	-\$440,500
<b>Total Project Budget - Net Change:</b>	-\$735,500

# FY 2018/19 Budget Variance Report

## 4<sup>th</sup> Quarter Ended June 30, 2019



# FY 2018/19 4<sup>th</sup> Quarter Ending June 30, 2019

(\$ Millions)

	Amended Budget	Actual YTD*	% Budget Used YTD
Total Sources of Funds	\$280.7	\$245.1	87.3%
Total Uses of Funds	280.0	220.7	78.8%
<b>Net Increase/(Decrease)</b>	<b>\$0.7</b>	<b>\$24.4</b>	

\*YTD – Year to Date

## Highlights

- Total Sources of Funds were below the year to date budget by ~13%
- Total Uses of Funds were below YTD budget by ~21%
- Net increase of \$24.4 million to fund balance



# FY 2018/19 4<sup>th</sup> Quarter Ending June 30, 2019

(\$ Millions)

Sources of Funds	Amended Budget	Actual YTD*	% Budget Used YTD
<b>Operating Revenue</b>			
User Charges	\$84.3	\$84.9	100.7%
Recycled Water Sales	18.2	13.2	72.8%
MWD Imported Water Sales	43.0	45.5	105.9%
Other Operating Revenues*	8.6	9.6	111.6%
<b>Total Operating Revenues</b>	<b>\$154.1</b>	<b>\$153.3</b>	<b>99.4%</b>

\* Other Operating Revenue includes contract cost reimbursements and interest revenue

## Highlights

- Metropolitan Water District (MWD) imported water sales is higher due to a shift from local supplies by some member agencies.
- Reduced demand for recycled water direct use and groundwater recharge due to "wet winter" conditions.

# FY 2018/19 4<sup>th</sup> Quarter Ending June 30, 2019

(\$ Millions)

Sources of Funds	Amended Budget	Actual YTD*	% Budget Used YTD
<b>Non-Operating Revenue</b>			
Property Tax	\$47.9	\$53.0	110.8%
Connection Fees	32.9	28.8	87.4%
Grants & Loans	43.4	7.9	18.3%
Other Non-Operating Revenues*	2.4	2.1	84.7%
<b>Total Non-Operating Revenues</b>	<b>\$126.6</b>	<b>\$91.8</b>	<b>72.5%</b>
<b>Total Operating Revenues</b>	<b>154.1</b>	<b>153.3</b>	<b>99.4%</b>
<b>Total Sources of Funds</b>	<b>\$280.7</b>	<b>\$245.1</b>	<b>87.3%</b>

\* Other Non-Operating revenues includes project reimbursements, lease revenue, and realized gain on investments

## Highlights

- New connections reported YTD:
  - 3,392 Equivalent Dwelling Units
  - 4,060 Meter Equivalent Units
 Both budgeted at 4,000 units
- Grants and loan receipts are primarily reimbursable and dependent upon related capital project expenditures

# FY 2018/19 4<sup>th</sup> Quarter Ending June 30, 2019

(\$ Millions)

Uses of Funds	Amended Budget	Actual YTD*	% Budget Used YTD
<b>Operating Expense</b>			
Employment Expense (net of allocation to projects)	\$45.9	\$45.0	97.9%
Professional Fees & Services	12.1	8.1	67.1%
Utilities	8.9	8.3	93.4%
MWD Water Purchases	43.0	45.5	105.9%
O&M and Reimb. Project Exp.	29.4	10.3	35.0%
Other Operating Expenses*	30.2	25.8	85.4%
<b>Total Operating Expense</b>	<b>\$169.5</b>	<b>\$143.0</b>	<b>84.4%</b>

\* Other operating expense includes operating fees, chemicals, biosolids recycling, materials & supplies and office & administrative expenses

## Highlights

- Professional fees & services below Amended Budget due to contract award timing and deferral of services
- O&M and Reimbursement Projects below budget due to timing of repair and maintenance related projects

# FY 2018/19 4<sup>th</sup> Quarter Ending June 30, 2019

(\$ Millions)

Uses of Funds	Amended Budget	Actual YTD*	% Budget Used YTD
<b>Non-Operating Expense</b>			
Capital Projects	\$87.4	\$55.3	63.3%
Financial Expense	22.7	22.0	96.7%
Other Non-Operating Expense*	0.4	0.4	111.6%
<b>Total Non-Operating Expense</b>	<b>\$110.5</b>	<b>\$77.7</b>	<b>70.3%</b>
<b>Total Operating Expense</b>	<b>169.5</b>	<b>143.0</b>	<b>84.4%</b>
<b>Total Uses of Funds</b>	<b>\$280.0</b>	<b>\$220.7</b>	<b>78.8%</b>

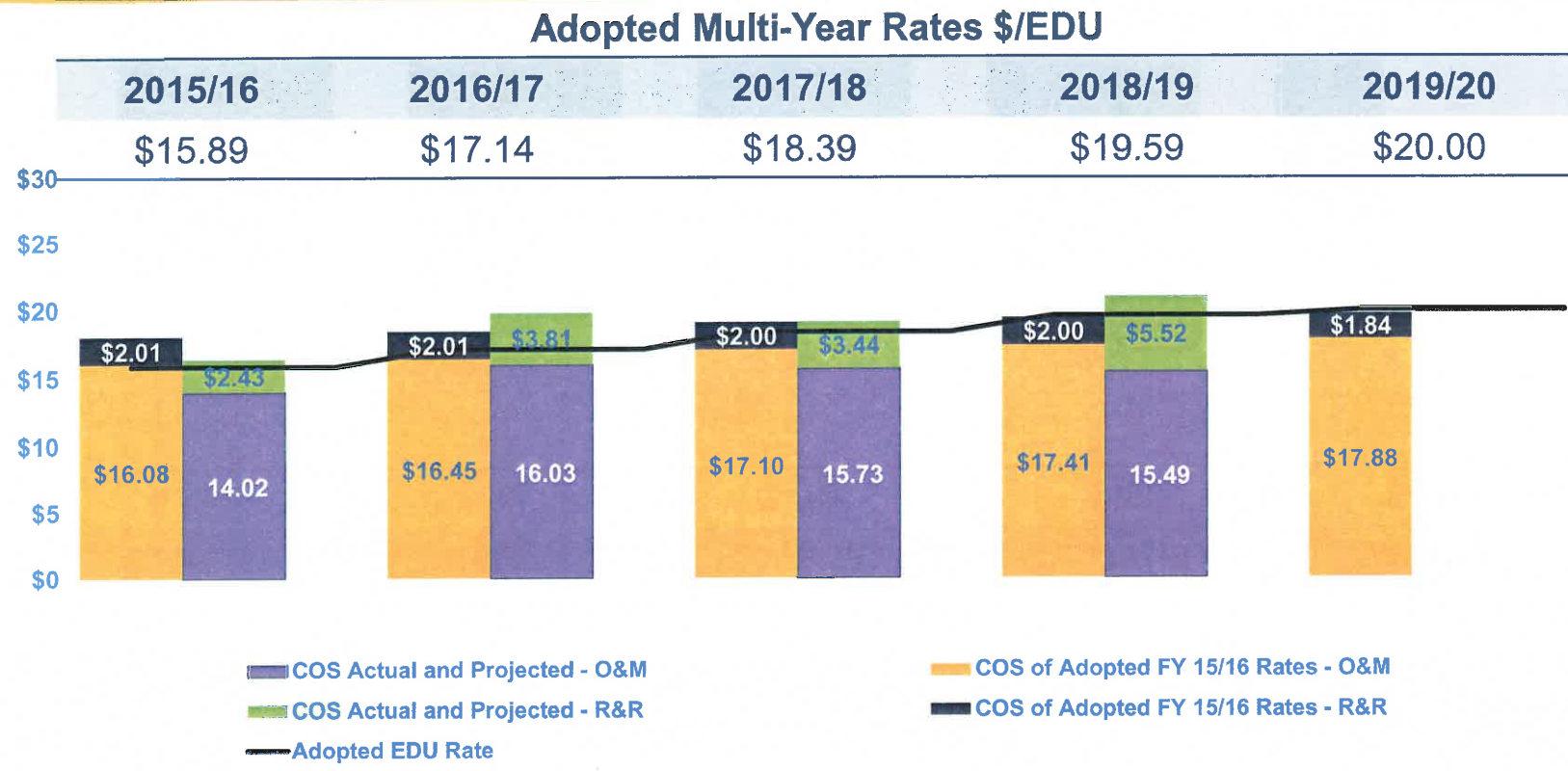
## Highlights

- Total capital project expenditures below budget due to delay in contractor work and design recommendation reviews

\* Other Non-Operating Expense includes Santa Ana Watershed Project Authority (SAWPA) member contributions and other miscellaneous expense

# Wastewater Operations Fund

## Cost of Service per EDU Compared to Adopted Rate



# Recycled Water Fund

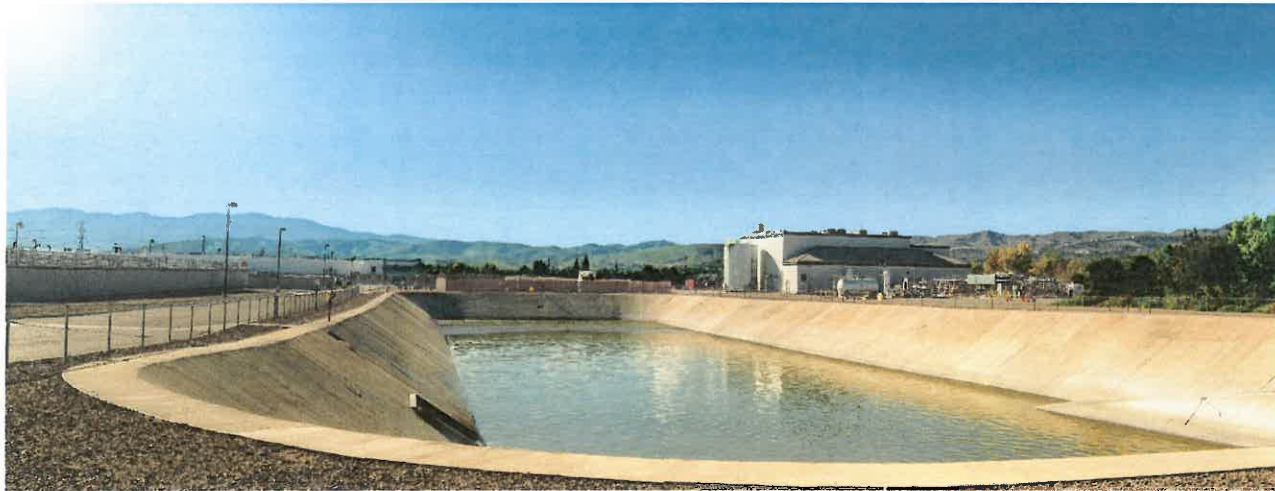
## Cost of Service per AF Compared to Adopted Rate

Adopted Multi-Year Rates \$/EDU

2015/16	2016/17	2017/18	2018/19	2019/20
\$350	\$410	\$470	\$480	\$490



# Questions



The Budget Variance Analysis report is consistent with the Agency's business goal of fiscal responsibility to ensure actual revenues and expenditures are consistent with those approved by the Board of Directors.

**INFORMATION  
ITEM**

**5J**





**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:** Teresa Velarde, Manager of Internal Audit

**Subject:** Internal Audit Department Quarterly Status Report for September 2019

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**Executive Summary:**

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The Internal Audit Department Quarterly Status Report includes a summary of significant internal and external audit activities for the reporting period.

During this quarter, Internal Audit (IA) staff focused resources on completing the various policy research projects, three follow-up reviews, the amended Annual Audit Plan, updates to the Audit Committee, IA Charters, and the IA SOPs . Additionally, IA worked on various on-going and required administrative items such as the budget process tasks and completed training as required by the IA Department's Charter, among other duties and responsibilities.

IA continues to assist with any requests for audit work, review of Agency policies, and procedures and recommendations for internal controls, as well as work on routine audit projects as specified in the Annual Audit Plan. The attached report provides details and information of the audit projects.

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**Staff's Recommendation:**

This is an information item.

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**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

**Fiscal Impact** (explain if not budgeted):

N/A

**Prior Board Action:**

On June 19, 2019, the Board of Directors approved the Fiscal Year 2019/20 Annual Audit Plan. The plan was in accordance with auditing standards and the Charter requirements.

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Department Charters.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Status Report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by describing IA's progress in providing independent evaluations and audit services of Agency financial and operational activities and making recommendations for improvement, to promote a strong ethical and internal control environment, safeguarding assets and fiscal health, providing recommendations to improve efficiencies and to assist management in achieving organizational goals and objectives.

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**Attachments:**

Attachment 1 - Internal Audit Department Quarterly Status Report for September 2019

**Internal Audit Department  
Quarterly Status Report for September 2019**

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**Projects Completed This Period**

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**Project:** IEUA Board of Directors Policies Workshop

**Status:** Complete

**Scope:** Internal Audit completed research on three separate requests from the Board related to policies and provided a Board Workshop on August 7<sup>th</sup>, 2019 covering the following:

- **Travel and Conferences:** IA compiled the expenses related to travel and conferences, performed a survey through the California Society of Municipal Finance Officers (CSMFO) to gather information related to other governmental entities' current policies and processes for elected officials. IA provided the comparative information and possible considerations for policy and practice changes. During the workshop, the Board agreed that in addition to the proposed updates to Agency Policy A-37 and eliminating A-77, the Board would like to see a quarterly spreadsheet showing travel and conference expenses by division.
- **Cell Phone Reimbursement:** IA conducted a brief survey through CSMFO of comparable public agencies about cell phone reimbursements specific to elected officials. IA also evaluated the current policy for Agency employees and gathered other research already completed by other Agency staff and presented the results to the Board. The Board did not take any action as a result of this item.
- **Healthcare Benefits:** IA reviewed the current Agency Ordinance that approves the benefits provided to the Board. IA also conducted a brief survey through CSMFO of comparable public agencies about the Healthcare Benefits provided to their elected officials. The results of the research were presented to the Board and no action was taken.

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**Project:** Water Connection Fees Follow-Up Review

**Status:** Complete

**Scope:** IA performed a follow-up review to determine if two of IA's original audit recommendations from February 2019 had been implemented. The follow-up review was completed because both Finance and Planning staff reported to IA that they had worked closely with Business Information Systems in streamlining the Water Connection Fees payment process directly into the Agency's accounting system, eliminating duplication and the need to run two separate systems for processing transactions. As a result, both recommendations are now considered implemented. The report is under separate cover.

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**Project:** Agency Vehicle Operational Audit: Review of Vehicle Security Procedures

**Status:** Complete

**Scope:** IA completed a follow up review on the two outstanding recommendations remaining from the 2014 original audit and the 2018 follow up review. The two recommendations are now considered implemented. The recommendations related to tightening controls over the tracking/inventory processes and database for the gate transmitters, which records assignments of active and deactivated gate transmitters. During the original reviews, IA noted several errors in the database, multiple different versions, errors, non-reconciliation procedures. The original audit also found several documents and forms missing. During this second follow up, IA noted that processes have improved. IA continues to recommend that CAP staff implement tighter controls such as periodic reconciliation and supervisory review to ensure the record-keeping information of the database is current, accurate, and up to date. Detailed observations and recommendations are included in the attached report.

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**Internal Audit Department  
Quarterly Status Report for September 2019**

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**Project:** Warehouse Annual Physical Inventory – Internal Audit Inventory Observation Report

**Status:** Complete

**Scope:** IA observed the annual physical inventory at the warehouse and documented observations. The annual inventory count is performed near the end of the fiscal year and before the completion of the Comprehensive Annual Financial Report (CAFR) to validate the total inventory asset dollar amount posted to the financial statements. The annual inventory count is a recommended best practice and internal control.

Each year, IA observes the Agency's physical inventory count at the Agency's Warehouse. Additionally, from time to time, the external financial auditors may ask about the physical inventory count or schedule a separate spot check as part of their annual financial audit. During the inventory observation, IA evaluated the status of the four recommendations made in the prior year and determined that all four recommendations had been implemented. IA supports the Warehouse staff in the following items which should be discussed with other departments and possibly the External Auditors before finalizing:

- Considering whether supplies and consumables should be expensed when received rather than maintained as inventory. Additionally, IA suggests that supplies and consumables be stocked in designated areas at the various Agency locations, similar to office and coffee supplies. Warehouse staff should work with the affected departments on this issue.
- Discussing the materiality of the physical inventory with the external auditors with the goal of possibly reducing the frequency of the overall physical inventory count to an every-other year basis if the value of total inventory continues to decline (particularly if "supplies and consumables" items are expensed and obsolete inventory is written off regularly) and staff continues to perform cycle counts on a regular monthly basis.

Detailed observations and recommendations are included in the audit report, presented under separate cover.

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**Project:** Amended Annual Audit Plan for Fiscal Year 2019/20

**Status:** Complete

**Scope:**

Annually, as required by the Internal Audit Department Charter, the Manager of IA must submit a flexible plan of proposed audit projects for the fiscal year. When new/different projects take priority due to unforeseen changes or are warranted and deviations from the approved plan are necessary, a formal amendment must be submitted for Audit Committee and Board approval.

As a result of three requests from individual Board members about potential and existing Board benefits and spending, the Manager of Internal Audit in coordination with Executive Management and the General Manager directed internal audit staff to research existing guidance and perform informal surveys of comparable agencies about these topics. This resulted in a Board Workshop on August 7, 2019 to provide information to the Board of Directors. The Audit Plan has now been amended to reflect this project. Had the Board asked Internal Audit for a more formal, complete and comparable survey of local water and wastewater districts at that meeting, the Audit Plan would have been amended further.

Additionally, the Audit Plan has been updated to reflect the delay of the Human Resources Operational Audit due to the Workshop and as requested by HR staff until the Department Manager position is filled with employment expected in mid-August 2019. While IA has already gathered and evaluated some information provided by HR, the HR Department felt it was important to include the new HR manager in discussions and meetings.

An Amended Annual Audit Plan is submitted as part of the Audit Committee Agenda for September 2019.

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## Internal Audit Department Quarterly Status Report for September 2019

**Project:** Report on Open Recommendations as of September 2019\*

**Status:** Complete - Status of outstanding recommendations as of September 2019.

**Scope:**

The Internal Audit Department Charter requires IA to follow-up on the status of outstanding recommendations to determine if corrective actions have been implemented. The follow-up reviews are scheduled through the Annual Audit Plan. Executive Management supports the implementation of the recommendations previously provided and/or the development of alternative controls to address the risks identified.

The table below provides the number of recommendations outstanding as of this Status Report. Additional details about each of the outstanding recommendations is submitted with the Annual Audit Plan each June. This summary provides an updated count of the outstanding recommendations. This summary includes new recommendations provided during this fiscal year as well as considers any recommendations cleared during the year (up to the prior quarter). A follow up review is typically scheduled between 12–24 months from the date of the original audit, to allow time for full implementation. If a recommendation is deemed not implemented, the recommendation remains outstanding or alternate controls to mitigate any risks are evaluated to determine if the risk has been addressed and the recommendation is no longer applicable. A follow up review is also scheduled sooner, if requested by the Audit Committee or Executive Management. The audited business units are encouraged to submit additional information for IA review if they determine the recommendation has been satisfied.

Area Audited	Report Issued Date	No. of Recs. Remaining to be Verified by IA*	Planned Follow-Up
Accounts Payable Follow-Up (Deferred Recommendations related to Agency Policies)	August 29, 2013	2	FY 2020
Vehicle Security Procedures	March 3, 2014	2	FY 2020
Follow-Up – IT Equipment Audit – ISS	February 29, 2016	2	FY 2020
Master Trade Contracts	September 1, 2016	6	FY 2020
Follow-Up – IT Equipment Audit – FAD	December 5, 2016	6	FY 2020
Audit of Master Services Contracts	December 5, 2016	3	FY 2020
2017 Petty Cash Audit & Follow-Up Review	June 5, 2017	7	FY 2021
Water Use Efficiency Programs Audit	June 5, 2017	6	FY 2021
Contracts and Procurement Follow-Up Audit	August 30, 2017	1	FY 2021
Payroll Operations Audit	August 30, 2017	6	FY 2021
Procurement Card Audit	March 1, 2018	7	FY 2022
Wire Transfers Audit	March 1, 2018	5	FY 2022
Garden in Every School	May 31, 2018	7	FY 2022
Warehouse Annual Physical Inventory – IA Inventory Observation Report	August 22, 2018	4	FY 2022
Inter-fund Transactions Audit	August 30, 2018	3	FY 2022
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures	November 29, 2018	3	FY 2022
Water Connection Fees Audit	February 25, 2019	7	FY 2023
Accounts Payable Follow-Up Audit	May 30, 2019	5	FY 2023
Voyager Fuel Card Audit	May 30, 2019	4	FY 2023
<b>Total Outstanding Audit Recommendations</b>		<b>86</b>	

### Recommendations related to the Regional Contract Review

(these recommendations are planned for full implementation with the renegotiation of the Regional Contract  
IA will not follow up on these items until the renegotiation has been finalized)

Regional Contract Review – Final Audit Report	December 16, 2015	31	Pending – Renegotiation of the Regional Contract
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## Internal Audit Department Quarterly Status Report for September 2019

Of the 86 recommendations:

- 21 recommendations are planned to be reviewed in the current fiscal year (approximately 25%)
- 20 recommendations are expected to be reviewed in the following fiscal year (approximately 23%)
- 45 recommendations that are highlighted in gray do not require follow-up as the issuance date is within the last 18 months (approximately 52%).

*\*The Outstanding Recommendations Table does not update the status of recommendations resolved by follow-up audits during the current quarter or add any new recommendations resulting from the projects completed during this quarter (as noted in this Status Report). The table is revised for those changes once all items have been received by the Audit Committee and the Board of Directors which is when items are determined to be final.*

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### **Projects in Process**

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**Project:**           **Audit Committee and Internal Audit Department Charter Updates**

**Status:**           **In Progress – for finalization in December 2019**

**Scope:**

As required by the Charters and the IIA Standards, the Charters are presented in draft form with the suggested proposed updates for consideration. IA also asks the Audit Committee and the whole Board to make any proposed changes at this time for finalization in December 2019.

The purpose of the Audit Committee and the IAD Charters is to document the purpose, authority and responsibilities of each. A role of the IAD is to further ensure that the responsibilities of the Audit Committee are fulfilled. According to best practices, the authority of the IAD should be documented in a Charter to align the role of the department in a way to provide independent assurance and assistance to the Board and Executive Management in ensuring organizational goals are achieved. Best practices and both Charters require that IA completes a review of the Charters annually and make necessary edits/changes. IA is proposing changes related to handling projects and requests. This is to clarify the process and/or manner in which the IAD receives requests from individual Board members or the Board as a whole and how the IAD responds to requests. IA requests feedback from the Audit Committee, the Board and/or senior management about any changes in the IAD scope of work, responsibilities and authority. Changes will be made, and the charters will be brought back for additional discussion, review and/or final approval in December.

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**Project:**           **Human Resources Operational Audit**

**Status:**           **In Progress – Anticipated Completion date: December 2019**

**Scope:**

To evaluate processes and operations of the Human Resources Department (HR). IA will evaluate whether department standard operating procedures, policies and guidelines are up to date, implemented and followed and evaluate the department's published mission statement, department purpose, business goals, key performance indicators and workload indicators to determine that those are effectively and efficiently met. IA will evaluate key functions and compare with similar agencies. Human Resources will be the primary contact department. Additionally, two recommendations that were deferred from the Accounts Payable Follow-Up audit completed in June 2019 will be reviewed as part of this audit.

In July 2019, IA requested and received preliminary information from the HR department. During August 2019, IA provided the HR Department with an Internal Control Questionnaire (ICQ), with approximately 40 questions about various topics, processes, and procedures that fall under the responsibility of the department. The ICQ provides a basis for IA to begin the audit and assists in focusing the review efforts. The ICQ provides information about how the department is operating and functioning; about processes and procedures of the department; and about the administration of programs under their purview.

## Internal Audit Department Quarterly Status Report for September 2019

The timing of this audit has fluctuated since the HR Department Manager position has been vacant for several months. The new HR Department Manager began employment with the Agency in mid-August 2019 and additional time was requested for the manager to be included as part of the process. IA plans to meet with the new HR manager and key representatives of the HR department in early September for a kick-off meeting.

Fieldwork will be on-going as required and will include testing of compliance, and analysis and review of supporting documentation. Once all fieldwork is complete, a final audit report will be submitted through the Audit Committee under separate cover.

**Project:**            **FY 2018/19 Financial Audit by External Auditors & IA Quality Control Review of CAFR**

**Status:**            **In Progress**

**Scope:**

The CPA firm Lance, Soll and Lunghard, CPAs (LSL) are engaged by IEUA to complete the financial audit of the Agency's operations. IEUA's Fiscal Ordinance requires that a financial audit be completed by a CPA Firm by December 31<sup>st</sup> (6 months after the close of the fiscal year).

LSL have been working closely with Agency staff to prepare for the FY 2019 Financial Audit. They were in-house conducting preliminary fieldwork during the last week of May 2019. They plan to return in September to complete fieldwork and finalize the audit. IA stays involved and has on-going communication and coordination with LSL and Accounting staff working directly with the auditors. As required by the IA Charter, IA performs a quality control review of the Comprehensive Annual Financial Report (CAFR) documents and related financial documents prior to finalizing the audit and the CAFR for Board approval. During the next quarter, IA will be working closely reviewing drafts and final versions of the financial Trial Balance, schedules, tables, CAFR narratives and final financials, including the Notes. Additionally, IA reviews the prior year's GFOA notes and comments to see that these are addressed in the current year. IA also works with FAD to attend the exit/final meetings related to the completion of both the CAFR and the Single Audit.

LSL attended the June Audit Committee Meeting to discuss the scope of the financial audit. LSL will be attending the Audit Committee Meeting on December 9, 2019 to discuss the results of the audit. This is the fourth year that LSL is performing the required financial audit. The current contract allows for one additional optional year. IA staff is currently working with Contracts and Procurement to exercise the final option.

**Project:**            **Audit Committee Financial Advisor Contract Extension**

**Status:**            **In Progress – to be finalized by December 2019**

**Scope:**

IA is working closely with Contracts and Procurement and the Audit Committee Advisor for a 5-year consultant agreement for Mr. Travis Hickey, CPA to serve as the Audit Committee's external financial expert. The Audit Committee Charter states that: "The Audit Committee shall have access to at least one financial expert, an outside party, who will provide advisory and consulting duties and shall be compensated as agreed upon in writing with the audit committee, the Board, Agency management and its designees." Additionally, the Audit Committee Charter requires the financial expert to possess education and experience in understanding generally accepted accounting principles and financial statements; auditing comparable entities; application of accounting principles for estimates, accruals, and reserves; internal controls; and an understanding of audit committee functions.

The IAD has sufficient budget set aside for this requirement. The contract amount will fall within the General Manager's signature authority. IA presents this item to the Audit Committee and the Board because the Audit Committee Financial Advisor reports directly to the Audit Committee and Board.

**Internal Audit Department  
Quarterly Status Report for September 2019**

**Planned/Future/Additional Projects**

**Project:**        **Recycled Water Program Revenue Audit**

**Status:**        **Initial Research in Progress**

**Scope:**

Recycled water revenue in FY 2017/18 was almost \$16.9 million. IA is beginning to evaluate whether the internal controls over revenue recognition comply with Agency policies and legal and regulatory requirements, revenues are recorded accurately in the Agency's accounting records and financial statements and identify any potential additional revenue due the Agency. The Planning & Environmental Resources and Finance and Accounting departments are the primary contact departments. This was a request by the Audit Committee to move this audit up in priority. Anticipated for completion by March 2020.

**Project:**        **Management Requests**

**Scope:**

Assist Agency Management with requests for analysis, evaluations and verification of information, assist with the interpretation of policies and procedures, and/or provide review and feedback on new policies or procedures. These services are provided according to the IA Charter, the Annual Audit Plan, and best practices. The management request projects are short-term projects, typically lasting no more than 60–75 hours where IA determines it has the necessary staff, skills and resources to provide the requested assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is agreed upon between the department manager requesting the evaluation, review, analysis or assistance, the Manager of IA and when deemed appropriate by Executive Management.

During this quarter, IA was working on the following "Management Requests":

- Performed research and informal surveys of similar agencies through CSMFO to obtain information about Board expenditures for Travel and Conferences, the possibility of Cell phone Reimbursements and Healthcare Benefits.
- Continued to assist with policy language interpretation and review of Agency policies.
- Participated in Safety Committee and IT Security Committee

**Project:**        **Special Projects**

**Scope:**

Perform special reviews and projects including analyzing transactions, evaluating documents and policies, verifying information, assisting with interpretation of Agency Policies or other required procedures, and providing recommendations and feedback on results of the analysis, engaging necessary assistance if and/or when necessary, reporting to the General Manager and the Audit Committee. These services are provided according to the IA and Audit Committee Charters, the Annual Audit Plan, and/or best practices.

Special Projects can be short or long-term projects, typically requiring more than 80 hours of staff time and requiring setting aside or delaying work on scheduled audit projects. The scope of the review is not generally known, and the work must be handled with the highest degree of confidentiality and care, as with all audit projects. Special Projects are usually considered highly confidential.



## Internal Audit Department Quarterly Status Report for September 2019

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### Internal Audit Department Staffing

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The Internal Audit Department is staffed as follows:

- 1 Full-time Manager of Internal Audit
- 2 Full-time Senior Internal Auditors

### **Internal Audit Staff Professional Development Activities:**

As required by the *International Standards for the Professional Practice of Internal Auditing*, and the IA Charter, auditors must regularly enhance their knowledge, skills, and other competencies through continuing professional development. During the past quarter, IA staff has continued to stay abreast of industry developments through attending seminars, review of industry literature and participation in on-line webinars.

All three IA members attended the 2019 Institute of Internal Auditors (IIA) International Conference with the theme "A Vibe all Its Own" held in July in Anaheim, CA. The International Conference is the most significant annual training session for the internal auditing profession. The International Conference provided three days of training and seminars, including well-known key-note speakers. Sessions were divided into multiple educational tracks in the following areas: Emerging Issues; Fraud & Ethics; Global Compliance & Risk; Technology; Global Trends: A Look Ahead; Pathway to Leadership; Author Series; and the Public Sector.

The Internal Audit Manager is a member of the governing board of the Inland Empire Chapter of the Institute of Internal Auditors (IIA). One Senior Auditor serves as the Chapter Secretary. The governing board sets direction for the chapter.

Two IA members are preparing for the 3-part Certified Internal Auditor (CIA) examination and certification. The CIA is the only globally-recognized certification for internal audit professionals and is the highest certification that can be attained by an internal auditor.

The Manager of IA has a Master's degree in Public Administration. The Manager of IA and One Senior Auditor are Certified Government Audit Professionals (CGAP®). The CGAP® certification program is designed for auditors working in the public sector and demonstrates government knowledge and expertise. One Senior Auditor is a Certified Public Accountant (CPA) and Certified Internal Auditor (CIA).

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### **Future Audit Committee Meetings:**

- *Monday, December 9, 2019 – Regularly Scheduled Audit Committee Meeting*
  - *Monday, March 9, 2020 – Regularly Scheduled Audit Committee Meeting*
  - *Monday, June 8, 2020 – Regularly Scheduled Audit Committee Meeting*
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**INFORMATION  
ITEM**

**5K**



**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:** Teresa Velarde, Manager of Internal Audit

**Subject:** Report of Open Audit Recommendations as of September 2019

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**Executive Summary:**

The Board-approved Internal Audit Department (IA) Charter requires IA to provide the Audit Committee and the Board with a report listing all outstanding recommendations including action plans and expected resolution dates annually. The Charter and professional standards also require IA staff to follow-up on the status of outstanding audit recommendations to determine if corrective action efforts have been made to address the original observation or finding. Last quarter, IA provided the list of open recommendations to the Audit Committee as of June 2019. Clarification is being provided on the number of recommendations that are due for review or do not require follow-up at this time. As of September 2019, a total of 86 recommendations remain outstanding. Of the 86, 21 recommendations are planned to be reviewed in the current fiscal year; 20 recommendations are expected to be reviewed in the following fiscal year; 45 recommendations do not require follow-up because they were provided in the last 18 months. Additionally, 31 recommendations relate to the renegotiation of the Regional Contract. Attached is a report showing the breakdown of the recommendations with the planned follow-up date and the current status of each one. Follow-up reviews are scheduled according to the proposed Annual Audit Plan or sooner if requested by management, the Audit Committee, the Board, or if risk and/or priority increases for the area reviewed.

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**Staff's Recommendation:**

This is an information item.

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**Budget Impact** Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

N/A

*Fiscal Impact (explain if not budgeted):*

None, only when additional outside auditing or consulting services are required to provide assistance to IA or fulfill the responsibilities of the Audit Committee. A proposal with proposed fees would be submitted through the Audit Committee for appropriate action. Additionally, some audit projects are intended to identify opportunities for cost containment.

Full account coding (internal AP purposes only):

- - -  
- - -

Project No.:

**Prior Board Action:**

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and Internal Audit Department Charters.

On June 19, 2019, the Fiscal Year 2019/20 Annual Audit Plan was approved by the Board of Directors as an Action Item and the Report of Open Audit Recommendations (as of June 2019) was provided to the Board of Directors as an information item.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Report of Open Audit Recommendations is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices. IA's ongoing monitoring activities are to follow-up on the status of open audit recommendations to determine if the Agency has taken corrective action to address issues identified and to assist the Agency in achieving organizational goals.

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**Attachments:**

Attachment 1 - Background

Attachment 2 - Report of Open Audit Recommendations as of September 2019

# Background

Subject: Report of Open Audit Recommendations as of September 2019

Below is a breakdown of the outstanding recommendations by the anticipated planned follow-up:

Area Audited	Report Issued Date	No. of Recs. Remaining to be Verified by IA*	Planned Follow-Up
Accounts Payable Follow-Up <i>(Deferred Recommendations related to Agency Policies)</i>	August 29, 2013	2	FY 2020
Vehicle Security Procedures	March 3, 2014	2	FY 2020
Follow-Up – IT Equipment Audit – ISS	February 29, 2016	2	FY 2020
Master Trade Contracts	September 1, 2016	6	FY 2020
Follow-Up – IT Equipment Audit – FAD	December 5, 2016	6	FY 2020
Audit of Master Services Contracts	December 5, 2016	3	FY 2020
2017 Petty Cash Audit & Follow-Up Review	June 5, 2017	7	FY 2021
Water Use Efficiency Programs Audit	June 5, 2017	6	FY 2021
Contracts and Procurement Follow-Up Audit	August 30, 2017	1	FY 2021
Payroll Operations Audit	August 30, 2017	6	FY 2021
Procurement Card Audit	March 1, 2018	7	FY 2022
Wire Transfers Audit	March 1, 2018	5	FY 2022
Garden in Every School	May 31, 2018	7	FY 2022
Warehouse Annual Physical Inventory – IA Inventory Observation Report	August 22, 2018	4	FY 2022
Inter-fund Transactions Audit	August 30, 2018	3	FY 2022
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures	November 29, 2018	3	FY 2022
Water Connection Fees Audit	February 25, 2019	7	FY 2023
Accounts Payable Follow-Up Audit	May 30, 2019	5	FY 2023
Voyager Fuel Card Audit	May 30, 2019	4	FY 2023
<b>Total Outstanding Audit Recommendations</b>		<b>86</b>	

Recommendations related to the Regional Contract Review <i>(these recommendations are planned for full implementation with the renegotiation of the Regional Contract IA will not follow up on these items until the renegotiation has been finalized)</i>			
Regional Contract Review – Final Audit Report	December 16, 2015	31	Pending – Renegotiation of the Regional Contract

**Of the 86 audit recommendations:**

- 1) 21 recommendations are planned to be reviewed in the current fiscal year (approximately 25%)
- 2) 20 recommendations are expected to be reviewed in the following fiscal year (approximately 23%)
- 3) 45 recommendations that are highlighted in gray do not require follow-up as the issuance date is within the last 18 months (approximately 52%)
- 4) 31 recommendations relate to the renegotiation of the Regional Contract.

*\*The Outstanding Recommendations Table does not update the status of recommendations resolved by follow-up audits during the current quarter or add any new recommendations resulting from the projects completed during this quarter (as noted in this Status Report). The table is revised for current changes once all items have been received by the Audit Committee and the Board of Directors. A revised and updated table is provided with each status report and annually.*

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Accounts Payable Follow-Up Audit August 29, 2013	4	AFM should work with the appropriate Agency personnel to update Agency policies and remind employees of the requirements of Agency Policy A-12, Employee Personal Computer Purchase Program; Policy A-37, Reimbursement for Attendance at a Conference, Seminar or Meeting; Policy A-50, Non-Purchase-Order Invoice Approval Procedures; Policy A-55, Agency Credit Cards; and Agency Policy A-14 Vehicle Use.	IA provided the results of the Accounts Payable Follow-Up audit to the Audit Committee in June 2019. <i>Recommendation deferred to another audit related to Agency Policies scheduled for December 2019.</i>
Accounts Payable Follow-Up Audit August 29, 2013	5	Human Resources department, in conjunction with Information Support Systems, should ensure that loans for personal computers are not approved for items not covered by the loan program as described in Agency Policy A-12. Additionally, consider revising Agency Policy A-12 to clarify the applicability of the computer loan program to tablet computers and operating systems other than Microsoft Windows.	IA provided the results of the Accounts Payable Follow-Up audit to the Audit Committee in June 2019. <i>Recommendation deferred to another audit related to Agency Policies scheduled for December 2019.</i>
Vehicle Security Procedures March 3, 2014	1	CAP should take the lead to properly inventory and account for all assigned and unassigned gate transmitters. CAP should continuously work with department managers who request gate transmitters to monitor and revise access based on staff duties and responsibilities. CAP should promptly deactivate any improperly assigned/unassigned gate transmitters or for those employees and contractors that separate employment from the Agency.	IA to verify during follow-up evaluation. IA to verify during the follow-up evaluation in FY 2019/20.
Vehicle Security Procedures March 3, 2014	2	CAP should ensure the appropriate signed gate transmitter form is maintained on file for all issued gate transmitters. Additionally, CAP should ensure the employee/contractor who is issued a gate transmitter understands the requirements of Agency Policy A-24 "Issuance and Inventorying of Gate Transmitters and Keys to Agency Facilities, Vehicles and/or Equipment." This can be done at the time the employee/contractor is issued the gate transmitter via the signed form and is provided a copy of the Agency policy.	IA to verify during follow-up evaluation. IA to verify during the follow-up evaluation in FY 2019/20.
Regional Contract Review - Final Report December 16, 2015	Overall	Consider legal, political and financial impacts of governing by ordinance vs. contract	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	Overall	Review and revise EDU formula	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	Overall	Resolve identified differences of over/under collected amounts of Connection fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	1	<b>Connection Fees:</b> Centralize the permitting process OR IEUA provides final sign-off and plumbing permit approval for all nonresidential entities.	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	2	<b>Connection Fees:</b> IEUA should establish monitoring program to inspect random facilities and those were there is a suspected discrepancy	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	3	<b>Connection Fees:</b> Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	4	<b>Connection Fees:</b> Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	5	<b>Connection Fees:</b> Two tier connection fees process that distinguishes between common features and unique features (i.e., a toilet always costs the same regardless of type of business)	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.

**Outstanding Audit Recommendations  
as of September 1, 2019**

<b>Audit Performed</b>	<b>Rec #</b>	<b>Internal Audit Recommendation</b>	<b>Target for Implementation &amp; Comment</b>
Regional Contract Review - Final Report December 16, 2015	6	<b>Connection Fees:</b> Update Exhibit J regularly to include new/evolving business types	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	7	<b>Connection Fees:</b> Update & clarify Fixture Unit descriptions of Exhibit J regularly	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	8	<b>Connection Fees:</b> Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	9	<b>Connection Fees:</b> IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	10	<b>Connection Fees:</b> Regular workshops, meetings, plant tours, etc. with staff in Building, Plan Check and Utility Billing/Financial Departments	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	11	<b>Connection Fees:</b> IEUA develop fixture count expertise and provide regular/ongoing training for Contracting Agencies - Building Departments	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	12	<b>Connection Fees:</b> Contracting Agency internal review of Connection Fees as part of preparing the Building Activity Report	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	1	<b>Monthly Sewerage:</b> Collect monthly sewerage fees for the entire region through County's property tax roll	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	2	<b>Monthly Sewerage:</b> Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	3	<b>Monthly Sewerage:</b> Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	4	<b>Monthly Sewerage:</b> Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	5	<b>Monthly Sewerage:</b> IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	6	<b>Monthly Sewerage:</b> Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	7	<b>Monthly Sewerage:</b> Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	8	<b>Monthly Sewerage:</b> Create a correlation between monthly sewerage fees and Connection Fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	9	<b>Monthly Sewerage:</b> Add billing guidance for locations with multiple types of businesses serviced by a master meter	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	10	<b>Monthly Sewerage:</b> Bill commercial businesses at least a minimum of one EDU per month	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Regional Contract Review - Final Report December 16, 2015	1	<b>Public Service Facility:</b> Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	2	<b>Public Service Facility:</b> Consider legal, political and financial impacts of IEUA assuming responsibility for Connection Fees calculations, collections and CCRA accounts	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	3	<b>Public Service Facility:</b> Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	4	<b>Public Service Facility:</b> Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	5	<b>Public Service Facility:</b> Address difference between "Publicly Owned" vs. "Publicly Used"	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	6	<b>Public Service Facility:</b> Consider cross-departmental approach to the development review process as a regional model	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
IT Equipment August 21, 2012 (February 29, 2016 Follow-Up)	3	ISS implement appropriate tracking systems that include relevant information on IT purchases (i.e., serial numbers, etc.), are updated timely and are complete and accurate. ISS should establish procedures to enter, modify, and delete information in the tracking systems that address areas such as timeliness for updates, responsibilities for maintaining the systems, and the types of items included in the tracking system.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment November 14, 2012 (February 29, 2016 Follow-Up)	1	ISS should ensure that any services procured with P-cards are expressly authorized by the Manager of CAP, CFO, AGM, or GM prior to committing to services.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
Master Trade Contracts September 1, 2016	1	IA recommends that even in instances where a difference department has primary responsibility for the proposal evaluation process, CFS work with the end-user department to ensure the information is communicated to the Board of Directors accurately reflects the signed contract terms. Additionally, CFS should determine the need to request from the evaluating department the evaluation documentation, or a staff memo summarizing the selection process and have it available/filed.	Both CAP and CM stated they would begin steps to implement. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	2	IA recommends that CFS work with BIS to research built-in tools within SAP to implement automated controls necessary to ensure that spending on contracts and groups of contracts do not exceed Board approved limits and determine the cost benefit of implementing those monitoring tools	Both CFS and BIS stated they would work together to evaluate implementation. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	3	IA supports and encourages the initiative to fully implement the Agency's Enterprise Content Management System (ECMS) - Laserfiche. CFS should continue to work closely with BIS to implement the Agency's ECMS - Laserfiche to assist with the organization and centralizing of contract documents, facilitate research and access to information, streamline recordkeeping and eliminate multiple copies of the same documents.	Both CFS and BIS stated they would work together to evaluate implementation. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	4	IA recommends that CFS enhance communications about the Agency's ethical procurement responsibilities and expectations to all Agency employees as well as Agency vendors and contractors to actively foster an ethical procurement environment. CFS should consider creating an ethics outreach plan and developing an approach with Agency Executive Management and Human Resources about reinforcing the "tone at the top" to actively remind employees and contractors/vendors about the Agency's ethical expectations including once again providing annual notifications of ethical guidelines to vendors and staff. Agency management may also want to incorporate references to the Agency's Ethics Hotline and Ethics Point "FAQs" in that communication.	CFS stated they would research the best approach and begin steps for implementation. IA to verify during a future follow-up evaluation.



**Outstanding Audit Recommendations  
as of September 1, 2019**

<b>Audit Performed</b>	<b>Rec #</b>	<b>Internal Audit Recommendation</b>	<b>Target for Implementation &amp; Comment</b>
Master Trade Contracts September 1, 2016	5	IA recommends CFS staff attend annual training related to ethics in their respective procurement activities.	CFS reported that all staff attended ethics training related to procurement activities shortly after the audit and will plan to attend training annually. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	6	In addition to the cross-training that is already occurring, IA suggests that CFS consider the potential benefits of job rotation within the CFS department as a training and internal control technique with multiple benefits.	CFS stated that they would evaluate and determine the need for rotation since currently there have been various retirements and changes. IA to verify during a future follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	15	FMD should implement adequate controls to ensure that the stated capitalization policy for IT equipment is consistently followed to ensure that all items meeting the capitalization threshold are capitalized and to ensure that items not meeting the capitalization threshold are not capitalized.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	17	FMD should implement adequate controls to ensure that asset records established in SAP are accurate and complete, such as ensuring that all data fields in SAP are completed and ensuring that only those items allowed by the capitalization policy are capitalized.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	19	FMD should return incorrect or incomplete Project Closure Authorization Forms to the Project Manager for proper completion. FMD should also provide training to Project Managers on the importance of proper completion and instructions on completing the form.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	22	FMD should document Standard Operating Procedures to address the functions of setting up capital assets such as procedures for completing the SAP asset information, compliance with stated capitalization thresholds, and processing of Project Closure Authorization Forms.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
Follow-Up Review - Information Technology Equipment Audit December 5, 2016	1	FAD should take the lead to ensure a physical inventory and inspection of the Agency's IT fixed assets is completed on a periodic basis to verify existence, location, and working condition of assets.	FAD agrees with IA and the External Auditors recommendation and would evaluate implementation. IA to verify during a future follow-up evaluation.
Follow-Up Review - Information Technology Equipment Audit December 5, 2016	2	FAD should evaluate the Agency's current capitalization thresholds for IT equipment and determine if these need to be increased to ensure current practice meets policy and are consistent with current trends.	IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts December 5, 2016	1	Emergency projects are classified according to three levels. Level 3 emergencies are the least urgent and the work can be scheduled on a time-table set by the Agency. E&CM and CFS should consider establishing clear criteria that differentiate between a "Level 3" emergency procurement and routine minor construction and repairs procurements and/or determine and document whether the "Level 3" designation is necessary.	CM stated they would begin implementation. IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts December 5, 2016	2	To ensure that the Agency communicates sufficient information about emergency procurement activity, E&CM and CFS should consider developing and providing a comprehensive monthly update of emergency procurements for the Board. The information to consider could include the current month emergency procurement activity and a year-to-date total. It may also be useful to compare current year-to-date emergency procurement activity in dollars and numbers of task orders to prior years and to the total budget. Trends can be analyzed and comparisons can be made to ensure that the Agency's infrastructure is well maintained and emergency procurements are kept to a minimum.	CM stated they would begin implementation. IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts December 5, 2016	3	To ensure that contracts for Repairs and Minor Construction operate as intended, E&CM and CFS should consider developing specific criteria and/or additional guidance and definitions about what constitutes repairs or minor construction as compared to projects for prequalified contractors for contracts less than \$2 million. An additional control would be to consider establishing dollar maximums within the contract or the group of contractors to provide assurance that the contracts are being utilized as intended and spending is constrained.	CM stated they would begin implementation. IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
2017 Petty Cash Audit & Follow-up Review June 5, 2017	1	FAD should reinforce the guidelines of the petty cash fund, including custodian responsibilities and internal controls over petty cash accountability and record-keeping.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	2	FAD should consider updating the "Monthly Mileage Log and Reimbursement Request" to add a designated signature area for when the petty cash funds are utilized as a reimbursement for mileage.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	3	FAD should take the lead to communicate changes to the Petty Cash policy and forms immediately after implementation, to ensure employees understand the policy and utilize the updated forms.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	4	Petty cash custodians should only accept the appropriate forms and inform the requestor of the most appropriate procurement methods if the requestor's petty cash request does not conform to Agency policies.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	5	FAD should take the lead to review and determine if the Petty Cash limit of \$50 is adequate or if it should be updated (increased or decreased), or determine if there is a threshold that will require Executive Manager/General Manager authorization (i.e., anything over \$50).	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	6	Human Resources and FAD should work together to formally document or communicate the policy on the purchase and gifting of Gift Cards to ensure compliance with Federal requirements. The policy should be communicated to all Agency employees and be reminded periodically.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	7	Human Resources and FAD should continue to work with the appropriate personnel in making revisions and updates to the following Agency policies that relate to cash reimbursements and controls: A-75 Employee Recognition Rewards Program, A-68 Meal Reimbursement and Unscheduled Overtime, and A-34 Vehicle Maintenance.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	1	<p><b><u>Turf Removal Programs</u></b></p> <p>While many retail customers received rebates, the range of customers could have been broader. Outreach to customers about WUE measures is a primary responsibility of member agencies, but IEUA may want to consider establishing a forum to discuss the goals and results of WUE Programs. The purpose of the discussions would be to evaluate and develop approaches to help (or consider joint efforts to) publicize, target and follow-up with entities in IEUA's service area when WUE opportunities become available, and tailor outreach towards specific and/or different entities in the region that match those characteristics and/or potentially maintain a database of the region's entities by unique characteristics (schools, churches, large lots, etc.).</p>	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	2	<p>Finance and Accounting (FAD) staff have already taken several practical measures to review and reduce the amounts included in Work in Process (WIP) to ensure only capital projects are capitalized. FAD may want to consider prioritizing additional efforts to ensure that prior period adjustments are eliminated, such as:</p> <ul style="list-style-type: none"> <li>• Developing a cross-departmental team including representatives from Engineering, Operations and FAD to approve items in advance for capitalization in WIP.</li> <li>• Establishing an automated log, register or report to be reviewed regularly that tracks project codes, amounts and purpose for FAD review to ensure accurate accounting of projects.</li> <li>• Engaging an outside consultant, accounting firm or additional temporary resources to make a thorough examination of WIP to: <ul style="list-style-type: none"> <li>o Ensure only capital projects are included</li> <li>o Recommend policies and procedures for establishing projects to ensure only capital projects are capitalized</li> <li>o Develop written examples and guidelines of what constitutes a capital project and what constitutes an O &amp; M project.</li> </ul> </li> </ul>	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Water Use Efficiency Programs Audit June 5, 2017	3	The Agency may want to consider utilizing the Annual Water Use Efficiency Programs Report as an evaluative tool to compare actual results to those projected in the Regional WUE (five year) Business Plan. The Annual WUE Programs Report could discuss reasons for variances from that plan, document changes being made to the plan and describe progress on any other initiatives that expect to yield water savings in future years.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	4	information in the body of the Annual WUE Programs Report to describe the differing sources of information used to provide member agency information vs. statewide information or alternatively (and/or in addition), presenting both the summary and member agency information on the same basis.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	5	IEUA may want to consider expanding the "Highlights" commentary and providing subheadings and organizing the section to match the order of the Summary Charts to align the descriptions to the charts that follow.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	6	WR staff may want to consider developing a desk procedure or other document to guide the preparation of the Annual WUE Programs Report for internal staff to follow.	IA to verify during a future follow-up evaluation.
Contracts and Procurement Follow-Up August 30, 2017	1	CAP should review the SAP assigned roles and transaction codes and ensure that good internal controls are followed and no conflicts exist. IA recommends CAP consider eliminating or reducing the ability to Create PRs and Receive Goods, for CAP buyers in order to strengthen internal controls and further reduce risks.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	1	<p>IA recommends that HR consider evaluating alternatives to the manual files used to maintain employee information, for example:</p> <ul style="list-style-type: none"> <li>--Working with Business Information Systems (BIS) to develop or acquire a self-service portal for employees to make updates and changes to certain information that currently requires a hard-copy document, such as withholding information, beneficiary information, address changes, or for adding or deleting a family member from their policies, and contribution amounts to various accounts.</li> <li>--The Agency is in the process of implementing ECMS. HR may want to consider whether the new ECMS would provide an automated approach to maintaining and updating employee information or whether another automated approach would be possible.</li> </ul>	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	2	As part of the Agency's disaster preparedness effort, IA recommends that HR consider maintaining manual/hard-copy files in fire proof/water proof cabinets.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	3	FAD should update Standard Operating Procedure No. CR PR-08 to reflect the new payroll bank reconciliation process, communicate the procedure to all department employees and ensure the SOP is in the format outlined in accordance with Agency Policy A-51.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	4	FAD should ensure bank reconciliations are prepared monthly and supervisory review occurs in a timely manner to ensure all outstanding and reconciling items are researched, investigated and resolved.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	5	As part of moving into a paperless, automated environment, HR should take the lead to promote and encourage having all payments made more efficiently through direct deposits instead of manually writing paper checks.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	6	Both HR and FAD should encourage employees with payroll related functions to attend ethics/fraud awareness training specific to their job responsibilities to stay informed about new developments, risks and safeguards (for example, safeguards for potential payroll fraud, safeguarding personnel files and employee confidential information, etc.)	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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**Recommendations that do not require follow-up at this time:**

Procurement Card Audit March 1, 2018	1	Agency Policy A-89, Procurement Card Program should be updated to reflect desired internal controls and provide clearer guidelines about the proper use of P-Cards. The policy should provide greater clarity about the purchases that are allowed or not allowed (i.e.: food, restaurant, meals, training registrations, membership payments, etc.). Additionally, the policy should provide instructions for users to follow when there are situations that are unusual and note the additional written justification that is necessary. Lastly, A-89, should direct users to seek CAP's guidance when there is a unique need, keeping the Agency's need in mind and ensuring adequate controls are maintained.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	2	The P-Card Administrator role should be clarified in Policy A-89 and expanded to include greater oversight responsibilities to ensure compliance. The role should include duties to fully utilize the various on-line tools available through US Bank for reports, alerts, training and other controls for reviewing and monitoring activity. Additionally, the P-Card Administrator should provide assistance and give advice on the best procurement method and periodically review statements and identify purchases and transactions that are not aligned with policy and request additional information.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	3	CAP should update Department-specific SOP CAP-0012 to incorporate any changes in Agency Policy A-89 Procurement card Program, including any updates to the P-Card Administrator's role and responsibilities. Additionally, CAP should ensure the SOP CAP-0012 complies with the guidelines and format set forth in Agency Policy A-51.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	4	CAP and FAD should work together to utilize any in-house tools and/or online tools available through US Bank to make the review, approval, reconciliation and upload of P-Card purchases more efficient with adequate oversight.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	5	CAP should take the lead to evaluate the benefits of consolidating credit card programs to utilize P-Cards for all purchases (other than fuel) and to eliminate other vendor-specific credit card or credit programs. At a minimum, the Agency should ensure all Credit Card programs are governed by an approved Agency Policy.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	6	CAP should maximize the use of the US Bank online tools for downloading/reviewing reports, creating blocks and alert notices for unusual activity, streamlining the approval, reconciliation and upload/posting process and training end users and approvers.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	7	FAD should evaluate ways for the Agency to increase and/or maximize any rebates received.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	1	As the Agency moves towards automated recordkeeping using Laserfiche and possibly other tools, the Agency should consider utilizing electronic signature technology and implementing digital approval documentation.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	2	FAD should finalize the new SOPs in the format provided in Agency Policy A-51.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	3	The Agency should evaluate the cost/benefit of obtaining additional coverage and consider a per occurrence limit greater than \$2 million to ensure the Agency has adequate insurance coverage to address the Agency's risk tolerance. In addition, to address potential uncovered losses, the Agency should consider reducing the threshold for a bank call-back to any amounts that exceed the Agency's chosen limit for Fraud Transfer Insurance.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	4	FAD should develop standards for documentation of transactions in SAP and a process of reviewing transactions once posted to ensure that the information in the accounting records is consistent and complete.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Wire Transfers Audit March 1, 2018	5	FAD should document or revise a separate SOP that describes the steps in the wire transfer process for investment transactions to provide guidelines for the processing of investment transactions.	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	1	The goals and objectives for the GIES program should be reevaluated, updated and documented to ensure that the program aligns with the Agency's overall vision, mission, goals and objectives and/or the program's original purpose. Goals should be measurable and a formal evaluation of the program and whether the goals were achieved should be performed. The Agency should consider if the GIES program is the most effective means to meet those goals.	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	2	The Agency should evaluate and consider the various responsibilities for the GIES program. Currently two different Agency departments are responsible for different functions to manage the program, one (Planning) manages the contract with Chino Basin Water Conservation District and the related fund and budget for the program. The other (EA) manages the program implementation. Additionally, CBWCD acts as the outside contractor and completes the garden installations. The Agency should consider what efficiencies would be achieved through consolidation of responsibilities or at a minimum scheduling on-going meetings or workshops and ensure all team members share ideas and discuss the program goals, achievement of those goals, lessons learned, and how best to provide greater oversight and accountability to effectively manage all aspects of the GIES program.	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	3	Staff should provide an annual written and oral report to the Board of Directors about the GIES program, that includes: <ul style="list-style-type: none"> <li>• The program's goals and objectives and how those align with Agency goals</li> <li>• How the program addressed and met those goals</li> <li>• Funding, costs/expenses, and resources</li> <li>• Participating school information</li> <li>• Schools selection process</li> <li>• Number of students who potentially benefit and/or participate in the program</li> <li>• Updated pictures of garden conditions</li> <li>• Program participant survey results</li> <li>• Program assessment and recommendations</li> </ul>	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	4	Staff should continue to oversee and monitor gardens at schools, including: <ul style="list-style-type: none"> <li>• conducting periodic follow-up site-visits and evaluations to ensure that both, the Agency's and the GIES program, goals and objectives are carried out,</li> <li>• providing school administrators with additional, well-defined guidelines, requirements and expectations,</li> <li>• ensuring gardens are used as intended and students participate in hands-on learning activities.</li> </ul>	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	5	Agency staff should employ a proactive method to remaining in close contact and communication with the schools that have installed gardens, including: <ul style="list-style-type: none"> <li>• Ensuring adequate professional staffing for this function,</li> <li>• Obtaining up-to-date contact information each fall for each school that has participated in the GIES program,</li> </ul>	
Garden in Every School® May 31, 2018	6	IA also recommends that the Agency provide each school with permanent identifying information to post in the garden such as a sign or plaque that includes information about the garden's sponsors (IEUA, member agency and other) including the Agency's website and contact information so that future school administrators and garden visitors are aware of IEUA, including who and where to contact if the garden requires attention.	
Garden in Every School® May 31, 2018	7	Agency staff should develop a post-implementation evaluation of gardens after they have been in existence for an agreed upon amount of time. The purpose would be to gather feedback and information about the materials and equipment used for installing the garden and ensure these meet the school's needs or if anything needs to change. All parties involved in the installation, including Agency staff and most importantly	IA to verify during a future follow-up evaluation.
Warehouse Annual Physical Inventory August 22, 2018	1	Warehouse staff should continue their efforts to evaluate more recent inventory for obsolete items and communicate with appropriate FAD staff about their estimates of potentially obsolete items.	IA to verify during a future follow-up evaluation.
Warehouse Annual Physical Inventory August 22, 2018	2	Finance and Accounting staff should communicate with Warehouse staff about their professional estimate of potentially obsolete inventory and accrue adequate reserves against inventory to reflect this decrease in inventory value (and thereby decrease in total assets), this procedure will ensure that the financial statements reflect the value of usable inventory.	IA to verify during a future follow-up evaluation.
Warehouse Annual Physical Inventory August 22, 2018	3	Warehouse staff should provide clear documentation and evidence of what steps have been taken to verify that receipts are complete and intact when taken into inventory and ensure that their receiving instructions are followed in all instances.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Warehouse Annual Physical Inventory August 22, 2018	4	In addition to the separate established storage area for computer waste, Warehouse staff should ensure that any overflow electronic waste be stored somewhere that remains separate from Warehouse inventory rather than storing it together with inventory items as a best practice and internal control.	IA to verify during a future follow-up evaluation.
Inter-fund Transactions Audit August 30, 2018	1	FAD should provide additional, detailed information in the Notes to the Financial Statements to clarify what the inter-fund transfers represent, including the reasoning/methodology used to calculate and determine the amounts of the transfers. Although, complete information is provided through various financial and budget documents, the Financial Statements should stand alone to provide sufficient information that a reader can understand the details of the transfers.	IA to verify during a future follow-up evaluation.
Inter-fund Transactions Audit August 30, 2018	2	FAD should document a Standard Operating Procedure and/or Inter-Fund Transfer policy that provides clear guidance as to the methodology applied to calculate and process inter-fund transfers, including the purpose, authorization procedures and methodology applied.	IA to verify during a future follow-up evaluation.
Inter-fund Transactions Audit August 30, 2018	3	FAD should provide an annual informational written and/or oral presentation for the Board of Directors that describes the reasons for past and/or anticipated inter-fund transfers, the amounts, how those amounts were calculated and how inter-fund transfers compare to prior years.	IA to verify during a future follow-up evaluation.
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures November 29, 2018	1	Facilities Management should continue to work with the appropriate departments to make necessary updates, and/or consolidate Agency policies and procedures for Agency vehicles and ensure the revised policy(ies) address refueling and washing procedures, security, safety items, insurance, license requirements, etc. The new and final policy should be approved by Executive Management and made available to all Agency employees for their reference.	IA to verify during a future follow-up evaluation.
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures November 29, 2018	2	Facilities Management should perform regular vehicle inspections on all Agency vehicles. Vehicle inspections should evaluate the overall operational condition of the vehicle and determine whether all safety-related items are current and operational, such as the first aid kit, fire extinguisher, glove compartment contents, flashlight, etc. Inspections should be documented. Additionally, employees should be reminded of their responsibilities for vehicle maintenance through training and/or policy updates.	IA to verify during a future follow-up evaluation.
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures November 29, 2018	3	Facilities Management should work with Finance and Accounting to ensure periodic reconciliations of vehicle records are performed between Agency recordkeeping systems, reports and/or databases, such as SAP (financial system), GIS, etc.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	1	Planning should take the lead to work with FAD and BIS to fully utilize SAP's capabilities to streamline entering fee activity into only one system through a secure process. Planning should enter water connection fee transaction data and print receipts directly from SAP. FAD should enter and process the cash receipts and perform reconciliations. In addition, the system should be able to produce the necessary information reports for analysis.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	2	Planning should take the lead to continue to work with the contracting agencies and water districts to ensure the water connection fees information in the Agency's systems is reconciled to the building permits and/or water meters that have been issued by the contracting agencies and water districts (ideally quarterly, but at least semi-annually).	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	3	If the Agency chooses to maintain two separate systems or until a single system can be implemented, FAD should take the lead to work with Planning to establish a process to ensure reconciliations are completed on a regular and timely basis between the information in the Agency's Building Activity Tracking Database to information in the Agency's SAP financial system. The reconciliations should be performed preferably at least quarterly and the departments should work together to resolve any items immediately.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	4	Based on their experience in collecting fees Planning staff should provide Executive Management and the Board their suggestions and proposed updates for revised wording to the water connection fee Ordinance and Resolution for their consideration.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Water Connection Fees Audit February 25, 2019	5	Planning staff should work to update and finalize their draft SOP to document various tasks and procedures associated with the water connection fee process, including the processes to work with FAD and the contracting agencies/water districts.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	6	Planning should continue to work with the Agency's executive management to pursue all possible approaches, including establishing agreements or other methods to ensure water connection fees are collected as intended by the Board approved Ordinance.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	7	FAD should take the lead and work to pursue the collection of delinquent fees through various methods, including the lien process as provided under the Board approved Ordinance.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	1	<p>In evaluating access controls over all IEUA staff that have some level of AP authorization, IA noted that some staff members have transferred to other departments at IEUA or to different functions within FAD. There is a need to implement additional controls to regularly evaluate and monitor employees' SAP roles and authorizations to prevent the risk of conflicts of duties. Business Information Systems (BIS) should work with Finance and Accounting Department (FAD) and Human Resources (HR) to implement additional controls to regularly evaluate and monitor employees' SAP roles and authorizations to prevent the risk of conflicts of duties. Options include:</p> <ul style="list-style-type: none"> <li>- Business Information Systems (BIS) working closely with IA and FAD to perform regular (at minimum annual) reviews and evaluations of roles and authorizations to search for conflicts of duties.</li> <li>- BIS working with HR to establish a formal notification method/checklist when changes occur as a result of employees changing job duties and responsibilities that may present a risk and potential conflict of duties.</li> <li>- BIS determining the feasibility of seeking to implement an automated program or service to scan</li> </ul>	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	2	FAD should take the lead and work with BIS to implement efficiencies by fully utilizing automated workflows to process and approve invoices to migrate to a paperless environment, eliminate printing, manual/handwritten approvals, manual duplicate scanning of invoices/documents and additional emailing of documents. FAD should consider the process changes (to current largely manual procedures) necessary to efficiently utilize an automated process.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	3	FAD should perform a comprehensive review of all existing VMD records (particularly older records and those created by the conversion to SAP) and ensure all vendor information is complete and up-to-date and includes a verified physical address.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	4	FAD should perform a comprehensive review of the VMD to ensure only active vendors remain active and those with no activity in the previous 3-5 years are blocked appropriately. Additionally, vendors created through the conversion process to SAP and never used should be deleted.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	5	FAD should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system of mid-2007 and any enhancements to internal controls since then.	IA to verify during a future follow-up evaluation.
Voyager Fuel Card Audit May 30, 2019	1	Operations & Maintenance Department should develop and document goals and objectives, Key Performance Indicators (KPIs), and/or other metrics for the Agency's fleet operations for measurement, analysis, tracking and reporting the fleet program's effectiveness. Goals should be aligned with the Division's overall mission and could include cost of fuel, fuel usage/consumption, cost of maintenance, asset value of the fleet by type of vehicle, etc. Goals should be measured, evaluated and updated periodically.	IA to verify during a future follow-up evaluation.
Voyager Fuel Card Audit May 30, 2019	2	Operations & Maintenance should work with US Bank to evaluate the reporting tools and features that are available to provide useful information about the Agency's fleet to identify inefficiencies, areas of improvement, and instances of unusual card usage where follow-up is required and reduce potential risks of misuse.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations  
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Voyager Fuel Card Audit May 30, 2019	3	<p>The Fuel Card Administrator role should be clarified and enhanced, either in Agency Policy A-86 and/or other related policy. The Fuel Card Administrator role should be enhanced to include greater oversight roles and responsibilities, to include:</p> <ul style="list-style-type: none"> <li>- Responsibilities to maximize the use of online reports and tools available through the US Bank Fleet Commander® Online system.</li> <li>- Analysis and evaluation reports and communications to provide Operations &amp; Maintenance information about the fuel card program.</li> </ul>	IA to verify during a future follow-up evaluation.
Voyager Fuel Card Audit May 30, 2019	4	Operations & Maintenance should establish a process to periodically review the use of fuel cards and ensure cards no longer needed or used are deactivated to reduce risks to the Agency.	IA to verify during a future follow-up evaluation.

**Note:** As of September 2019, 45 recommendations highlighted in gray do not require follow-up as the issuance date is within the last 18 months.



**INFORMATION  
ITEM**

**5L**



**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:** Teresa Velarde, Manager of Internal Audit

**Subject:** Internal Audit Department Standard Operating Procedures (SOPs)

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**Executive Summary:**

The Internal Audit Department (IA) Charter requires that audit work be completed in accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) Standards. The IIA requires that internal audit activities maintain formal, written procedures that document the requirements for the audit activities performed.

IA documented seven Standard Operating Procedures (SOPs) in 2008 and they have been periodically updated. The objectives of the SOPs are to:

- provide consistency in the audit methodology applied by auditors and in preparing for, performing audit fieldwork, and closing audit projects;
- serve as a useful training tool and reference manual for all members of the IA Department;
- establish rules for professional conduct and responsibilities for auditors; and
- provide a system to establish continuity of the IA Department when staff changes.

All SOPs follow the most current format required by Agency Policy A-51. The SOPs have been updated and attached are the documents with tracked changes. The SOPs are posted on the intranet webpage for reference by staff. Attached for your information, discussion or requested changes are the seven IA SOPs. Upon review, IA staff will finalize and post the most current version with edits implemented from meeting discussions.

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**Staff's Recommendation:**

This is an information item for the Board of Directors to receive and file.

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**Budget Impact** *Budgeted* (Y/N): Y    *Amendment* (Y/N): Y    *Amount for Requested Approval:*

*Account/Project Name:*

N/A

*Fiscal Impact (explain if not budgeted):*

N/A

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**Prior Board Action:**

On December 20, 2017 the Board of Directors received the IA revised SOPs.

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Department Charters.

On June 19, 2019, the Board of Directors approved the Annual Audit Plan for Fiscal Year 2019/20.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

IA's SOPs are consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by ensuring that the IAD follows a disciplined and systematic method and approach for providing professional audit services to assist the Board of Directors and General Manager in achieving organizational goals.

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**Attachments:**

Attachment 1 - Standard Operating Procedures IA-001 Code of Ethics and Responsibilities

Attachment 2 - Standard Operating Procedures IA-002 Types of Audits and the Audit Process

Attachment 3 - Standard Operating Procedures IA-003 Audit Workpapers

Attachment 4 - Standard Operating Procedures IA-004 Annual Audit Plan

Attachment 5 - Standard Operating Procedures IA-005 Release of Audit Information to Agency Staff

Attachment 6 - Standard Operating Procedures IA-006 Business Continuity and Disaster Recovery

Attachment 7 - Standard Operating Procedures IA-007 Handling Claims, Allegations, Special Investigations, Special Projects and Management Requests



**Inland Empire Utilities Agency Standard Operating  
Procedure  
Code of Ethics and Responsibilities**

**Pg. 1 of 7**

**Doc Number: [IA-001]**


**Rev:  
[#45]**

**[NAME OF SOP] CODE OF ETHICS AND RESPONSIBILITIES**

**REVISION HISTORY**


<i>REVIEWED BY</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
<i>[First Last Name]</i>	<i>Initial Release, Revised Section 2, etc.]</i>	<i>XX</i>	<i>MM/DD/YYYY</i>	<i>MM/DD/YYYY</i>	<i>[First Last Name]</i>
Teresa Velarde	Updated: 12/17/08; 11/13/13; 11/20/2017	4	11/20/2017	12/11/2017	Teresa Velarde
<u>Teresa Valarde</u>	<u>8/15/2019</u>	<u>5</u>	<u>08/5/2019</u>	<u>9/9/2019</u>	<u>Teresa Velarde</u>

*Draft and Archived/Obsolete revisions are not to be used.  
Access [Document Control System] system to verify revision.*

	<b>Inland Empire Utilities Agency Standard Operating Procedure Code of Ethics and Responsibilities</b>		<b>Pg. 2 of 7</b>
	<b>Doc Number: [IA-001]</b>	<b>Rev: [#45]</b>	

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	<b>Inland Empire Utilities Agency Standard Operating Procedure</b> <b>Code of Ethics and Responsibilities</b>		<b>Pg. 3 of 7</b>
	<b>Doc Number: [IA-001]</b>	<b>Rev: [#45]</b>	

### 1. PURPOSE

The purpose of the Standard of Operating Procedure (SOP) is to document the auditor's responsibility to adhere to The Institute of Internal Auditors' (IIA) Code of Ethics.

### 2. SCOPE

This SOP ~~does not provide "procedures", only requirements requires~~ for Internal Audit Department personnel to adhere to the IIA's Code of Ethics at all times. The scope of this SOP is to document the IIA's Code of Ethics ~~to ensure it is documented for staff and to ensure this is a requirement for Internal Audit staff.~~ The Code of Ethics has been reprinted with permission from the Institute of Internal Auditors, see Exhibit attached.

Adhering to the IIAs Code of Ethics does not exempt IA from adhering to all Agency policies, rules and legal requirements. The IIA Code of Ethics encourages auditors to use professional judgement to ensure conformance with all professional requirements.

### 3. DEFINITIONS

*NONE*

### 4. SAFETY CONSIDERATION

*NONE*


### 5. PROCEDURE

Consistent with the required responsibilities outlined in the Internal Audit Department Charter, the Internal Audit Department personnel are expected to abide by, follow, and apply the principles under the Institute of IIA's Code of Ethics.

The IIA's **Code of Ethics** outlines the principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. It describes minimum requirements for conduct, and behavioral expectations rather than specific activities. The purpose of the IIA's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

The IIA's Code of Ethics includes Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide ethical conduct of internal auditors.

The Code of Ethics applies to both entities and individuals that perform internal audit services within the **IIA's Definition of Internal Auditing**. The Board of Directors' approved

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Internal Audit Department Charter adopts the IIA's Definition of Internal Auditing which defines internal auditing as follows:

*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance.*

## 6. RESPONSIBILITIES

(reprinted with permission from The Institute of Internal Auditors, see Exhibit 2).

### **Principles**

*Internal auditors are expected to apply and uphold the following principles:*

#### **1. Integrity**

*The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.*

#### **2. Objectivity**


*Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.*

#### **3. Confidentiality**

*Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.*

#### **4. Competency**

*Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.*

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## **Rules of Conduct**

### **1. Integrity**

*Internal auditors:*

- 1.1. *Shall perform their work with honesty, diligence, and responsibility.*
- 1.2. *Shall observe the law and make disclosures expected by the law and the profession.*
- 1.3. *Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.*
- 1.4. *Shall respect and contribute to the legitimate and ethical objectives of the organization.*

### **2. Objectivity**

*Internal auditors:*


- 2.1. *Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.*
- 2.2. *Shall not accept anything that may impair or be presumed to impair their professional judgment.*
- 2.3. *Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.*

### **3. Confidentiality**

*Internal auditors:*

- 3.1. *Shall be prudent in the use and protection of information acquire in the course of their duties.*
- 3.2. *Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.*



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#### **4. Competency**

*Internal auditors:*

- 4.1. *Shall engage only in those services for which they have the necessary knowledge, skills, and experience.*
- 4.2. *Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.*
- 4.3. *Shall continually improve their proficiency and the effectiveness and quality of their services.*


### **INDEPENDENCE**

*Independence is essential to the effectiveness of internal auditing, and is strongly emphasized by The Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the U. S. General Accounting Office (GAO). The Internal Audit Department should be free, both in fact and appearance, from impairments to independence.*

*The Internal Auditor and the Internal Audit Department shall have no direct responsibility or authority over the day-to-day operations of the Agency or any activities they would audit. The Internal Audit Department shall not engage in any activities that would compromise their independence or would appear to be a conflict of interest.*

*Since independence and objectivity are essential to internal auditing, Internal Audit shall be independent of the activities audited and shall assert no direct responsibility or authority over activities reviewed. To ensure independence is maintained, the Internal Audit Department shall report functionally to the Board through the Audit Committee and only administratively to the Agency's General Manager or his designee. Internal Auditors should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by Internal Audit. Recommendations to improve internal controls, compliance with established policy, and increase efficiency are included in the written audit report, which is given to management for review and implementation.*

*Any illegal activity or the legality that is questioned by the audit staff (e.g. conflict of interest, embezzlement, or theft) shall be reported to the appropriate senior management and the GM immediately upon discovery by the audit staff.*

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*In performance of their functions, internal audit staff should have neither direct responsibility for, nor authority over, any of the activities and operations reviewed.*

*Management is responsible for establishing and maintaining controls to discourage the perpetration of fraud. Internal Audit is responsible for examining and evaluating the adequacy and the effectiveness of management's actions to fulfill this obligation. Internal Auditors should be able to identify indicators that fraud might have been committed. However, Internal Auditors are not expected to have the knowledge equivalent to a person whose primary responsibility is to detect and investigate fraud. Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Further, it is recognized that the performance of audits and other reviews may include the assistance of other professionals with specific expertise.*

## **7. REFERENCES**

**This procedure must be consistent with the practices prescribed by the IIA's International Professional Practices Framework (IPPF).**

Overall daily administration, application, and periodic review of this Procedure shall be the responsibility of the Manager of Internal Audit.



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## 1. PURPOSE

The purpose of this Standard of Operating Procedure (SOP) is to provide internal auditing staff with an understanding of the various types of audit projects he/she may be responsible for performing. The purpose of conducting an audit project is to provide Agency management, the Audit Committee, and the Board with an objective evaluation, factual information, and recommendations to improve the efficiency of Agency operations and ensure compliance with required policies.

The purpose of this SOP is also to provide an overview the audit process for the Internal Audit Department (IA). The purpose of establishing an audit process is to provide a systematic, disciplined, and professional approach to the performance of audit projects.

## 2. SCOPE

The scope of this SOP covers **all** routine audit projects conducted by IA staff. The purpose of establishing an audit process is to provide a systematic, disciplined, and professional approach **and methodology to-for** the performance of audit projects.

## 3. DEFINITIONS

None

## 4. SAFETY CONSIDERATION

None

## 5. PROCEDURE

A. With guidance established by the IIA IPPF and the *International Standards for the Professional Practice of Internal Auditing Standards (Standards)*, and as charged with under the Board of Directors approved Internal Audit Department Charter and the Audit Committee Charter, the Internal Audit Department (IA) uses a variety of audit techniques in the process of completing various audit projects. Various types of audit services can and will be performed, for example, the most common type of audit services include the following:

1. **Operational Audits** - examine the use of department resources to evaluate whether those resources are being used in the most effective and efficient manner to fulfill the Agency's mission and objectives. An operational audit includes elements of the other audit types, as deemed necessary and appropriate based on the risk assessment.
2. **Financial Audits** - accounting and reporting of financial transactions, including commitments, authorizations, estimates, allocations, receipt, and disbursement of funds. The purpose of this type of audit is to verify that there are sufficient controls over cash and cash-like assets, and there are adequate process controls over the



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acquisition and use of resources. Unlike external financial audits, internal financial audits do not prepare or express professional opinions on the fairness of the presentation of financial statements.

3. **Compliance Audits** - adherence to laws, regulations, policies and procedures. Examples include federal and state law, agency policies and procedures, and regulatory agency requirement. Recommendations typically call for improvements in processes and controls intended to ensure compliance with policies and regulations.
4. **Internal Control Reviews** - focus on the components of the Agency's major business activities. Areas such as payroll and benefits, procurement, accounts receivable and payable, inventory and equipment and their physical security, grants and contracts, and financial reporting are usually subject to review.
5. **Fraud Audits** – where fraudulent activity is present or suspected, specialized audit activities may be performed to assist management in detecting or confirming the presence and extent of the fraud and in providing necessary evidence for legal purposes. The expertise of a professional Fraud investigator may be hired to ensure a thorough investigation.
6. **Information Technology/Information Systems (IT/IS) Audits** - internal control environment of automated information processing systems and how people use those systems. IS audits typically evaluate system input, output, and processing controls, backup and recovery plan, system security, and computer facility reviews. IS auditing projects can focus on existing systems, as well as systems in the development stage.
7. **Follow Up Audits** – these are limited scope reviews to verify management has implemented corrective action for a recommendation made during a previous audit. Follow up Audits are conducted until recommendations are fully implemented or management accepts the risk of non-compliance. A report of all outstanding recommendations and the status of each (i.e. in progress, not implemented, deferred, etc.) is presented to the Audit Committee and Board annually.
8. **Miscellaneous audit projects** or special requests and projects as requested by the Manager of Internal Audit, the Audit Committee, the Board of Directors, General Manager, or Executive Manager. These requests will require a combination of the types of audits, innovative techniques and resources to meet the desired objective of each project. (More information related to special projects is described in SOP No. IA-007 Handling Claims, Allegations and Special Investigations).

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**B. Audit Process**

The process of each audit will have similarities and differences among the various audits performed. This procedure establishes the recommended steps to conduct the audit. The auditor should use professional judgment to determine if additional steps or limited steps of the audit process are necessary to accomplish the objectives and scope of work of the assigned audit project. The audit process should be flexible but should also be disciplined and systematic that any prudent auditor would take a very similar approach. All changes, supplements, and additions should be provided to and cleared by the Manager of Internal Audit.

During each stage in the audit process, the auditee or clients (those responsible over the area being audited) have the opportunity to participate. The most successful audit project is when the audit team and auditee consider themselves consultant and client, respectively, and work as a team to ensure the best product (audit observations and audit recommendations) are corroborated and agreed upon before the audit is completed. The best audit project is delivered when the expectations of all stakeholders are met with objective, unbiased, professional opinions and recommendations. Understanding and applying this concept tends to foster a more constructive working relationship and can result in improved operations for the department under review. Although every audit is unique, similarities can be found in each one.

The typical audit process consists of the following suggested steps (see Exhibit 1)

**1. Planning**

Prior to meeting with the client, the Internal Audit team discusses with the Manager of Internal Audit the upcoming audit and determines the audit's objectives, scope, timeline, budgeted hours, and staff assignments. If the area has been previously audited, the prior audit file should be reviewed to re-familiarize with the department's unique operations, prior audit findings, and areas of concern. The audit team should determine the audit objectives and develop a list of preliminary auditable areas and/or a draft Audit Program. Planning should always include an internal control review, expenditure examination, and determining the compliance requirements (with the Agency's policies and procedures, department SOPs/manuals, and/or other rules, regulations, laws, etc.). During the entrance meeting, the audit team will inquire with senior management and the auditee any areas they may want to see evaluated and these should be incorporated into the audit whenever feasible and appropriate.

**2. Information on Gathering**

Research and gather information for the department area under review. The Agency's Intranet, Budget Book, CAFR and other internal sources provide



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sufficient information. Additional information shall be gathered through interviews of key personnel, surveys, and other areas and methods.

### 3. Notice of Intent to Audit

The client must be informed of the audit through an appropriate communication, an announcement or engagement letter from the Manager of Internal Audit, this can be done formally as an internal memo or through an e-mail. This Notice of Intent to Audit communicates the scope and objectives of the audit, the auditor(s) assigned to the project, the date to begin the audit and other relevant information. When possible, provide a two week notice or longer unless the audit is intended to be an unannounced surprise audit; in that case, there is no communication-

It should also be noted that audits are “advertised” through the submission and approval of the Annual Audit Plan prepared and submitted by the Manager of Internal Audit to the Board of Directors, through the Audit Committee. The Annual Audit Plan lists the audit projects planned for completion for the corresponding fiscal year. Any amendments to the Annual Audit Plan are also submitted through the Audit Committee for Board approval. The Manager of Internal Audit may also communicate planned projects during Agency staff and managers’ meetings and other internal Agency meetings. Therefore, there should be no element of surprise to the business units about the upcoming/scheduled audits, as these are usually “advertised” well in advanced, at times over six months.

### 4. Entrance Conference


The entrance conference, provides the opportunity for the audit team to meet with department management to outline the audit objectives, approximate time schedule, required data, types of auditing tests, and the reporting process. Any areas of concern the client would like to have reviewed by the audit team should be brought up at this stage. The audit team will make an effort to minimize any disruption of regular departmental routines and avoid seasonal busy periods. The client may designate a member of the department staff as the primary contact person to respond to audit team questions and provide assistance.

It is appropriate to also schedule a brief tour of the facilities following the entrance conference, when necessary and feasible and conduct appropriate questionnaires and walkthroughs of processes-

### 5. Final Audit Program

Using the draft Audit Program and after all key staff personnel have been interviewed and the risk assessment completed, the Audit Program incorporating any additional steps deemed necessary should be finalized. The final Audit Program formally documents all the procedures to be conducted during the audit.



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These procedures will include steps to perform test work, observations, interviews, or surveys and document exceptions and recommendations. The final Audit Program must be approved by the Manager of Internal Audit and all procedures must be completed unless otherwise instructed by the Manager of Internal Audit.

**6. Audit Fieldwork**

Using the approved Audit Program, the audit team will complete each audit step accordingly. This will entail gathering additional information about the auditee's operations. If the unit has not previously been audited, this is a significant effort. The audit team also reviews any changes in operations since the last audit. This work typically results in narratives, flowcharts, and document samples obtained from interviews with key personnel and office manuals and policies. The analysis helps evaluate internal controls relating to business transactions, safeguarding the Agency's assets, compliance with the Agency's policies, and promotion of operational efficiency. The auditor should proceed with all steps in the audit program.

After the survey stage, the audit team will proceed to the transaction testing stage. Transaction testing involves examining documents and other records for evidence that the internal controls described in the survey stage are actually in place and functioning as intended. When evidence of this is found on a sample of transactions or records, it can be concluded that established procedures are being followed and the level of compliance with internal controls is adequate. When a strong system of internal controls is in place and followed, the auditor(s) are confident that the data generated by the transactions can be relied upon as accurate and that administrative policies are being carried out. If the audit team finds one or more opportunities/deficiencies during their transaction testing, these will become audit findings and included in the report.

**7. Audit Findings**

Once the audit team encounters potential audit findings, they will bring them to the client's attention as they are identified in an attempt to resolve them, if possible, before fieldwork completion and corroborate on an appropriate recommendation. At the end of the fieldwork stage, the audit team will meet with department management and informally review all findings and observations and potential recommendations. If and when an auditee disagrees with the audit findings or determines the level of risk of the observation identified is acceptable, the internal audit final report must reflect both the auditor's finding and the auditee's final disposition of such.



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During this closing meeting (Pre-exit Meeting), the audit team will re-inform the auditee of the audit process and the draft audit report. The auditee will be given a reasonable amount of time (approximately 5-10 days) to provide additional support or a response to the observations/findings before audit findings are finalized. Audit findings should be developed, documented, and reported in accordance with the basic five elements of an audit finding, to the extent feasible and practical.

Each finding/observation should be self-contained, fully supported and it should stand alone. The five elements of an audit finding are (*Source: **AuditNet** - The Global Resources for Auditors*):

**Elements of an Audit Finding:**

CRITERIA  
CONDITION  
CAUSE  
EFFECT  
RECOMMENDATION


Exceptions - Auditors are expected to use professional judgment and due professional care in obtaining the information needed to report findings according to the above elements. However, situations may occur when it is not feasible or practical to obtain all the elements or when the audit objectives require that the findings be reported in some other manner. These exceptions should be discussed with the Manager of Internal Audit and clearly documented in the working papers. The finding(s) should then be reported, even if one or more of the elements is missing.

Such exceptions may occur where the auditor is unable to determine the cause of a particular condition, or unable to reasonably ascertain its effect in dollars or other terms. There may also be situations where the auditor is unable to cite criteria (i.e., particular law, regulation, or industry standard) for determining that reportable conditions exist (i.e., professional judgment).

[Auditors should also refer the "Red Book" published by the IIA for guidance.](#)

**Element Descriptions**

The development of audit findings is best measured by comparing what exists with some standard of what is acceptable. If the developed finding meets all acceptable standards it will be logical and reasonable, and it will provide a means

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to motivate corrective action. Findings that properly include these elements will represent a strong argument for corrective action:

**Criteria:** (what should be)

"Criteria are the standards used to determine whether a program meets or exceeds expectations." The criteria include the goals and objectives that management wishes accomplished, in accordance with the policies, procedures, and standards that management has created, to govern the operation effectively, efficiently, and economically. In our environment these might also include laws, regulations, agency policies and procedures, and industry/other government agencies' standards.

The auditor will also have to determine what is reasonable in those instances where management has not established standards (i.e., there is no written policy, or there are no goals/objectives). When there is no criteria, it will also be appropriate to work with management and develop appropriate criteria.

**Condition:** (What is/what happened)

"Condition is a situation that exists. It has been determined and documented during the audit." The gathered information should be sufficient, competent, and relevant, and it should be able to withstand challenge. It must be representative of the total population or system under review or, if an isolated instance, be a significant defect. The auditee may disagree with an auditor's interpretation, but if the condition is properly identified, the auditee will have no reasonable basis to disagree with the facts that the auditor has gathered.

**Cause:** (Why the deviation from the criteria occurred)

Cause explains why standards were deviated from, why goals were not met, and why objectives were not attained. Recommendations are most effective when they address an identified condition and cause. The auditor may not be able to easily or always identify the cause, and might consult management for their opinion as to what has caused the observed condition.

**Effect:** (What happened or could happen because the condition differed from the criteria.) Effect answers the "so what?" question: assuming that all the facts are as represented, what is the result and significance of this? Who or what organization is being harmed, and how badly? Which agency goals and objectives aren't being met, or are costing more money or effort than they should? What is the impact to the Agency? Effect is the element needed to convince management that the undesirable condition, if permitted to continue, will cause harm and would cost more than the action needed to correct the problem.



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**Recommendations:** (What is needed to correct the condition and improve operations) Recommendations describe the course of action management should take to correct the audit-identified condition. "Recommendations are most constructive when they are directed as resolving the cause of identified problems, are action oriented and specific, are addressed to parties that have the authority to act, are feasible, and to the extent practical, are cost-effective." It is appropriate to work with management to develop an appropriate and feasible recommendation.


#### 8. Draft Report and Pre-Exit Conference

The audit team will prepare a draft audit report based on the finding documented in the audit work papers. Upon completion of the draft, the audit team will submit to the Manager of Internal Audit for review. The Manager will make changes as needed and will discuss with audit team to ensure the recommendation still meets the control purpose. The draft report will be stamped "DRAFT" and sent to the audited management for their comments, edits, or questions.

At the pre-exit conference (if one is requested or scheduled at the request of the auditee), the draft report is discussed with the audited department management. This discussion focuses on findings and recommendations noted. The auditee may request changes to the wording and the Internal Audit will try to accommodate the request as long as the finding and recommendation's objective is not altered. The goal of the meeting is for both parties to agree on the accuracy of the audit finding and the report content. In most cases this will occur; however, it is acceptable for a disagreement regarding the need for corrective action. Executive management will make the final determination in these cases.

#### 9. Final Report and Exit Conference

The purpose of the Exit meeting (if one is requested or scheduled at the request of the auditee) is to review the Final Report and the auditee's response. At this time the audit field work phase officially ends and no additional supporting documents or information should be accepted. Upon receiving the auditee's corrective action plan; the Internal Audit staff will attach the response to the report only if the response is timely and responsive. The Manager of Internal Audit and staff will review the auditee's response and determine if the corrective action to be taken meets the control objective of the recommendations. The responses may, in some instances, be different than the recommendation or may indicate a disagreement with the finding. If the auditee indicates the recommendation will not be implemented, the Manager of Internal Audit's response must restate why the need for corrective action is necessary. The Manager of Internal Audit will then issue the report in "final". The report will be either documented or oral. The IIA standards do not define "report" and provide flexibility to deliver the report in

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oral format or in written format, as deemed appropriate by the Manager of IA, the recipient of the report and/or the Audit Committee.

#### 10. Auditee's Response and Corrective Action Plan

The audited business unit must provide a response to the recommendations within 60 days of the date of the Final Report to the Manager of Internal Audit. All replies must include whether the Department agrees or disagrees with each of the recommendations, a corrective action plan addressing each recommendation and the estimated target date for implementation. The audited unit may choose to complete the response before the final report is issued and in that case, if the response is timely and effective, can be attached to the final report.

#### 11. Follow-up Review


Internal Audit will perform a follow up review to determine if department management has implemented the recommendations. The timing of the follow up audit will be partly determined by management's targeted completion date. A final report will be issued to update executive management and the Board of Directors on the status of corrective action plans.

According to the requirements of the Charter, on an annual basis, Internal Audit will prepare a summary of all audit recommendations and a current status of implementation for the Audit Committee. The Manager of Internal Audit will meet with the committee and discuss the recommendations' status.

#### 12. Presentation of Final Audit Report and Results to the Audit Committee and the Board of Directors

The Manager of Internal Audit must present the Final Audit Report to the Audit Committee during the next regularly scheduled Audit Committee meeting, and if requested by the Audit Committee shall also be presented to the Board of Directors. A final report may be written or oral as deemed necessary by the Manager of Internal Audit.

- C. All Word documents should be written using Microsoft Word using Arial 12 point font or as similar as possible so that it is a professional document, be single spaced, fully justified and include page numbers, unless otherwise instructed or approved by the Manager of Internal Audit.
- D. All workpapers must be signed off by the auditor, include a source, if not auditor prepared. All pages must be numbered appropriately with a system that is self-explanatory and consistently used throughout the audit process. There is flexibility in

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the style and format of the workpapers, numbering and headers, however, all the information must be included on each of the workpapers.

- E. For questions regarding the types of audits or the audit process, the auditor should refer to the most current version of the Institute of Internal Auditors', International Professional Practices Framework (IPPF) or the "Red Book" for additional guidance and discuss with the Manager of Internal Audit.

## 6. RESPONSIBILITIES

**These procedures must be consistent with the practices prescribed by the IIA Standards.**

Responsible Party 1, Title 1 – **The auditor is responsible for staying informed on current IIA Standards. The auditor is responsible for completing professional, factual, accurate audit projects.**

Responsible Party 2, Title 2 – **All audit projects must be reviewed by ~~a~~an audit supervisor or manager.**

## REFERENCES

**IIA Standards**



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	Doc Number: [IA-003]	Rev: [#45]	

## 1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to provide guidance in preparing and documenting audit workpapers for the purpose of documenting the work completed during and audit project to justify and fully document the audit observations and recommendations and to serve as support for the final audit report and conclusions.

## 2. SCOPE

The scope of this SOP covers all routine audit workpapers to support audits performed by IA staff. The purpose is to ensure audit workpapers follow the guidance provided by the Institute of Internal Auditor's (IIA) guidelines.


A record of the auditors' work should be retained in the form of audit working papers. The workpapers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Workpapers contain the planning records and preliminary surveys, the audit program, audit procedures, fieldwork, supporting documents, such as spreadsheets, testwork schedules, and other documents relating to the audit. Most importantly, the workpapers document the auditor's conclusions and the reasons those conclusions were reached. Workpapers must be handled with confidentiality, be secured at all times, and retrievable by internal audit staff.

Internal audit staff is required to be familiar with Standard 2330 and Practice Advisory 2330-1 "Documenting Information" of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) which provides guidance related to the auditors responsibility to document relevant information to support the conclusions and engagement results.

Workpaper preparation and referencing facilitate the documentation that the audit objectives were followed, audit observations were concluded with sufficient supporting information, and provides the final record of the auditors' work. Workpaper preparation and referencing allows supervisors and managers review the work done, it also allows other auditors follow the work completed and follow-up on any questions that may arise. Workpaper preparation and referencing should be simple and understandable that any prudent auditor is able to follow the referencing.

Workpaper format, style, indexing, numbering, etc should be in such a way that it will be straightforward and unproblematic for any knowledgeable, prudent auditor to be able to follow and understand the process of the audit documented. Therefore, the procedures are not made so strict that there is no room for flexibility but should follow general, acceptable workpaper practices.

These workpaper procedures apply to both manual and electronic workpapers.

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See also IA-005 The Release of Audit Information to Agency Staff for additional information related to the importance of audit workpapers and the process for releasing.

### 3. DEFINITIONS

None

### 4. SAFETY CONSIDERATION


None

### 5. PROCEDURE

#### A. Audit Workpaper Standards

The content of workpapers should contain the following:

1. **Audit Objective Relevance**  
The workpaper must be relevant to both the specific audit objective and the total audit assignment. Only include other materials or data that support the testing performed.
2. **Condensation of Detail**  
The workpaper should be condensed and carefully summarized to make their later use more efficient.
3. **Presentation Clarity**  
The workpaper should be presented in a clear and understandable manner. The workpaper should be able to “stand alone” so the reviewer can determine the testing and results without the need to discuss with the preparer. The workpaper should support all Findings/Observations and Recommendations made. This is critical, since the workpaper may be used in the future to substantiate Internal Audit’s work performed and the original preparer may no longer be an Internal Audit Department employee. The workpaper should be prepared “neatly” and provide only needed and relevant information.
4. **Accuracy**  
The workpaper must contain statements and quantitative data that are accurate. This is essential because the workpaper may be used in the future to answer questions and support the Internal Audit Department’s representations. All auditing workpaper information must be factual, accurate, relevant and reliable.
5. **Sampling Procedure**


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The workpaper should include the method to select the audit sample. The description of the sampling method should be sufficiently definitive so that each item can be identified by the method description.

## B. Preparation Standards

Technical preparation standards are necessary to ensure consistency and professionalism in creating the audit workpaper. Workpaper preparation and referencing allows supervisors, managers review the work done, it also allows other auditors follow the work completed and follow-up on any questions that may arise. Workpaper preparation and referencing should be simple and understandable that any auditor is able to follow the referencing.

1. Place a title on each workpaper. The following identifying information should be documented on the workpaper (any order is acceptable)
  - a. Internal Audit Department or IEUA or both
  - b. Audit name
  - c. Year under review
  - d. Purpose of workpaper (title)
2. Include the preparer's initials and date on the workpaper.
3. Include an objective on each workpaper with sufficient detail to clarify how it relates to achieving overall audit objectives.
4. Indicate the source of data on the workpaper with sufficient detail to ensure a different auditor is able to follow-up with the source. For example, sufficient identifying information may contain:
  - a. Name, title, department, phone number (if readily available)
  - b. Date MM/DD/YY of the interview r information was provided
  - c. Auditor initials
5. Tickmarks: When possible use red for tickmarks. Always include a "tickmark legend" or detailed footnotes on the workpaper to explain/define the tickmarks used. Initial and date the tickmarks to acknowledge the work done. For example, tickmarks are used to indicate:
  - a. An item has verified attributes.
  - b. A column of numbers foots (use an f or F or other).
  - c. A series of numbers cross-foots = adds across (use an cf).
  - d. Calculations made are correct (c).
  - e. Information has been Traced or Agreed .

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6. Include a conclusion for work conducted on each workpaper. Reference to other test/summary or findings or report when necessary.
7. Prepare a separate workpaper for each supporting schedule/test.
8. Numbering pages, spreadsheets, folders, pockets or other workpapers: Each page should be given a unique reference number that identifies its location. The number assigned should follow the audit program and/or index and/or table of content and a logical sequence. It is preferred that each workpaper be indexed/numbered at the middle bottom of each page, preferably in "RED".
9. Referencing should be done so that any auditor is able to follow the order of the workpapers and locate both manual and electronic workpapers. Indicate either in the index or table of content or the audit program where the workpapers are located and if they are manual or electronic – identifying the section and or file. Workpaper referencing should be simple and understandable that any auditor is able to follow the referencing.
10. Pockets should be labeled, indicating what it contains, preparer's initials and date MM/DD/YY.
11. Cross reference the final audit report to the workpapers, preferably in "RED" to the extent possible and necessary for the reviewer to be able to locate the totals/numbers and conclusions through the audit process. At a minimum, the draft audit report should include references to the summary workpapers, the summary workpapers should include references to the lead schedules, and the lead schedules should include references to supporting documents.
12. Prepare the workpaper in a neat, legible manner. All working papers should be of uniform size and appearance. Smaller and landscape papers should be fastened or stapled to a page containing a header. Larger papers should be folded to conform to size restrictions.
13. Use only one side of the workpaper. If a document is double-sided, indicate the document is double sided with a footnote or a "d/s" tickmark. Always indicate the total number of pages each document contains to ensure the reader can verify the total number of pages.
14. Do not include insignificant or irrelevant material and information. Avoid long hand-written documents or notes only the auditor would understand. Significant notes should be summarized as a typed document. If meeting notes have been typed, it is acceptable to remove the hand-written notes.

15. Bind all workpapers in the appropriate sequence.
16. Permanent files or binders may include SOPs and employee handbooks and can be referenced in future audits. Documents should be sorted by date order and by the order listed in e.g. the Audit Program.
17. All final documents and all supporting information to findings should be retained. It is not necessary to keep all items reviewed during the audit. Professional auditor judgment should be used to determine what audit workpapers are essential and those that substantiate the audit conclusions.

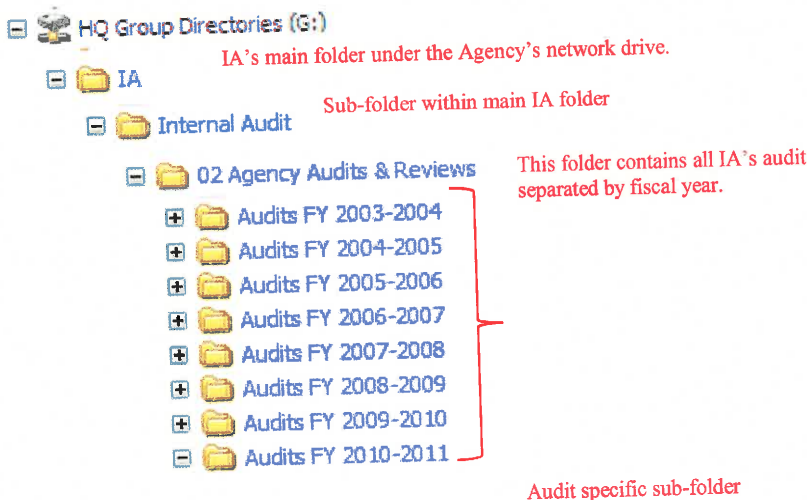
**C. Review of Workpapers**

The supervisor or Manager of Internal Audit will review the workpapers. The reviewer will initial and date the workpaper as evidence that the review was conducted. Any review comments must be cleared and included in the audit file.

**D. Electronic Audit Files**

1. All audit work files that are part of the final product and included in the audit files should be maintained in electronic format and saved on the Agency's network drive. Key documents (such as audit exceptions) that are obtained in hard copy format should be scanned; however, it is not necessary to scan all source documents. Files are to be separated out by fiscal year and audit. Within each audit folder, the files/folders saved should mirror the organization of the physical folders which usually mirrors the audit program, or by audit sections.

***This is an example:***



HQ Group Directories (G:)

- IA *IA's main folder under the Agency's network drive.*
- Internal Audit *Sub-folder within main IA folder*
- 02 Agency Audits & Reviews *This folder contains all IA's audit separated by fiscal year.*
  - Audits FY 2003-2004
  - Audits FY 2004-2005
  - Audits FY 2005-2006
  - Audits FY 2006-2007
  - Audits FY 2007-2008
  - Audits FY 2008-2009
  - Audits FY 2009-2010
  - Audits FY 2010-2011 *Audit specific sub-folder*



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- [-] AP
  - [+] 1. Final Rpts and related Correspondence
  - [+] 2. Time Records
  - [+] 3. Audit Program
  - [+] 4. Draft Reports & Review Notes
  - [+] 5. Preliminary Rsrch & Info
  - [+] 6. Gen. Cntrl Environment & Risk Assessment
  - [+] 7. Test-work

All audit supporting documents and working files should be saved within these sub-folders

2. Electronic files created by the auditor, such as Microsoft Word and Excel files, should include a footer that shows the electronic path and file name or a hyperlink to assist reviewers of hard copy workpapers with locating the electronic file. Whenever possible and to create efficiencies, hyperlink electronic workpapers.
3. For electronic files, auditors should print out the summaries of the audit program sections and key test work schedules to assist the reviewer. It is not necessary to print out all workpapers; however references to the location of the workpapers (manual or electronic) should be made for reference and cross-reference purpose.

## 6. RESPONSIBILITIES

**These procedures must be consistent with the practices prescribed by the IIA Standards.**

**Responsible Party 1, Title 1 – The auditor is responsible for staying informed on current IIA Standards. The auditor is responsible for completing professional, factual, accurate audit projects and maintain records that support the audit work.**

**Responsible Party 2, Title 2 – All audit projects must be reviewed by an audit supervisor or manager.**

## REFERENCES

**IIA Standards**



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**ANNUAL AUDIT PLAN [NAME OF SOP]**

**REVISION HISTORY**

<i>REVIEWED BY</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
<i>[First Last Name]</i>	<i>[Initial Release, Revised Section 2, etc.]</i>	<i>XX</i>	<i>MM/DD/YYYY</i>	<i>MM/DD/YYYY</i>	<i>[First Last Name]</i>
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## 1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to establish the procedure for developing the Internal Audit Department's Annual Audit Plan.

The Internal Audit Department Charter, requires that annually, the Manager of IA develop a comprehensive, flexible Annual Audit Plan to determine the priorities of the Internal Audit Department and the audit projects for the year. The Annual Audit Plan must be developed using an appropriate risk-based methodology to identify Agency audit areas s subject to an audit. audit Audit projects should ~~also~~ be aligned to the Agency's mission, goals and objectives.

The Annual Audit Plan must be submitted to the Board of Directors, through the Audit Committee for final approval. Significant changes to the Annual Audit Plan must be reported to the Audit Committee and the Board, as well as periodic status reports reporting on the progress of the audit projects.

## 2. SCOPE

The scope of this SOP covers Annual Audit Plans and required updates or amendments.

## 3. DEFINITIONS

None


## 4. SAFETY CONSIDERATION

None

## 5. PROCEDURE

The Board-approved Charter states that the purpose of the Internal Audit Department is to assist the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities for reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations, and to provide objective assurance about the Agency's operations.

The purpose of the Internal Audit Department is also to provide consulting services, analyses, recommendations and information concerning the operations of the Agency as a service to management and as a way of adding value to improve the operations of the Agency. Internal Audit assists management and staff in achieving organizational goals and objectives by providing recommendations and advisory services based on results of analysis of the Agency's processes, procedures, governance, internal controls, financial reporting, and compliance with applicable laws and regulations.

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These requirements are met through the objective evaluation and audit of the various Agency's operations, policies, business units and processes.


The Board-approved Internal Audit Department Charter requires that IA submit a flexible Annual Audit Plan of proposed audit projects, with the goal of targeting for audit the activities and business units depending on the assessed risk, level of priority, and/or specific requests.

The Annual Audit Plan is presented to the Audit Committee at the beginning of each Fiscal Year for discussion and request it be submitted to the Board of Directors for final approval, and request the Board to direct the Manager of Internal Audit to implement the Annual Audit Plan.

Amendments or changes to the plan must be reported to the Audit Committee and the Board through the status reports or an Amended Annual Audit Plan during the subsequent Audit Committee meeting.

#### Development Process

- A. Each year, the Manager of Internal Audit will develop a comprehensive Audit Plan for the given fiscal year. This plan is based on a risk assessment approach to review the audit universe. Audit frequency is determined by the risk associated with the audit area (as assessed using auditor judgement and considering all things discussed in this procedure), consideration must be given to any special tasks or projects requested by Management, the Audit Committee or the Board of Directors, and any areas deemed appropriate by the Manager of Internal Audit.
- B. The risk assessment is done by assessing/evaluating the audit universe. The audit universe includes all auditable areas of the Agency, including but not limited to: Agency departments, processes, functions, operations, funds, accounts, activities, contracts, policies, rules, inventory, assets, facilities and anything that is mentioned or pertains to Agency mission, goals and objectives.
- C. The risk assessment is completed through various analysis and communications (meetings, discussions, emails, and interviews) of key personnel. Various evaluations are completed, for example, an evaluation of total costs or revenues, analyzing other data and information, consideration is given to the Agency's goals and objectives, initiatives and risks and using professional auditor judgment.
- D. ~~The annual Annual audit Audit plan Plan~~ should be flexible to allow for performing special projects and/or management requests, or special investigations as deemed necessary by the Manager of Internal Audit and/or senior management and/or the Audit Committee Chair as described by the Charters, the Annual Audit Plan and auditing guidelines.

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**D.E.** Requests for additional audit projects or changes to the Annual Audit Plan from senior management, the Audit Committee or the Board should be discussed during the regularly scheduled Audit Committee Meeting or Board Meeting. The requests will be scheduled depending on the requirements of the review, resources, and sensitivity. If a project is small in nature, the Manager of IA has discretion to use professional auditor judgement to respond to a request for assistance, review or information. If the project is considered sensitive or requires some amount of time and resources, the project should be discussed during the Audit Committee meeting with the Audit Chair and/or the General Manager to coordinate the resources necessary; this should be done before or after the Audit Committee meeting, depending on the sensitivity of the request and/or the risk exposure to the Agency and/or the urgency of the information. If there is no risk by delaying until after the next Audit Committee meeting, all projects should be discussed through an appropriate Annual Audit Plan and/or Amended Annual Audit Plan by the Board of Directors through the Audit Committee as required by the Charters.

In the event there are significant deviations from the Annual Audit Plan or there is an anticipated need for an Annual Audit Plan Amendment, a formal Amended Annual Audit Plan must be submitted for review and approval at the next regularly scheduled Audit Committee Meeting, noting the addition or postponement of projects and audits from the originally approved Audit Plan with information related to the benefits/risks for the delay in the originally planned audits.

## 6. RESPONSIBILITIES

**These procedures must be consistent with the practices prescribed by the IIA Standards and the Internal Audit Department Charter and the Audit Committee Charter requirements.**

Responsible Party 1, Title 1 – **The Manager of Internal Audit is responsible for preparing and submitting for Board approval an Annual Audit Plan and any subsequent amendments and updates, consistent with Agency goals and according to IIA’s best practices.**

Responsible Party 2, Title 2 – **The Audit Committee and the Board of Directors review and approve the Annual Audit Plan and subsequent amendments.**

## REFERENCES

**IIA Standards**



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[#34]


~~[NAME OF SOP]~~

**RELEASE OF AUDIT INFORMATION TO AGENCY STAFF**

**REVISION HISTORY**

<i>REVIEWED BY</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
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## 1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to provide procedures for requests ~~for~~ of Internal Audit Department (IAD) workpapers from Agency staff.

Workpapers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Workpapers contain the planning records, preliminary surveys, audit procedures, supporting documents, spreadsheets, preliminary risk assessments, and other documents relating to the audit. Most importantly, the workpapers document the auditor's conclusions and the facts in reaching conclusions to audit observations.

Final ~~Audit~~ audit reports provide a summary of the conclusions that were reached and the audit work completed. All final, approved and published Audit Reports are available on the Agency intranet site (~~PIPES~~) and also available through the public Board of Directors' Agendas from the main IEUA web page.

IA staff share audit items and information with staff when there are questions or requests for audit findings and conclusions. It is unlikely that audit workpapers are requested by internal staff. Requests for audit workpapers are to support a fraud investigation or other type of investigation and it is a serious evaluation of documents. However, from time to time, Agency staff may want to review workpapers that support audit reports and conclusions.

In an event of a request for audit workpapers, IAD staff should make every effort to assist and cooperate in providing needed information to Agency staff when possible, and as deemed appropriate.

## 2. SCOPE

The scope of this SOP covers all workpapers and information retained to support audit reports.

## 3. DEFINITIONS

None

## 4. SAFETY CONSIDERATION

None

## 5. PROCEDURE

- A. When a request for audit workpapers or supporting documents is received, Audit staff must notify the Manager of Internal Audit the nature of the request.



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- B. Requests made by Agency staff for information that is not available on the Agency intranet or through published records, require a request made through and by the General Manager, and approved by the Audit Committee. Requests will be considered only for information related to completed audits.

At the discretion of the Manager of IA, information will be released only after the Manager of IA determines that information requested does not violate the Audit Committee Charter, the Internal Audit Department Charter, the Institute of Internal Auditing (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*), and/or anything that would compromise the independence, integrity, and professionalism of the Internal Audit Department and the image of the Agency.

- C. When a request for audit workpapers or audit supporting documentation is approved for Agency staff review, and made through the General Manager, approved by the Manager of IA and the Audit Committee, the requestor may coordinate with IAD staff and sit in a nearby workstation to review files under the supervision of IAD staff. To maintain the integrity of the workpapers, these cannot leave the custody of IA.
- D. Copies of requested information may only be made upon approval by the Manager of IA and if necessary by the Audit Committee Chair. Removing files from the IAD designated work area is not permissible.
- E. This procedure addresses only requests from IEUA staff. External access to IAD files will be granted if the request is made by or from the Agency's legal counsel or a higher authority and through appropriate channels. In those instances, IA will follow the Agency's policy requirement to comply with the request-

## 6. RESPONSIBILITIES

**These procedures must be consistent with the practices prescribed by the IIA *Standards* and the Internal Audit Department Charter and the Audit Committee Charter requirements.**

Responsible Party 1, Manager of Internal Audit – **The Manager of Internal Audit is responsible for approving the release of audit workpapers.**

Responsible Party 2, IEUA General Manager – **The IEUA General Manager is responsible for authorizing staff's request for audit workpapers and documentation.**

## REFERENCES

**IIA *Standards***



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**BUSINESS CONTINUITY AND DISASTER  
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## [BUSINESS CONTINUITY AND DISASTER RECOVERY]

### REVISION HISTORY

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**1. PURPOSE**

The purpose of this Standard Operating Procedure (SOP) is to document the Internal Audit Department's role, function, and processes during a disaster or business disruption event. The primary responsibilities of the Internal Audit Department (IAD or IA) include to assist in the continuance of critical activities and to reduce the impact of the incident to the Agency and its core operations.

**2. SCOPE**

The scope of this SOP covers any Agency related disaster or business disruption.

**3. DEFINITIONS**

None

**4. SAFETY CONSIDERATION**

None

**5. PROCEDURE**


**A. Contact Information**

Disaster, Safety and Emergency phone numbers are located in the Safety Manual and accessible on the Safety & Risk Department website located on the Agency's intranet website. Each IAD employee is required to post the emergency contact phone numbers in their workstation. In the event of an emergency/disaster, Internal Audit staff should contact the appropriate personnel for emergency response information and instructions.

**B. Role of the Internal Audit Department during an incident**

The Internal Audit Department is not considered a critical business function where the immediate continuance of audit projects is required. During an incident, Internal Audit staff will act as support and/or backup personnel to assist in the recovery of time-critical Agency activities and operations. Additionally, Internal Audit staff will perform necessary tasks to ensure the safety of personnel, security of assets, internal controls and segregation of duties when viable and appropriate.

Upon reporting for emergency response, IAD staff should take the necessary steps to assist the critical departments and functions, which may include, but are not limited to Finance and Accounting, Business Information Systems, Safety, and the Human Resources departments. The IAD Business Continuity and Disaster Recovery procedure will acknowledge and be secondary priority to the Agency-wide Business Continuity Plan or the Business Continuity & Disaster Recovery plans for the time-critical Agency-activities or departments.

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**C. Disaster Assessment**

A disaster is defined as an event that results in the loss or compromise of personnel, systems, processes, or infrastructure. Events that can lead to a disaster may come from or be caused by, but not limited to: earthquakes, internal/external fire, internal/external flooding, human error, weather, a nearby company disaster, physical or any form of attack, and anything declared as an emergency or disaster by Executive Management.

If a disaster occurs, at the request of the Board, Audit Committee, and/or the General Manager, the Internal Audit Department Manager will assist in disaster assessment and recovery in conjunction with Agency management. Based upon the disaster scope, the Manager of Internal Audit will direct Audit Staff to the appropriate recovery plan and assist Agency staff in the strategy to restore appropriate business functions.

**D. Assignments and Responsibilities**

The Manager of Internal Audit will assist in ensuring the safety of personnel, coordinate with the appropriate department manager(s) to discuss the continuity plan, recovery of information and safeguarding of crucial information and assets, direct Audit Staff accordingly; and communicate/develop plans to safeguard assets, maintain security of critical information and verify information. The role of the Manager of the Internal Audit Department is also to inform the Audit Committee and Board of its role and responsibilities during the disaster/emergency.

**E. Recovery Capability of Audit Records**

Audit files and all final reports are stored in electronic form in the Agency's shared directories. In the event of a disaster that affects network files, IA electronic files may be retrieved upon recovery of Agency network information by the ESS and ISS departments.

Hard-copy/paper audit workpapers are located in the IAD storage cabinets located outside the Internal Audit Department Manager's office, as well as in Audit staff cubicles. Workpapers contain supporting documents related to the audit conclusions made. The work-papers represent the justification for the audit observations and recommendations provided to the audited business units and as communicated to the Audit Committee and the Board of Directors in the final audit reports.

In the event that hard-copy workpapers are destroyed during a disaster, most of the files may be retrieved from the electronic files in the network or from the appropriate department for which they belong. Some of the audit work-papers are original working documents that may not be retrievable through any other channel and would take a considerable amount of audit resources to recreate, if at all possible.



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In the event of a disaster where workpapers are destroyed, effort to re-create or restore hard-copy workpapers for completed audits, will not be a priority.

The final audit report is documented and issued through regularly scheduled Audit Committee and Board Meetings available through different Agency electronic sources. The final audit reports represent the end-product of the audit procedures. Audit reports also represent final agreement between the auditors and the auditee, and stand alone even if back-up workpapers are misplaced or destroyed. Audit reports are prepared following audit standards recommended by the Institute of Internal Auditors in the International Professional Practices Framework guide.

- F. Procedure Review - Overall daily administration, application, and periodic review of this Standard Operating Procedure shall be the responsibility of the Internal Audit Manager.

## 6. RESPONSIBILITIES

**These procedures must be consistent with the practices prescribed by the IIA Standards and the Internal Audit Department Charter and the Audit Committee Charter requirements.**

**Responsible Party 1, Manager of Internal Audit – The Manager of Internal Audit is responsible for approving the release of audit workpapers.**

**Responsible Party 2, IEUA General Manager – The IEUA General Manager is responsible for authorizing staff's request for audit workpapers and documentation.**

## REFERENCES

***IIA Standards***



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**[HANDLING CLAIMS, ALLEGATIONS, SPECIAL  
INVESTIGATIONS, SPECIAL PROJECTS AND MANAGEMENT  
REQUESTS]**

**REVISION HISTORY**

<i>REVIEWED BY</i>	<i>REVISED SECTION/ PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
<u>[First Last Name]</u>	<u>Initial Release, Revised Section 2, etc.]</u>	<u>XX</u>	<u>MM/DD/YYYY</u>	<u>MM/DD/YYYY</u>	<u>[First Last Name]</u>
Teresa Velarde	3/14/12; 11/13/13	3	12/20/2017	12/11/2017	Teresa Velarde
<u>Teresa Velarde</u>	<u>8/15/2019</u>	<u>4</u>	<u>8/15/2019</u>	<u>9/9/2019</u>	<u>Teresa Velarde</u>

*Draft and Archived/Obsolete revisions are not to be used.  
Access [Document Control System] system to verify revision.*



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## 1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to document the Internal Audit Department's (IA) role, responsibilities and processes for handling and investigating internal or external reported claims, allegations, and accusations of alleged waste, fraud and abuse or serious non-compliances with policies or procedures. The primary responsibilities of IA include to evaluate the reported claim, gather facts, assess the risk and impact to the organization, determine whether IA has the necessary skills and expertise to conduct the necessary investigation, determine the required level of review, and determine the requirement and method for reporting to the appropriate personnel.

This SOP also documents IA's role, responsibilities and processes for handling and conducting, special projects and management requests, including requests by the Audit Committee and the Board of Directors. The primary responsibility of IA is to add value by providing Agency management consulting services, analyses, evaluations, recommendations, and information about the operations under review from an independent and objective perspective. IA will work closely with the requesting management personnel and determine the necessary level of audit work

## 2. SCOPE

The scope of this SOP covers IA's role and responsibilities in handling claims, allegations, special projects, and management requests.

## 3. DEFINITIONS

For purposes of this procedure, a **claim, allegation, or reported accusation** can be reported by an employee, Director, the Agency's legal counsel, a contractor or vendor of the Agency or by an external and/or anonymous member or party of the public. A claim, allegation, or accusation is most often related to non-compliance with Agency policies/procedures, misappropriation of assets, falsification of records, bribery, fraud, waste, or abuse for the benefit of an individual(s) or the Agency.

For purposes of this procedure, **special investigations** are an assessment conducted by IA in response to a reported claim. The role of IA during a special investigation is to gather the facts, assess potential risks, determine if the claim has merit to perform an investigation and/or if further investigation or reporting is necessary, and whether the investigation is within the scope of work for IA.

For purposes of this procedure, a **special project or management request** are an assessment, evaluation, analysis, or audit requested by senior management, the Audit Committee and/or the Board of Directors, which was not scheduled through the Board approved Annual Audit Plan. Special projects or management requests are considered short-term projects, where IA determines it has the necessary staff, skills and resources to



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provide assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is determined and agreed upon by and between the requesting department manager and the Manager of the IA and, when deemed appropriate by Executive Management, the Audit Committee and/or the Board. The purpose of a special project or a management request is to add value by providing Agency management with: consulting services, analyses, evaluations, recommendations, and information concerning operations from an independent and objective perspective.

**4. SAFETY CONSIDERATION**

None

**5. PROCEDURE**

According to the Board-approved Charter, the purpose of the Internal Audit Department is to assist the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities for reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations, and to provide objective assurance about the Agency's operations.

The purpose of the Internal Audit Department is also to provide consulting services, analyses, recommendations and information concerning the operations of the Agency as a service to management and as a way of adding value to improve the operations of the Agency. Internal Audit assists management and staff in achieving organizational goals and objectives by providing recommendations and advisory services based on results of analysis of the Agency's processes, procedures, governance, internal controls, financial reporting, and compliance with applicable laws and regulations.

All audit projects are scheduled through the Board-approved Annual Audit Plan. Changes or amendments to the Annual Plan are communicated to the Audit Committee at the regularly scheduled Audit Committee Meeting.

**A. Cataloging/Recording a Claim, Allegation or Request**

When a claim or request is reported to any member of IA, the Manager of IA must be notified immediately. The Manager of IA must assess the claim or request and determine the appropriate level of review it will require. The Manager of IA must consider all IA projects, the Board-approved Annual Audit Plan requirements and responsibilities under the IA Charter, to determine the urgency/priority of the claim or request and determine how best to schedule appropriate resources for the required/requested review.

IA personnel will gather additional information as needed through interviews, discussions, or examination of records and determine the need for reporting to senior management and/or the Audit Committee Chair and/or the Agency's legal





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counsel. If and when the special investigation is outside the scope of work for IA or beyond the expertise of IA, the Manager of IA will determine the appropriate reporting procedure. It may be necessary to report to senior management and/or the Audit Committee Chair, the Board of Directors, and/or the Agency's legal counsel and recommend further investigation by an outside expert, or recommend reporting to appropriate legal authorities. In most cases, it is not the responsibility of IA to report outside of the organization, unless there is an obvious, apparent, severe posed threat, actual abuse or danger.

Depending on the claim/request and the assessment of the required investigation or project, the reporting party/informant of the claim may or may not be involved further in the investigation and may or may not be privy to the final report or outcome of the investigation. The Manager of IA will determine the appropriate method and distribution of the final communication or report.

In the case of a special project or management request, the requesting department manager and/or the respective Executive Manager will be involved during the process of the review/evaluation. A final communication will be provided to the requesting manager. The Manager of IA will determine the appropriate method and distribution of the final communication or report.

#### **B. Responsibilities & Reporting**

All IA projects, including a special investigations, special projects, or management requests should be treated with the same level of confidentiality, objectivity and professionalism expected during any and all IA projects and as directed under the Board of Directors' approved Internal Audit Department Charter.

In performing any audit project, including special investigations, special projects, or management requests, auditors are required to consistently follow and apply the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA), including the *International Standards for the Professional Practice of Internal Auditing Standards* and the Code of Ethics, and the Board-approved Internal Audit Department Charter and Board-approved Audit Committee Charter. Auditors are expected to apply professional judgment and objectivity at all times, and uphold IA's values: independence, integrity, professionalism, and collaboration.



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**C. Procedure Review**

Overall daily administration, application, and periodic review of this Standard Operating Procedure shall be the responsibility of the Manager of Internal Audit.

As stated in the Internal Audit Department Charter, the Manager of Internal Audit will set audit frequencies, select the subjects and set objectives, determine the scope of work and apply the techniques required to accomplish the audit objectives. The Manager of Internal Audit has the authority to deviate from the approved annual Audit Plan, when necessary, and if warranted by unforeseen issues that require immediate attention. The Manager of Internal Audit will use professional discretion and judgment in response to such unforeseen issues and resolve them according to the requirements of the Charter. Significant changes to or deviations from the approved Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee meeting.

**6. RESPONSIBILITIES**

These procedures must be consistent with the practices prescribed by the IIA *Standards* and the Internal Audit Department Charter and the Audit Committee Charter requirements.

Responsible Party 1, Manager of Internal Audit – The Manager of Internal Audit is responsible for approving the release of audit workpapers.

Responsible Party 2, IEUA General Manager – The IEUA General Manager is responsible for authorizing staff's request for audit workpapers and documentation.

REFERENCES

**IIA *Standards***

**INFORMATION  
ITEM**

**5M**



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**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:**  Teresa Velarde, Manager of Internal Audit

**Subject:** Audit Committee Charter and Internal Audit Department Charter

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**Executive Summary:**

The Board approved charters and best practices require that the Internal Audit Department (IA) perform periodic reviews of both the Audit Committee Charter and the IA Charter, and make recommendations for any necessary updates and revisions. Attached, in draft form, are the charters presented with proposed updates and edits for discussion and further guidance/direction for any additional updates or amendments. After discussion and direction, the Charters will be brought back for final approval in final form.

The Audit Committee Charter documents the Audit Committee's purpose, composition, authority, and responsibilities. The IA Charter documents IA's mission, purpose, authority, and responsibilities. The purpose of the Audit Committee, the IA Department and the documented charters is to assist the Board in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements and to assist management by providing objective evaluations and recommendations to improve operations and achieve organizational goals.

Both charters follow the guidance set forth by the Institute of Internal Auditing (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) and professional best practices.

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**Staff's Recommendation:**

1. This is an information item for the Board to review.

---

**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

**Fiscal Impact** (explain if not budgeted):

N/A

**Prior Board Action:**

On December 19, 2018, the Board of Directors reconfirmed and approved the Audit Committee and the Internal Audit Department Charters.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Charters are consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by documenting the Audit Committee's and the IAs purpose, authority and responsibilities in assisting the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities with regards to audit matters and assist senior management in achieving organizational goals.

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**Attachments:**

Attachment 1 - Audit Committee Charter  
Attachment 2 - Internal Audit Department Charter



## INLAND EMPIRE UTILITIES AGENCY Audit Committee Charter

~~Reconfirmed on December 19, 2018~~

### WORKING DRAFT WITH PROPOSED EDITS

#### PURPOSE

The Audit Committee (Committee) is established under the authority of the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors (Board) and reports directly to the Board. The primary purpose of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations.

While assisting the Board with these fiduciary duties, the Committee also provides an open avenue of communication between the Board, IEUA Management, the Internal Audit Department, and the external auditors. This advisory and oversight link provides the following benefits to the organization and stakeholders:

- Increased objectivity and credibility of financial reports.
- Increased management accountability.
- Support for measures to improve management performance and internal controls.
- Increased employee awareness of unethical, questionable, or illegal activities.
- Enhanced independence and effectiveness of the Internal Audit Department.
- Assurance that appropriate management action plans are implemented for audit findings and recommendations.
- Support the Internal Audit Department audit projects, evaluations and analysis.

#### COMPOSITION, COMPENSATION & TERM OF SERVICE

The Committee shall consist of two members from the Board of Directors, each with equal voting rights, with one selected as the Committee Chairperson. The members will be appointed by the Board President.

The Audit Committee shall have access to at least one financial expert, an outside party with no voting rights, who will provide advisory and consulting duties and shall be compensated as agreed upon, in writing with the aAudit eCommittee, the Board, Agency management and/or its designees.

All members of the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting, accounting and auditing and shall have a requisite interest in financial reporting issues of the Agency. The financial expert shall be an individual with sufficient financial experience and interest to provide guidance and assistance to the Audit Committee. The financial expert should through both ~~–~~education and experience, and in a manner specifically relevant to the government sector, possess: 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting

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for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of Audit Committee functions. .

The members of the Board serving on the Audit Committee shall be compensated in accordance with the guidelines established for the IEUA Board of Directors in the most current Board-approved Ordinance ~~No. 98 adopted May 21, 2014~~, and as amended from time to time, entitled:

"Ordinance of the Inland Empire Utilities Agency, a Municipal Water District, San Bernardino County, California, establishing compensation/benefits and authorizing reimbursement of expenses for the Board of Directors and their appointed representatives to the Metropolitan Water District of Southern California Board of Directors and outside Committee Members."

The service term for each Committee member will be two years. Prior to term expiration, the Board President or their designee will conduct a review of Board Committee members' eligibility and the Board of Directors will conduct a review of the external/outside Committee member's eligibility. The Board President will then reconfirm the Committee members or select and confirm new members as needed. All activities and actions pertaining to selection or reconfirmation of Committee members will be documented by the Board, or their designee, and recorded in the next regularly scheduled IEUA Board of Directors' meeting minutes.

**AUTHORITY**

The Audit Committee has unrestricted access to all information and records, including IEUA personnel and documents. The Committee will have adequate resources to fulfill its oversight responsibilities, including the right to seek independent professional advice and counsel. The Committee is empowered to:

- Meet, as deemed appropriate and necessary, with IEUA Management and employees, the Manager of Internal Audit and audit staff, external auditors and legal counsel.
- Recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any changes to the Plan or the Manager of Internal Audit duties.
- Authorize special audits and investigations into any matters within its scope of responsibility.
- Authorize an internal audit or review of any department or function under the control of the Board of Directors, or within the scope of influence of the IEUA.
- Recommend to the Board the appointment, compensation and scope of work of any public accounting firm employed by the IEUA.
- Recommend to the Board the approval of any auditing and consulting services.

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- Review and recommend to the Board the external auditor's audit scope and approach, ensuring that the scope:
  1. Is in compliance with Generally Accepted Auditing Standards (issued by the American Institute of Certified Public Accountants).
  2. Is in compliance with Government Auditing Standards (issued by the Government Accountability Office).
  3. Will include a Single Audit that will be performed, if required, subject to the Office of Management and Budget (OMB) Circular A-133.
  4. Will include an opinion on each major fund presented in the Agency's financial statements.
- Review and recommend to the Board the approval of external auditors' reports, along with Management's written responses, when appropriate.
- Resolve any disagreements between Management, the Internal Audit Department, and the external auditors regarding financial or operational controls and reporting.
- Ensure corrective action is taken on internal accounting control weaknesses identified by the internal and external auditors.
- Ensure corrective action is taken on audit findings, risks and recommendations identified by the Internal Audit Department and/or accept risks identified through audit findings in lieu of corrective action, as deemed appropriate and necessary.

## **RESPONSIBILITIES**

The Audit Committee is chartered with performing oversight for the Board of Directors. In addition to reviewing this Charter annually and updating it as needed, the Committee has responsibilities in the areas of Financial Reporting, Internal Controls, the Internal Audit Department, the External Audit and external auditors, Compliance requirements, and Other Matters as provided in the following sections. The Committee has the overall responsibility to ensure the general requirements underlying these items are carried out. However, the Audit Committee has the flexibility and authority to determine and choose the best course of action and the best method for carrying out its responsibilities. The following items are best practice guidelines that may be employed:

### Financial Reporting:

- Review annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Advise the Board and management of any situations that would cause the Committee to believe the audited financial statements may contain material misstatements or omissions.
- Inquire of the General Manager and Chief Financial Officer (CFO) regarding the fiscal health of the Agency as well as the financial status of the Agency in relation to its adopted budget.



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- Inquire of management, the Manager of Internal Audit, and the external auditors about whether significant financial, managerial, and operational information is accurate, reliable, complete, and timely.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency; assess the steps management has taken or proposes to take to minimize such risks to the Agency; and periodically review compliance with such steps.

Internal Controls:

- Discuss with Agency management, the Manager of Internal Audit, and the external auditors the reliability and effectiveness of the Agency's internal control environment to mitigate risk, including information technology security and control.
- Discuss with Agency management, the effectiveness of the Agency's process for identifying and assessing significant risks and exposures, and the steps Agency management has taken to communicate, monitor and mitigate these risks.
- Understand the scope of the internal and external auditors' reviews of internal controls, and obtain and review reports of significant findings, recommendations, and Agency management's action plans to mitigate risks.
- Review all significant accounting policy changes submitted by Agency management with the Internal Audit Department, and/or the external auditors, and provide recommendations to the Board and Agency management.
- Periodically review Agency policies and procedures governing Board of Director and employee conduct, including conflict of interest, misconduct, fraud and other sensitive issues or non-compliance and recommend changes to the Board and Agency management as appropriate.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors whether adequate policies have been established and the Agency complies with policies, standards and applicable laws and regulations.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors whether significant legislative or regulatory issues impacting Agency operations are identified, recognized, communicated and appropriately addressed.
- Review with Agency management, the Manager of Internal Audit, and the external auditors the audit scope and plan of the Internal Audit Department and the external auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- Review with Agency management and the Manager of Internal Audit:
  - Significant findings, recommendations, and management's responses thereto.
  - Any difficulties the Internal Audit Department encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
  - Any changes required in the scope of their internal audits.

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- The Internal Audit Department budget and staffing.
- The Internal Audit Department Charter.
- The Internal Audit Department's compliance with applicable standards (for example, Governmental Auditing Standards, or the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing).
- Periodically review the Agency's Code of Conduct/Ethics Policy to ensure that it is adequate and up to date.
- Review with the Manager of Internal Audit and the Agency's general counsel the results of their reviews of compliance monitoring with the Code of Conduct/Ethics Policy.
- Review the procedures for the receipt, retention, and treatment of complaints received by the Agency regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, the current status, and resolution if one has been reached.
- Review procedures for the confidential, anonymous submission by Agency employees of concerns regarding questionable accounting or auditing matters, or suspected fraud. Review any submissions that have been received, the current status, and the resolution if one has been reached.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency. Assess the steps management has taken or proposes to take to communicate, manage, and minimize such risks to the Agency; and periodically review compliance with such steps.
- Review with the Manager of Internal Audit, and the external auditors:
  - The adequacy of the Agency's internal controls including computerized information system controls and security.
  - Any significant findings and recommendations of the Manager of Internal Audit, and the external auditors together with management's responses thereto.

**Internal Audit Department:**

- Request that the Agency's Manager of Internal Audit prepare the Audit Committee's meeting agendas designed to ensure that all of the responsibilities of the Audit Committee as described herein are addressed at least once a year.
- Ensure there are no unjustified restrictions or limitations placed on the Internal Audit Department.
- Review with the Board, General Manager, and the Manager of Internal Audit the Internal Audit Department Charter, Annual Audit Plan, staffing, budget, and organizational reporting structure to ensure they meet the Committee's goals, objectives, and responsibilities to the Board and Agency management.
- Review and recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any significant changes that may occur during the year.
- Review, as needed, all internal audit reports, findings, and recommendations.

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- Review and recommend to the Board the appointment, replacement, dismissal, or change in duties of the Manager of Internal Audit.
- Review the effectiveness of the Internal Audit Department's function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Conduct the Manager of Internal Audit performance appraisals and recommend Manager of Internal Audit merit increases and incentive compensation to the Board.
- Hold management accountable for the appropriate resolution of Internal Audit Department's recommendations and ensure that disposition has been determined for Audit Department recommendations from the prior year. If management has determined that Internal Audit Department recommendations need not be implemented because of adequate compensating controls, based upon a cost/benefit analysis or because the risks are at an acceptable level in accordance with the Agency's goals and objectives, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.

External Audit:

- Review the external accounting firm's proposals and fee structure, and provide recommendations and external audit plan approval to the Board.
- Review the external auditors' proposed audit scope and approach to ensure emphasis is placed on areas the Committee, Board, Management and external auditors believe special attention is warranted and that efforts are coordinated with the Internal Audit Department.
- Evaluate the external auditor's independence, and if needed, recommend the Board take the appropriate action to satisfy the Agency with the external auditor's independence.
- Review the effectiveness of the external auditor's work and provide the Board with the final approval to continue or discharge the current firm.
- Communicate to the external auditors areas of internal control with a heightened risk of fraud or error, any known or suspected employee fraud, management fraud, pressures or incentives for management to distort reported financial results, or any known or suspected accounting errors or misstatements.
- Communicate to the external auditors any areas of concern applicable to the external auditors' scope of responsibility (fraud, errors, or misstatements involving amounts significant to the financial statements taken as a whole).
- Review all significant written communications between the external auditors and management, such as any management letter comments or schedule of unadjusted differences (i.e. management letter, schedule of audit, or significant unusual or non-routine items, etc.)
- Hold management accountable for the appropriate resolution of external auditor recommendations, ensure that disposition has been determined for auditor recommendations from the prior year, and where management has determined that auditor recommendations need not be implemented because of adequate compensating controls or

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based upon a cost/benefit analysis, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.

- Review with the external auditor that performs the financial statement audit:
  - All critical accounting policies and practices used by the Agency.
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Agency's management, the ramifications of each alternative, and the treatment preferred by the Agency.
- Review with management and the external auditors:
  - The Agency's annual financial statements, related notes, and management's discussion and analysis.
  - The external auditors' audit of the financial statements and their report thereon.
  - The external auditors' judgments about the quality, not just the acceptability, of the Agency's accounting principles as applied in its financial reporting.
  - The external auditors' single audit of the federal awards administered by the Agency and their reports thereon.
  - Any significant changes required in the external auditors' audit plan.
  - Any serious difficulties or disputes with management encountered during the audit.
  - Matters required by Statement on Auditing Standards (SAS) No. 114, The Auditor's Communication With Those Charged With Governance; U.S. Government Accountability Office's (GAO) Government Auditing Standards; and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.
- Evaluate whether or not the performance of any extra work or special projects requested of the Agency's external audit firm violates the independence standards of the GAO.
- Recommend that the Board of Directors approve the Agency's annual financial report, if the Committee believes that they are fairly presented, to the extent such a determination can be made on the basis of reading the financial statements and discussions with Agency management and the external auditors.

**Compliance:**

- Review with management and the external auditors the Agency's internal controls for identifying laws and regulations affecting operations, risks for non-compliance including litigation and fines, and implementing controls to prevent recurrence.
- Review the reports, findings and recommendations of any audits or examinations performed by external agencies.
- Review with Agency counsel any legal, tax, or regulatory matters that may have a material impact on the Agency's operations and its financial statements.

**Other Matters:**

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- The Audit Committee shall engage consultants, specialists, or other audit firms as necessary to assist the committee in the discharging of its responsibilities.
- The Audit Committee shall direct the Manager of Internal Audit to review the Agency's Audit Committee Charter annually in order to advise the Audit Committee as to needed or recommended changes.
- The Audit Committee shall report to the Board of Directors issues discussed in the Audit Committee meeting that, in the judgment of the committee, warrant communication to the Board to help the Board fulfill its oversight responsibility.

**ETHICAL CONDUCT**

Audit Committee members are prohibited from participating in any event or matter that would create, or appear to create, a conflict of interest. These activities may include having a significant financial interest or operational influence in vendors, contractors, customers or competitors of IEUA. Any activity creating an actual or apparent conflict should be immediately reported to the Audit Committee Chair and the Board of Directors for resolution.

**MEETINGS**

The Audit Committee shall meet no less than quarterly.

The Manager of Internal Audit will schedule and coordinate all quarterly Committee meetings, and will call additional meetings if requested to do so by any Committee member, the Board, the General Manager or the external auditors. The Manager of Internal Audit will provide all Committee members with written notification and an agenda at least 72 hours before the scheduled quarterly meetings or as soon as reasonably possible for any special meetings, all in accordance with the requirements of the Brown Act.

The General Manager and Manager of Internal Audit will be provided written notification and an agenda at least 72 hours before quarterly and special Committee meetings. These parties will be provided an opportunity to attend and speak at all Committee meetings but are not considered members of the Committee and have no voting rights.

The Board or the General Manager will provide administrative support to the Audit Committee and its meetings, including agenda preparation, participant notification, and documentation of meeting minutes.

**INLAND EMPIRE UTILITIES AGENCY**  
**Internal Audit Department Charter**  
**~~Reconfirmed on December 19, 2018~~**  
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**PURPOSE**

This Charter establishes the authority and responsibilities of the Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department.

The purpose of the Internal Audit Department (~~Internal Audit or~~ IA) is to assist the Board of Directors (Board) and the Audit Committee (Committee) in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations and to provide objective assurance about the Agency's operations. The purpose of the Internal Audit Department is also to provide as a service to management and as a way of adding value to improve the operations of the Agency, consulting services, analyses, recommendations, and information concerning operations.

The Internal Audit Department reports to the Board through the Audit Committee and is an independent function from management. The purpose, responsibilities and authority of the Internal Audit Department are defined in this Charter.

**MISSION**

The Internal Audit Department seeks to improve the operations of the Agency by providing unbiased-independent and objective assessments and recommendations to ensure Agency resources are efficiently and effectively managed in order to achieve Agency goals and objectives. The Internal Audit Department will help the Agency achieve its goals and objectives, improve operations, and instill confidence among its employees and the citizens it serves by providing independent, objective assurance and consulting services and provide management and the Board of Directors with recommendations to:

- Promote and strengthen a sound control environment.
- ~~Provide independent, objective assurance and consulting services.~~
- Improve Agency risk management, control and governance.
- Promote the Agency's vision and mission through a high degree of professionalism.
- Assist the Board of Directors and senior management achieve organizational goals and objectives.
- ~~Establish adequate policies and procedures and to comply with them.~~
- ~~Encourage efficient use of Agency resources.~~
- ~~Protect and safeguard Agency assets.~~
- ~~Mitigate risks related to fraud, waste and abuse.~~
- ~~Hold staff accountable for the resolution of audit recommendations.~~

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**VALUES**

The Internal Audit Department has adopted the following value statements that form the foundation for the Internal Audit Department.

**Independence**

As documented in this Charter, the Internal Audit Department is an independent function of the Agency for the purpose of providing independent, objective, unbiased recommendations and opinions.

**Integrity**

The Internal Audit Department staff is required to maintain the highest degree of integrity in conducting its audit work.

**Professionalism**

The Internal Audit Department will perform its work with due professional care at all times.

**Collaboration**

The Internal Audit Department will foster collaboration with and among all Agency personnel to promote teamwork within the various business units.

**ACCOUNTABILITY**

The Internal Auditor is the Manager of the Internal Audit Department. The Internal Auditor is accountable and reports to the Board of Directors, through the Audit Committee appointed by the Board. The intent of this reporting relationship is to establish the Internal Audit Department's independence to function effectively and in accordance with best practices.

Annually, the Internal Auditor will submit an Audit Plan for the following fiscal year to the Committee for review and approval by the Board. Quarterly status reports of significant Internal Audit activities shall be presented at Committee meetings and shall include a status of major activities and any changes or deviations from the approved Annual Audit Plan. The Internal Auditor has the authority to deviate from the approved ~~a~~Annual Audit Plan, when necessary and if warranted by unforeseen issues that require immediate attention. Significant changes to the ~~annual~~Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee Meeting through the Quarterly Status Report and/or an amendment to the Annual Audit Plan and/or other communication.

Annually, a listing of outstanding audit recommendations provided by the Internal Audit Department and the corresponding corrective actions taken by Agency management will be presented to the Committee for the purpose of providing a progress report on the status of open audit recommendations.

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The Internal Auditor shall inform the Committee on the sufficiency of department staffing and resources.

Annually, the Internal Audit Department must also ensure the Committee fulfills their responsibilities as required under the Audit Committee Charter. Additionally, IA must ensure the Internal Audit Department Charter and the Audit Committee Charter are reviewed annually and updated as necessary.

### **INDEPENDENCE**

Independence is essential to the effectiveness of internal auditing and is strongly emphasized by the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the U. S. General Accountability Office (GAO). The Internal Audit Department should be free, both in fact and appearance, from impairments to independence.

The Internal Auditor and the Internal Audit Department shall have no direct responsibility or authority over the day-to-day operations of the Agency or any activities they would audit. The Internal Audit Department shall not engage in any activities that would compromise their independence or would appear to be a conflict of interest.

To ensure independence is maintained, the Internal Audit Department shall report administratively to the Agency's General Manager or his designee and functionally to the Board through the Audit Committee, as stated under "Accountability".

### **AUTHORITY**

The Internal Audit Department's authority is derived from the direction of management and the Agency's Board through the Committee as set forth in this Charter. Specifically, the Internal Audit Department is authorized to:

- Audit all areas of the Agency's operations.
- Perform audits of the Regional Sewage Service Contract agreement between the Agency and the Regional Contracting Agencies (RCA), including performing necessary audit field work and review of required supporting information and documents of the RCA's.
- Have unrestricted access to all Agency functions, records, information, property, and personnel.
- Have full and free access to Agency management, the Board of Directors and the Audit Committee.
- Allocate resources, set frequencies, select subjects and set objectives, determine the scope of work, and apply the techniques required to accomplish audit objectives, without interference from Agency management.



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- Authority to deviate from the approved annual Audit Plan, when necessary, and if warranted by unforeseen issues that require immediate attention. The Manager of Internal Audit will use professional discretion and judgment in response to such unforeseen issues and resolve them according to the requirements of the Charter. Significant changes to or deviations from the approved Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee meeting.
- Obtain the necessary assistance of Agency staff where Internal Audit performs audits, as well as other specialized services from within or outside the organization.
- Obtain regular updates from management and Agency legal counsel regarding compliance matters affecting operations.
- Establish procedures for the receipt, retention, and treatment of comments or complaints received regarding Agency accounting, operations, or internal controls, including those matters received through Ethics Point or other channels.
- Investigate and make recommendations to the Board, Audit Committee, Executive Management and/or Human Resources, as appropriate about reported instances of inappropriate activities, misappropriation of funds or fraud, including those matters received through Ethics Point or other channels.
- Obtain additional internal or external resources when the Internal Audit Department does not possess all the necessary skills or experience to complete an audit or review, subject to the approval of the Audit Committee and when necessary from the Board.
- Assist with the evaluation of the External Auditors and the Audit Committee Advisor and make appropriate recommendations to the Audit Committee and the Board.

The Internal Auditor and the Internal Audit Department staff are **not** authorized to:

- Have any responsibilities or authority for any of the activities they audit or perform any operational duties for the Agency or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditor in audit activities.
- Participate in any activities that would compromise their objectivity and independence or any activities that would appear to be a conflict of interest.
- Draft or write any Agency Policies and Procedures, or Standard Operating Procedures outside the Internal Audit Department.

## **RESPONSIBILITIES**

The responsibilities of the Internal Audit Department consist of the examination, review and evaluation of the reliability and effectiveness of the Agency's governance, risk management, internal controls, and the quality of operations and systems utilized in carrying out the Agency's

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goals and objectives. The Internal Audit Department has the responsibility to perform its work with due professional care.

The Internal Auditor and audit staff shall be responsible for, but not limited to, incorporating periodically, as deemed necessary and/or in agreement with the ~~annual~~ Annual audit ~~Audit plan~~ Plan, activities in the following key areas:

Internal Controls

- Assess the adequacy of internal controls in place and determine if they are operating effectively.
- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Review compliance with Agency policies and procedures, and with applicable laws and regulations which could have a significant impact on the operations of the Agency.
- Evaluate the means implemented and the extent Agency assets are identified, tracked, and safeguarded against misuse, unauthorized use, theft and loss. Make recommendations to encourage the efficient use of and safeguard of Agency assets.
- ~~Provide recommendations that encourage efficient use of Agency resources.~~
- Review operations, programs or projects to determine if results are consistent with established objectives and goals.
- Assess the efficient and effective use of Agency resources and the controls over those resources.
- Provide consulting services on current and proposed policies, procedures, and systems to ensure adequate internal controls are considered and maintained.
- Provide consulting services to evaluate contractual agreements and determine if compliance exists.
- Use documents and information obtained from Departments in the same prudent manner as by those employees who are normally accountable for them.
- Perform “Follow-up Procedures” on all management responses to audit findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Perform “Follow-up Procedures” on known external auditor’s or regulatory agency’s reported findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- ~~Hold staff accountable for the resolution of audit recommendations and expect resolution of audit recommendations that have been agreed to and discussed during audit meetings and Audit Committee meetings. Resolution of audit recommendations is achieved through the implementation, a corrective action plan or adopting alternate controls to mitigate the risk identified through the audit.~~
- Conduct special projects, studies, or audits as requested by management, the Audit Committee and the Board of Directors.

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- ~~Ensure known or suspected acts of fraud or improprieties involving Agency funds, property and employees are investigated in coordination with the Agency's legal counsel, Human Resources, and senior management, and/or others as required.~~
- ~~Provide recommendations to mitigate risks related to fraud, waste and abuse.~~

Audit

- Conduct work in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics as required by the Institute of Internal Auditors (IIA).
- Develop a comprehensive and flexible ~~annual~~ Annual audit ~~Audit plan~~ Plan using an appropriate risk-based methodology, including consideration of any risks or control concerns identified by management, the Audit Committee, the Board or the external auditor and submit that plan, as well as any periodic updates, to the Audit Committee and the Board for review and approval.
- Implement the ~~annual~~ Annual audit ~~Audit plan~~ Plan, as approved, including as appropriate, any special tasks or projects requested by management, the Audit Committee, or the Board.
- Provide Agency management with reasonable notice of intent to audit and with information about the audit process, except in those situations that warrant an unannounced audit.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage, at a reasonable cost, without redundancy or omission.
- Perform advisory services to assist the Agency in achieving its objectives; for example, reviewing controls, systems or process designs prior to implementation and providing recommendations to improve and enhance the effectiveness of controls and operations.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Maintain technical competence through continuing professional education supported by Department goals and budgets.
- Maintain a quality assurance program whereby the Internal Auditor assures the operations of the Internal Audit Department.
- Perform a periodic review of the Internal Audit Department Charter and the Audit Committee Charter. Additions, deletions, or other changes to the Charters are subject to the approval of the Board of Directors.

Reporting

- Issue quarterly reports to and meet with the Audit Committee and management to summarize results of audit activities and status of findings and recommendations.
- Provide written status reports of ~~Audit Department IA~~ activity to the Audit Committee quarterly. The Quarterly ~~Audit Committee~~ Status Report will include a summary of significant internal and external audit activities for the reporting period. The Status Report will be submitted for approval by the Committee and the approved Quarterly Status Report will be presented at the next regularly scheduled IEUA Board of Directors meeting.

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- Provide a written report listing all outstanding recommendations with expected resolution dates annually. The report of all outstanding recommendations will be submitted for approval by the Audit Committee and provided at the next regularly scheduled IEUA Board of Directors meeting.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing, as well as new audit requirements, when applicable.
- Immediately report any reservations concerning control risks, accounting or disclosure practices to the Audit Committee.
- If during the scope and progress of its reviews and audits, the Internal Audit Department identifies opportunities for improving the Agency's control environment, processes and procedures to ensure an environment where assets are safeguarded, internal controls are in place and risk is mitigated, these recommendations will be communicated to the appropriate level of management and the Audit Committee as timely as necessary and in the written report.
- When deemed appropriate and necessary, provide responsible unit management with a preliminary written report of the results and recommendations of each audit, analysis, review, or investigation performed and sufficient time to respond in writing with a plan of corrective actions. Sufficient time to reply would be 30 to 60 days from the date of the final report.
- Provide final reports of results and recommendations for each review and audit performed, including the responsible management's responses to the Audit Committee, Executive management and responsible management. All final reports with any responses will be submitted to the Audit Committee for discussion and to the Board for approval. However, in cases where the auditee does not provide a response that is timely or deemed responsive, the final report will not be held up pending a response and will be submitted for discussion during the next scheduled Audit Committee meeting.

**STANDARDS OF ETHICAL CONDUCT**

The Internal Audit Department staff have a responsibility to govern themselves so that their independence is not open to question. To this end, adherence to the Institute of Internal Auditor's "Code of Ethics" will ensure integrity, objectivity, confidentiality and competency in Internal Audit work performed on behalf of the Agency's Board and Audit Committee. These principles include:

- Performing internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Exercising honesty, diligence, and responsibility in performing duties.
- Observing the law and making disclosures expected by the law and the profession.
- Not knowingly being a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Agency.
- Respect and contribute to the legitimate and ethical objectives of the Agency.

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- Not participating in any activity or relationship that may impair, or be presumed to impair, unbiased assessments, including activities or relationships that may be in conflict with the interests of the Agency.
- Not accepting anything that may impair or be presumed to impair professional judgment.
- Disclosing all material facts known that, if not disclosed, may distort the reporting of activities under review.
- Being prudent in the use and protection of information acquired in the course of duties.
- Not using information for personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Agency.
- Engaging in only those services or audit activities for which Internal Audit staff have the necessary knowledge, skills, and experience.
- Continually improving staff proficiency, and the effectiveness and quality of services.

**MANAGEMENT RESPONSIBILITIES**

It is the responsibility of the Board of Directors and senior management to foster a control environment that supports the Internal Audit Department's objectives and independence within the Inland Empire Utilities Agency. The existence of the Internal Audit Department does not diminish Agency management's financial and operational responsibilities for prudent execution and control of activities, including their responsibilities for the periodic evaluation of risk, control, and governance systems.

Management's responsibilities include:

- Providing Internal Audit with its full support and cooperation at all operating levels, including full and complete access to all records, property, and staff relative to their assigned areas of responsibility, and active participation in the audit process.
- Immediately notifying the Manager of Internal Audit and the Audit Committee of any known or suspected cases of illegal, criminal or unethical activity involving Agency funds, property, employees, or any activity which appears to present a conflict of interest.
- Timely notification to Internal Audit of any new or proposed modifications to Agency systems, procedures, operations or services, ensuring controls are built into the new or modified processes.
- Providing the Internal Audit Department with written responses to all audit findings and recommendations, including action plans, responsible employees, and targeted resolution dates or the acceptance of the risks identified.
- Implementation and resolution of audit recommendations agreed to. Resolution of audit recommendations is achieved through the implementation, a corrective action plan or adopting alternate controls to mitigate the risk identified through the audit.
- Providing the Internal Audit Department with adequate budget, staffing, assistance from staff of audited Departments, and the tools needed for the Internal Audit Department to execute its duties as defined in this Charter.

**INFORMATION  
ITEM**

**5N**



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**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:** Teresa Velarde, Manager of Internal Audit

**Subject:** Water Connection Fees (WCF): Follow-Up Audit

---

**Executive Summary:**

Internal Audit performed a follow-up review to evaluate the implementation status of two recommendations related to the original February 2019 audit about streamlining the Water Connection Fee process. As a result, both recommendations are now considered implemented.

The Finance and Accounting Department and Planning and Environmental Resources Department staff reported to IA that they had worked closely with the Business Information Systems Department to streamline the Water Connection Fees payment process. The new process records transactions directly into the Agency's accounting system, eliminating duplication and the need to run two separate systems for processing transactions. This new process reduces workload, eliminates double entry into two separate systems, eliminates the need for reconciliations between separate systems, and reduces the number of electronically saved files and manually printed documents.

The final audit report is attached.

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**Staff's Recommendation:**

This is an information item for the Board of Directors to receive and file.

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**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

**Fiscal Impact** (explain if not budgeted):

N/A

**Prior Board Action:**

The Board previously received the Water Connection Fees audit report dated February 25, 2019.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Water Connection Fees: Follow-Up Audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing independent evaluations and audit services of Agency activities and making recommendations to foster a strong ethical and internal control environment, provide efficiencies, safeguard assets and assist management in achieving organizational goals and objectives.

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**Attachments:**

Attachment 1 - Water Connection Fees: Follow-Up Audit Report





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[www.ieua.org](http://www.ieua.org)

DATE: August 26, 2019

TO: Shivaji Deshmukh  
General Manager

*Teresa V. Velarde*

FROM: Teresa V. Velarde  
Manager of Internal Audit

**SUBJECT: WATER CONNECTION FEES: FOLLOW-UP AUDIT**

**Audit Authority**

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a follow-up audit of changes to the Water Connection Fees (WCF) process implemented as of July 1, 2019. The follow-up evaluation was performed under the authority given by the IEUA Board of Directors and the Fiscal Year 2018/19 Annual Audit Plan. As required by the Internal Audit (IA) Department's Charter and the Annual Audit Plan, IA must follow-up on the status of open audit recommendations to determine whether corrective actions have been taken.

**Audit Scope**

The purpose of this follow-up audit was limited to understanding and reviewing the new streamlined WCF process to determine whether the relevant recommendations from the February 25, 2019 WCF audit report had been implemented. That report can be obtained from the Agency intranet website or by contacting IA.

**Acknowledgements**

Internal Audit would like to extend our appreciation to the Planning and Environmental Resources Department (Planning) and Finance and Accounting Department (FAD) staff for their cooperation and assistance during this review.

**Discussion with Management**

IA provided the results of this review to Christina Valencia, Executive Manager of Finance and Administration/AGM; Craig Proctor, Ken Tam and Branden Hodges in Planning; and Javier Chagoyen-Lazaro, Suresh Malkani and Christine Thompson in FAD on August 21, 2019. Where possible, comments have been incorporated.

If you have any questions or need additional information, please contact me at Extension 1521 or at [tvelarde@ieua.org](mailto:tvelarde@ieua.org).

*Water Smart - Thinking in Terms of Tomorrow*

Paul Hofer  
President

Jasmin A. Hall  
Vice President

Kati Parker  
Secretary/Treasurer

Michael Camacho  
Director

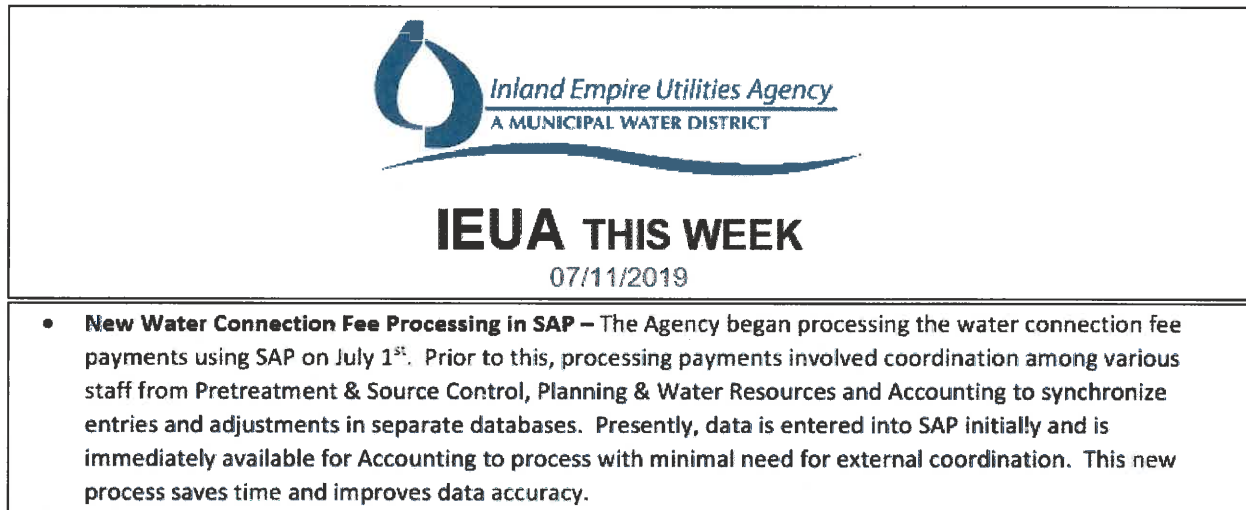
Steven J. Elie  
Director

Shivaji Deshmukh  
General Manager

## Water Connection Fees: Follow-Up Audit

### Background

An early July edition of the IEUA General Manager's weekly update included information about the streamlining of the Water Connection Fee (WCF) process:



The graphic features the Inland Empire Utilities Agency logo, which consists of a stylized blue water drop icon to the left of the text "Inland Empire Utilities Agency" and "A MUNICIPAL WATER DISTRICT" below it. Below the logo, the text "IEUA THIS WEEK" is written in a large, bold, black font, with the date "07/11/2019" centered underneath. A horizontal line separates the header from a list of bullet points.

- **New Water Connection Fee Processing in SAP** – The Agency began processing the water connection fee payments using SAP on July 1<sup>st</sup>. Prior to this, processing payments involved coordination among various staff from Pretreatment & Source Control, Planning & Water Resources and Accounting to synchronize entries and adjustments in separate databases. Presently, data is entered into SAP initially and is immediately available for Accounting to process with minimal need for external coordination. This new process saves time and improves data accuracy.

Additionally, FAD staff discussed the implementation of the single-entry SAP process for WCF payments with IA to note that it was working efficiently, and they appreciated the audit recommendations. This prompted IA's follow up of the process which found that two of the original recommendations from February 2019 have been implemented and the others are in progress.

### Status of two Open Recommendations from the 2019 Audit Report:

The relevant original recommendations from that audit report were:

#### Recommendation #1

*Planning should take the lead to work with FAD and BIS to fully utilize SAP's capabilities to streamline entering fee activity into only one system through a secure process. Planning should enter water connection fee transaction data and print receipts directly from SAP. FAD should enter and process the cash receipts and perform reconciliations. In addition, the system should be able to produce the necessary information reports for analysis.*

#### Recommendation #3

*If the Agency chooses to maintain two separate systems or until a single system can be implemented, FAD should take the lead to work with Planning to establish a process to ensure reconciliations are completed on a regular and timely basis between the information in the Agency's Building Activity Tracking Database to information in the Agency's SAP financial system. The reconciliations should be performed preferably at least quarterly and the departments should work together to resolve any items immediately.*

## Water Connection Fees: Follow-Up Audit

August 26, 2019

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To validate that these Recommendations had been implemented, IA met with Planning and with FAD's billing staff to understand the changes in their procedures, to understand the current process and to compare the new process to IA's understanding of the previous process. IA also performed a walkthrough of the current process by following a sample transaction from the point that a developer initially contacted the Agency about a new water connection to the point where the cash had been received and the revenue recognized by the Agency. IA also verified that all source documents were consistent with the information processed in SAP.

IA noted that BIS coordinated with Planning and FAD to implement a single-entry process that ensures that all water connection fee transactions are entered into SAP directly to provide invoices and issue receipts. This new process reduces workload, eliminates double entry into two separate systems, eliminates the need for reconciliations between separate systems and reduces the number of electronically saved files and manually printed documents.

Staff in both the Planning and FAD appreciated the new procedures and the efficiencies that have resulted from fully utilizing SAP. IA considers both recommendations as having been implemented.

According to staff, all other recommendations are in the process of being implemented and progress has been made to address those observations that were noted. Follow up reviews of the remaining items will be scheduled through the Annual Audit Plan.

TV:ps

**ATTACHMENT 1**

**Status of the 2019 Follow-Up Audit Recommendations**

Rec #	Recommendation	Implemented or mitigating control established	Review deferred to future audit
1	<b><i>Planning should take the lead to work with FAD and BIS to fully utilize SAP's capabilities to streamline entering fee activity into only one system through a secure process. Planning should enter water connection fee transaction data and print receipts directly from SAP. FAD should enter and process the cash receipts and perform reconciliations. In addition, the system should be able to produce the necessary information reports for analysis.</i></b>	X	
2	Planning should take the lead to continue to work with the contracting agencies and water districts to ensure the water connection fees information in the Agency's systems is reconciled to the building permits and/or water meters that have been issued by the contracting agencies and water districts (ideally quarterly, but at least semi-annually).		X
3	<b><i>If the Agency chooses to maintain two separate systems or until a single system can be implemented, FAD should take the lead to work with Planning to establish a process to ensure reconciliations are completed on a regular and timely basis between the information in the Agency's Building Activity Tracking Database to information in the Agency's SAP financial system. The reconciliations should be performed preferably at least quarterly and the departments should work together to resolve any items immediately.</i></b>	X	
4	Based on their experience in collecting fees Planning staff should provide Executive Management and the Board their suggestions and proposed updates for revised wording to the water connection fee Ordinance and Resolution for their consideration.		X
5	Planning staff should work to update and finalize their draft SOP to document various tasks and procedures associated with the water connection fee process, including the processes to work with FAD and the contracting agencies/water districts.		X
6	Planning should continue to work with the Agency's executive management to pursue all possible approaches, including establishing agreements or other methods to ensure water connection fees are collected as intended by the Board approved Ordinance.		X
7	FAD should take the lead and work to pursue the collection of delinquent fees through various methods, including the lien process as provided under the Board approved Ordinance.		X
<b>Totals</b>		<b>2</b>	<b>5</b>

**INFORMATION  
ITEM**

**50**



**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:** Teresa Velarde, Manager of Internal Audit

**Subject:** Warehouse Annual Physical Inventory - Internal Audit Inventory Observation Report

---

**Executive Summary:**

The annual inventory count is performed near the end of the fiscal year and before the completion of the Comprehensive Annual Financial Report (CAFR) to validate the total inventory asset dollar amount posted to the financial statements. The annual inventory count is a recommended best practice and internal control.

Each year, IA observes the Agency's physical inventory count at the Agency's Warehouse. Additionally, from time to time, the external financial auditors may ask about the physical inventory count or schedule a separate spot check as part of their annual financial audit. During the inventory observation, IA evaluated the status of the four recommendations made in the prior year and determined that all four recommendations had been implemented.

In addition, IA supports Warehouse staff's suggestions to consider expensing supplies and consumables items when received and storing these separately from items accounted for in the physical inventory. IA also supports the suggestion to consider discussing a reduction in the frequency of overall physical inventory counts with the external auditors if the value of total inventory continues to decline (particularly if supplies and consumables are expensed and obsolete inventory is written-off) and cycle counts continue frequently and accurately. The attached report provides details of the recommendations.

---

**Staff's Recommendation:**

This is an information item for the Board of Directors to receive and file.

---

**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

**Prior Board Action:**

On June 19, 2019, the Board approved the Internal Audit Annual Audit Plan. The Warehouse review was approved in the Annual Audit Plan.

On September 19, 2018, the Board received the 2018 Internal Audit Inventory Observation Report.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Warehouse Annual Physical Inventory - Internal Audit Inventory Observation Report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by ensuring that IA's recommendations foster a strong control environment, safeguard assets, ensure financial transactions are accurate and assist management in achieving organizational goals and objectives.


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**Attachments:**

Attachment 1 - Warehouse Annual Physical Inventory - Internal Audit Inventory Observation Report



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DATE: August 21, 2019  
TO: Shivaji Deshmukh  
General Manager  
  
FROM: Teresa V. Velarde  
Manager of Internal Audit

**SUBJECT: Warehouse Annual Physical Inventory –  
Internal Audit Inventory Observation Report**

**Audit Authority**

The Internal Audit Department (IA) observed the year-end annual physical inventory at the Inland Empire Utilities Agency’s (IEUA or Agency) Warehouse. The observation was performed under the authority given by the IEUA Board of Directors as documented in the IA Charter.

**Audit Objective and Scope**

The annual inventory count is a process performed before the completion of the Comprehensive Annual Financial Report (CAFR) to validate the total inventory asset dollar amount posted to the financial statements. Additionally, the annual inventory count is a recommended best practice and internal control.

IA performs an annual quality control review of the Agency’s CAFR prepared by the Finance and Accounting Department (FAD). Each year, IA observes the Agency’s annual physical inventory count at the Agency’s Warehouse. Additionally, from time to time, the external financial auditors ask about the annual physical inventory count or schedule a separate spot check as part of their annual financial audit. This report describes the results of the inventory count and provides recommendations for consideration.

**Discussion with Management and Responses to Internal Audit**

IA provided the results of this review to Warehouse and FAD management on August 14, 2019 and on August 15, 2019 for their review and comments before finalizing and their responses have been incorporated where applicable.

TV:ps

***Water Smart - Thinking in Terms of Tomorrow***

**Paul Hofer**  
President

**Jasmin A. Hall**  
Vice President

**Kati Parker**  
Secretary/Treasurer

**Michael Camacho**  
Director

**Steven J. Elie**  
Director

**Shivaji Deshmukh**  
General Manager



## Warehouse Annual Physical Inventory – Internal Audit Inventory Observation Report

### Background

The Warehouse operates from an 8,000-square foot corrugated metal building on the grounds of Regional Plant No. 1. The main function of the Warehouse is to act as a repository, control point, central receiving and storage location for the Agency's physical inventory items. The Warehouse stocks items ranging from plumbing and electrical items to computer paper and janitorial supplies. According to information in SAP, the Warehouse currently has approximately \$1.3 million in total inventory (2018 CAFR shows \$1,389,712).

### Inventory Process

The inventory count was conducted on June 17, 2019. The physical inventory count process proceeded effectively as both the inventory count teams and FAD staff used numerous "best practices", including:

- FAD staff used written inventory procedures with steps to follow during the inventory count.
- The Warehouse staff had suspended all receipts and deliveries as of the end of the prior week to ensure the Accounting records would be synchronized with the physical quantities on hand.
- FAD staff printed pre-numbered count sheets from SAP organized by aisle, row and drawer/shelf column to facilitate the count.
- The pre-numbered count sheets did not provide any information about quantities on-hand, so all counts were performed without knowledge of expected totals.
- The inventory counts were completed by two-person teams.
- The count numbers were entered into SAP as the inventory count progressed, providing real-time feedback of variances.
- The pre-numbered count sheets were reconciled for completeness at the end of the count to ensure all pages had been returned.
- An SAP-generated exception report with a listing of significant high-dollar exceptions along with recount sheets was used to perform a second count and reconcile differences.
- In addition to the annual physical inventory count, Warehouse staff perform monthly cycle counts, randomly selecting 50 inventory items each month as an additional inventory management function. Any inaccuracies noted during the cycle counts are adjusted in the Agency's accounting records with the goal of continually improving inventory accuracy.

### Resolution of prior year Internal Audit recommendations

As part of observing the physical inventory count, IA performed follow-up procedures on recommendations from the prior year.

Obsolete Inventory:

*Prior year Recommendations:*

1. *Warehouse staff should continue their efforts to evaluate more recent inventory for obsolete items and communicate with appropriate FAD staff about their estimates of potentially obsolete items.*
2. *Finance and Accounting staff should communicate with Warehouse staff about their professional estimate of potentially obsolete inventory and accrue adequate reserves against inventory to reflect this decrease in inventory value (and thereby decrease in total assets), this procedure will ensure that the financial statements reflect the value of usable inventory.*

*Status: Implemented*

Warehouse staff stated that they have reviewed all items that have been acquired but not been used for all years before 2011 (no utilization for items from 2010 and earlier years) for obsolescence and are expanding that review to 2015 for the coming fiscal year. They have made inquiries of the relevant Agency department about those items and then obtained supervisor permission to mark as obsolete any items not expected to be used in the future. IA reviewed information in SAP about obsolete inventory and inventory obsolescence reserves. IA confirmed that for the fiscal year ended June 30, 2018 a reserve for obsolescence of \$130,000 was established (JV0618-132) that consisted of \$106,535 of items Warehouse staff had identified as obsolete along with an additional reserve estimate of more recent obsolete items of \$23,465. In the current year, Warehouse staff has identified additional obsolete items totaling \$95,938 that IA verified is included in the Scrap Account for the fiscal year ending June 30, 2019. Warehouse staff also showed IA a \$100,000 reserve for obsolescence that has been established in SAP for potentially obsolete items. As a result of the actions taken by Warehouse and FAD staff this recommendation is considered implemented.

Inspection of Inventory during Receiving:

*Prior year Recommendation:*

3. *Warehouse staff should provide clear documentation and evidence of what steps have been taken to verify that receipts are complete and intact when taken into inventory and ensure that their receiving instructions are followed in all instances.*

*Status: Implemented*

After the exception noted during the 2018 Inventory count (1,500 nozzles were shown as received, but the physical count only found 1,330) Warehouse receiving instructions and processes were reemphasized and improved. Warehouse staff showed IA how the process starts with the purchase requisition which is printed in the Warehouse office and placed alphabetically in a filing cabinet in the Receiving area. When goods are received the items are counted and verified against the packing slip. This is indicated by circling the quantity, if correct. Each Warehouse staff member involved in Receiving has their own stamp with their initials which they stamp on the packing slip to indicate that they have completed the count. The packing slip and purchase requisition are compared and

then returned to the Warehouse office for further processing. As a result of the actions taken by Warehouse staff this recommendation is considered implemented.

Computer Waste Storage:

*Prior year Recommendation:*

- 4. In addition to the separate established storage area for computer waste, Warehouse staff should ensure that any overflow electronic waste be stored somewhere that remains separate from Warehouse inventory rather than storing it together with inventory items as a best practice and internal control.*

*Status: Implemented*

During the inventory observation, IA inspected the Warehouse Department's separate inventory cage. All computer waste had been removed and only larger inventory items were neatly stored in this area. Warehouse staff also showed IA the new separate storage locker where computer waste is stored until disposal. IA observed a number of obsolete electronic and computer waste items waiting for disposal. As a result of the actions taken by Warehouse staff this recommendation is considered implemented.

**Internal Audit Observations**

IA made observations during the current year's physical count and supports the suggestions made by Warehouse staff, these should be discussed further with other Agency departments and management:

- 1. Supplies and Consumables Items in Inventory:**

IA noted that the Warehouse carries a wide variety of items to provide support to the Agency's various facilities. These items include many that were counted as part of the physical inventory that have little or no value but are important supplies items. These are items such as plastic zip-ties, boxes of tissues, bars of soap, flashlight batteries and similar items. Although it is important for the Warehouse to stock all of these items so that they are available to the various IEUA operating locations, not all of them may need to be included in the Agency's financial records as physical inventory.

Warehouse staff confirmed that all items that are included on the inventory lists are included in the inventory asset total. Warehouse staff also confirmed that there is no dollar threshold as to what is stocked in inventory and inclusion is based on the consumption/usage of the items at the Agency as confirmed through orders for the items by various Agency departments. Warehouse staff also noted that Agency administrative locations (such as HQA and HQB) order such items directly from external suppliers and they are expensed immediately.

Warehouse staff and Agency management may want to consider expensing supplies items when they arrive at the Warehouse and storing them in a separate "supplies" location. Such supplies could be re-ordered whenever they run low but would be available for delivery to the Agency plants and other locations. Storing

supplies items in designated areas at various Agency locations will make space available for higher priority inventory items in the Warehouse.

*IA supports Warehouse staff in considering whether supplies and consumables should be expensed when received rather than maintained as inventory. Additionally, IA suggests that supplies and consumables be stocked in designated areas at the various Agency locations, similar to office and coffee supplies. Warehouse staff should work with the affected departments on this issue.*

*Warehouse management states that they are considering the idea of storing “consumables” in a designated and controlled area and thus allowing it to be removed from the “true” inventory count. They state that the biggest limitation is space. Without the proper conditioned environment some of the supplies might suffer from extreme temperatures and could end up as waste. Warehouse management will work on this and determine the best way to go about it.*

2. Physical Inventory Count: A regular annual physical inventory count has been performed for the past three years. Prior to that the physical inventory count was performed every other year. Warehouse staff has improved their control over the accuracy of inventory levels over the past three years, and at the same time the total value of inventory has declined because obsolete items have been removed.

IA has noted improvements in accuracy: Warehouse staff has instituted monthly counts on a random selection of inventory items. In addition, this year’s count found only 35 items out of a total of over 28,000 items with a variance during the physical count. Finally, both last year and this year resulted in only minor, immaterial adjustments to the value of inventory in SAP.

IA has noted declines in total inventory value: Warehouse staff has continued to evaluate inventory for obsolete items. They stated that they have reviewed all items with no usage since 2014 or longer and believe they are essentially up to date on their obsolescence review. In addition, Warehouse staff showed IA a reserve amount of \$100,000 in SAP for potentially obsolete items. Finally, the value of total inventory has been declining by approximately \$100,000 each year, so that the inventory now only amounts to about \$1.3 million. The value of the total inventory would be reduced even further if supply items were expensed when received.

*IA supports the Warehouse staff suggestion that FAD consider discussing the materiality of the physical inventory with the external auditors with the goal of possibly reducing the frequency of the overall physical inventory count to an every-other year basis if the value of total inventory continues to decline (particularly if “supplies and consumables” items are expensed and obsolete inventory is written off regularly) and staff continues to perform cycle counts on a regular monthly basis.*

**INFORMATION  
ITEM**

**5P**



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**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Teresa Velarde, Manager of Internal Audit

**Committee:** Audit

09/09/19

**Manager Contact:** Teresa Velarde, Manager of Internal Audit

**Subject:** Agency Vehicle Operational Audit: Review of Vehicle Security Procedures Follow-Up

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**Executive Summary:**

The Internal Audit Department Charter requires Internal Audit (IA) follow-up on outstanding recommendations to determine if corrective actions have been taken. The follow-up reviews are scheduled through the Board-approved Annual Audit Plan and Executive Management supports the implementation efforts of the recommendations.

IA evaluated the implementation status of the two remaining recommendations from the original Agency Vehicle Operational Audits completed in 2014 and the first follow-up in 2018. The recommendations were under the oversight of the Contracts and Procurement (CAP) Department. The two recommendations are now considered implemented. As a result of the audit, CAP now relies on only one spreadsheet to inventory and account for the 552 gate transmitters, which provides access to the Agency's facilities. Additionally, the department complies with Agency Policy A-24 regarding the administrative requirements for recording gate transmitter issuances. IA continues to encourage and recommend tighter controls over the gate transmitter database to ensure accountability over all issuances, by keeping the database current and accurate through periodic reconciliations and supervisory review.

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**Staff's Recommendation:**

This is an information item.

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**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

**Fiscal Impact** (explain if not budgeted):

N/A

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**Prior Board Action:**

On June 19, 2019, the Board approved the Fiscal Year 2019/20 Annual Audit Plan. The Agency Vehicle Follow-Up Audit (Review of Vehicle Security Procedures) was scheduled in the Annual Audit Plan.

On September 19, 2018, the Board received and filed the first Agency Vehicle Operational Follow-Up Audit Report. On March 19, 2014, the Board received and filed the original Agency Vehicle Operational Audit Report.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Agency Vehicle Operational Follow-Up audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by ensuring that the recommendations provided foster a strong control environment, safeguard assets, provide a safe work environment and assist management in achieving organizational goals and objectives.


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**Attachments:**

Attachment 1 - Agency Vehicle Operational Audit: Review of Vehicle Security Procedures Follow-Up Report



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P.O. Box 9020 • Chino Hills, CA 91709  
TEL (909) 993-1600 • FAX (909) 993-1985  
www.ieua.org

DATE: August 29, 2019  
TO: Shivaji Deshmukh  
General Manager  
FROM:   
Teresa V. Velarde  
Manager of Internal Audit

**SUBJECT: Agency Vehicle Operational Follow-Up Audit: Review of Vehicle Security Procedures – Gate Transmitters**

**Audit Authority**

This follow-up review was performed under the authority provided by the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors. The Internal Audit (IA) Department's Charter and the Fiscal Year 2019/20 Annual Audit Plan require that IA follow-up on the status of outstanding recommendations to determine if corrective actions were taken.

**Audit Objective and Scope**

IA completed a follow-up review of the two outstanding recommendations related to the Agency Vehicle Operational audits completed in 2014. The recommendations required that Contracts and Procurement (CAP) take the lead to inventory and account for assigned and unassigned gate transmitters and ensure the appropriate documentation is on file. Gate transmitters provide entry access to Agency facilities and are assigned to employees, contractors or to specific vehicles. IA did not expand the scope of the review to evaluate additional areas or operations within the CAP Department, further reviews will be scheduled through the Board-approved Annual Audit Plan.

**Acknowledgements**

IA would like to extend our appreciation to the CAP Department for their cooperation and assistance during this follow-up review.

**Discussions with Management**

The results of this follow-up review were provided to Warren Green, Manager of CAP and Christina Valencia, Executive of Finance and Administration/Assistant General Manager on August 22, 2019 for their review and comments, prior to finalizing this report.

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President

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Vice President

Kati Parker  
Secretary/Treasurer

Michael Camacho  
Director

Steven J. Elie  
Director

Shivaji Deshmukh  
General Manager



## **Background**

In August 2018, Internal Audit (IA) completed a follow-up review to assess the implementation status of the five original recommendations under the oversight of the Contracts and Procurement (CAP) Department. As a result of the follow-up review in 2018, two recommendations were considered implemented, one recommendation was no longer applicable, and two recommendations remained outstanding. This report provides a status of those two open recommendations and both have now been implemented.

Gate transmitters provide access to the Agency's facilities and are issued by CAP. Each gate transmitter is assigned to an employee, contractor, Agency location and/or vehicle, and when requested by staff more than one gate transmitter can be assigned. According to current Agency policy, the "Gate Transmitter Form" must be completed and signed prior to a gate transmitter being issued. CAP is responsible for the record-keeping requirements for the gate transmitters, including: ensuring the signed forms are on file, accounting for unissued gate transmitters, and maintaining inventory of the gate transmitters on a spreadsheet. As of August 19, 2019, the Agency has a total of 552 gate transmitters of which 509 are currently assigned.

The purpose of this follow up was to evaluate controls and procedures over the issuance and inventory of gate transmitters over access and security. Gate transmitters provide the ability to open Agency facilities, and therefore provide access to Agency personnel and assets. Controls are necessary to ensure there is a record of the individuals who have gate transmitters, and ensure those individuals understand their responsibilities when issued one.

### **Review of Vehicle Security Procedures**

#### **Follow-up review to the Audit Report dated August 30, 2018 and March 3, 2014**

Agency Policy A-24 (last revised 7/24/2015) governs the issuance and inventory of gate transmitters, which is a remote control that is issued to employees, contractors, and fleet vehicles to open the gates that provide entrance into the Agency's treatment plants, facilities, parking lots, etc. CAP is responsible for the acquisition, inventory, issuance, deactivation, and/or disposal of all Agency gate transmitters.

#### **2014 Original Recommendation #1:**

*CAP should take the lead to properly inventory and account for all assigned and unassigned gate transmitters. CAP should continuously work with department managers who request gate transmitters to monitor and revise access based on staff duties and responsibilities. CAP should promptly deactivate any improperly assigned/unassigned gate transmitters or for those employees and contractors that separate employment from the Agency.*

**Status: Implemented**

**2014 Original Recommendation #2:**

*CAP should ensure the appropriate signed gate transmitter form is maintained on file for all issued gate transmitters. Additionally, CAP should ensure the employee/contractor who is issued a gate transmitter understands the requirements of Agency Policy A-24 "Issuance and Inventorying of Gate Transmitters and Keys to Agency Facilities, Vehicles and/or Equipment." This can be done at the time the employee/contractor is issued the gate transmitter via the signed form and is provided a copy of the Agency policy.*

**Status: Implemented**

The original 2014 audit found that gate transmitters were not always properly assigned and/or accounted for. Additionally, the required form was not available for all gate transmitter issuances. IA noted that without proper accountability for gate transmitters, it is not possible to determine the gate transmitters that have been issued to employees or contractors. IA recommended that CAP take the lead and properly inventory and account for all assigned and unassigned gate transmitters, and ensure the appropriate signed forms are on file.

The 2018 follow-up evaluation found that CAP used multiple excel spreadsheets to account for the Agency's gate transmitters. Additionally, forms selected for review were not all available and it was determined that issuances were made without retaining the proper form on file.

As a result of IA's initial 2018 follow-up review, CAP began to use only one reconciled spreadsheet and made the necessary updates to serve as the main database for tracking and inventorying the Agency's gate transmitters. IA recommended tighter and stricter controls were needed to properly account for all the gate transmitters, and consider adding other useful information to the spreadsheet (i.e. reason for request/issuance, note "employee" or "contractor" to specify who the names refer to, the date transmitter was returned, and so on). For the 2019 follow-up review, IA noted the following:

- The database is one Excel workbook with two spreadsheets used to inventory and account for the Agency's gate transmitters. One spreadsheet is used to record the assigned and unassigned gate transmitters, while the other spreadsheet is used to record gate transmitters that have been deactivated, lost or disposed of. IA examined the spreadsheets as of August 19, 2019 and noted the following exceptions:
  - The spreadsheet contains 552 records, with information for the gate transmitter assignments, however, there are only 551 unique gate transmitter numbers. *CAP was not able to reconcile and determine if there are 551 or 552 records/assignments. CAP should periodically review the database to ensure it is accurate.*
  - Of the 552 items on CAP's spreadsheet 7 gate transmitter numbers (06563, 14016, 33598, 33615, 33622, 50641, and 50642) were listed twice on the spreadsheet. For example, gate transmitter #06563 is listed as assigned to a vehicle and also to an employee. *As a result of IA's review, CAP researched the information and updated the database; 6 transmitters had duplicate line items and deleted from the spreadsheet, while the information for one transmitter was incorrect and updated after our review.*

- Of the 552 items on CAPs spreadsheet 3 gate transmitter numbers (33621, 33496, and 45398) were found on both, the active and deactivated lists. As a result of IA's review, CAP researched and updated their records.

*As a result of IA's review, IA notes that CAP has made improvements in accounting for the Agency's gate transmitters, but tighter controls are still required to ensure the record-keeping information of the database is current, accurate, and up to date. CAP should perform on-going reconciliations and implement periodic supervisory reviews.*

Because CAP has made efforts to keep the inventory list current to account for the gate transmitters, IA has determined the action taken meets the intent of the original recommendation and considers **Recommendation #1** to be implemented.

Additionally, as part of this follow-up review, IA selected 10 of 552 gate transmitters issued to an employee, location/vehicle or contractor, to verify the appropriate form is on file. For the 10 issuances, IA noted that the appropriate forms were on file. IA considers **Recommendation #2** to be implemented.

***Based on the results of this follow-up review, CAP should implement tighter controls over the gate transmitter database to keep it current and accurate to ensure accountability over all gate transmitters. Keeping the database current and accurate requires on-going review, updates and reconciliations. CAP staff should perform periodic reconciliations of the gate transmitters spreadsheet to verify and validate the information. Spreadsheets should be periodically reviewed by a supervisor to ensure its accuracy. CAP should consider adding other useful information to the database such as issuance/return date, reason for request/issuance, specify or note "employee, contractor or Agency location/vehicle", or date returned, etc.***

*The Agency Vehicle Operational Follow-Up audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing independent evaluations and audit services of Agency activities and making recommendations to foster a strong ethical and internal control environment, provide efficiencies, safeguard assets and assist management in achieving organizational goals and objectives.*

TV:sn

**INFORMATION  
ITEM**

**5Q**



**Date:** September 18, 2019

**To:** The Honorable Board of Directors

**From:** Shivaji Deshmukh, General Manager WJD

**Committee:**

**Executive Contact:** Kathy Besser, Executive Manager of Ext. Aff. & Policy Dev./AGM

**Subject:** Public Outreach and Communication

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**Executive Summary:**

- September 19, IEUA/IERCA Battery and Solar Project Dedication, 10:00 a.m., Regional Water Recycling Plant No. 4: 12811 6th Street, Rancho Cucamonga
- September 21, Chino Hills State of the City Community Fair, 11:00 a.m. – 2:00 p.m., Chino Hills Community Center: 14250 Peyton Drive, Chino Hills (IEUA to host vendor booth)
- September 24, IEUA Leadership Breakfast: Keynote: Karla Nemeth, Director of the California Department of Water Resources, 8:00 a.m. – 9:30 a.m., DoubleTree Hotel: 222 N. Vineyard Avenue, Ontario

IEUA staff promoted Water Quality Month in August. Marketing and outreach focused on the importance of a high-quality water supply and steps to take to protect our precious resource. Outreach was conducted through social media channels.

Filming was conducted at the end of August for the development of an Agency video that features Regional Water Recycling Plant No. 5 and highlights the treatment process. The final product will be completed by mid-September.

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**Staff's Recommendation:**

This is an informational item for the Board of Directors to receive and file.

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**Budget Impact** *Budgeted* (Y/N): Y *Amendment* (Y/N): N *Amount for Requested Approval:*

*Account/Project Name:*

*Fiscal Impact (explain if not budgeted):*

Full account coding (internal AP purposes only):

- - -  
- - -

Project No.:

**Prior Board Action:**

N/A

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**Environmental Determination:**

Statutory Exemption

N/A

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**Business Goal:**

IEUA is committed to providing a reliable and cost-effective water supply and promoting sustainable water use throughout the region.

IEUA is committed to enhancing and promoting environmental sustainability and the preservation of the region's heritage.

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**Attachments:**

Attachment 1 - Background

## Background

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Subject: Public Outreach and Communication

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### September

- September 19, IEUA/IERCA Battery and Solar Project Dedication, 10:00 a.m., Regional Water Recycling Plant No. 4: 12811 6<sup>th</sup> Street, Rancho Cucamonga
- September 21, Chino Hills State of the City Community Fair, 11:00 a.m. – 2:00 p.m., Chino Hills Community Center: 14250 Peyton Drive, Chino Hills (IEUA to host vendor booth)
- September 24, IEUA Leadership Breakfast: Keynote: Karla Nemeth, Director of the California Department of Water Resources, 8:00 a.m. – 9:30 a.m., DoubleTree Hotel: 222 N. Vineyard Avenue, Ontario

### October

- National Energy Awareness Month
- October 5-13, Water Professionals Appreciation Week
- October 12, Landscape and Water Conservation Fair, 10:00 a.m. – 2:00 p.m., Waterwise Community Center: 4594 San Bernardino Street, Montclair
- October 15, California Special District Association Legislative Staff Tour (includes lunch, tour of new laboratory and activity), 11:00 a.m. – 1:00 p.m., HQB Event Room
- October 26, National Prescription Drug Take Back Day
- October 30, IEUA Hosted Blood Drive, 8:00 a.m. – 1:00 p.m., HQB Event Room

### November

- November 9, IEUA Volunteer Packing Party w/ Community Action Partnership of San Bernardino County, 9:00 a.m. – 11:00 a.m., HQB Event Room

### December

- December 18, IEUA Holiday Luncheon, 11:30 a.m. – 3:00 p.m., Los Serranos Country Club: 15656 Yorba Avenue, Chino Hills

### Media and Outreach

- IEUA staff promoted *Water Quality Month* in August. Marketing and outreach focused on the importance of a high-quality water supply and steps to take to protect our precious resource. Outreach was conducted through social media channels.
- Filming was conducted at the end of August for the development of an Agency video that features Regional Water Recycling Plant No. 5 and highlights the treatment process. The final product will be completed by mid-September.
- A *Kick the Habit* ad ran in the *Champion's High School Football* section on August 17.
- A *Kick the Habit* ad ran in the *La Opinion* on August 14.
- A *Kick the Habit* ad will run in the *IE Magazine* September issue.
- A *Kick the Habit* ad will run in the *IE Magazine* October issue.
- The *Kick the Habit* digital banner ad continues to run in the *Fontana Herald News*.

- August: six posts were published to the IEUA Facebook page, seven posts were published to IEUA's Instagram and six tweets were sent on the @IEUAwater Twitter handle.
  - The top three Facebook posts, based on reach and engagement, in the month of August were:
    - 8/22: CASA Award Recognition
    - 8/21: IEUA Employment Opportunities
    - 8/19: Water Quality Month Video
  - The top three tweets, based on reach and engagement, in the month of August were:
    - 8/22: CASA Award Recognition
    - 8/13: Animal Waste Information
    - 8/19: Water Quality Month Video
  - The top three Instagram posts, based on reach and engagement, in the month of August were:
    - 8/19: Water Quality Month Video
    - 8/13: Animal Waste Information
    - 8/22: Rancho Cucamonga Chamber Recognition

For the month of August, there were 5,527 searches for a park in IEUA's service area on Yelp, where Chino Creek Wetlands and Education Park was viewed 530 times on a mobile device.

#### Education and Outreach Updates

- Staff has begun to receive requests for the Water Discovery Field Trip Program for school year 2019/20. The Water Discovery and Busing Mini Grant through the California Department of Parks and Recreation will be ending December 2019. Starting January 2020, only schools within IEUA's service area will be eligible for busing grants to participate in the Water Discovery Program. Staff is working on a sponsorship request form for schools outside of IEUA's service area who would like to participate in the Water Discovery Program. The sponsorship request will be forwarded to the school's respective water agency to determine whether busing can be provided.
- Staff has reviewed the Garden in Every School® applications. Three schools have been selected for site evaluations. Site evaluations will take place in early September. All schools are now planning the site clearing process. The three selected schools are: Randall Pepper Elementary (Fontana), Loving Savior (Chino Hills) and St. Joseph (Upland).



INFORMATION  
ITEM

**5R**



**August 30, 2019**

**To:** Inland Empire Utilities Agency

**From:** Michael Boccadoro  
Beth Olhasso  
Maddie Munson

**RE:** August Report

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**Overview:**

Water supply conditions continue to be well above normal for this time of the year thanks to a significant sierra snowpack. While most major reservoir levels are declining, they remain at or above historical averages for this time of year.

The State Water Resources Control Board (SWRCB) recently started the process to create a long-term plan allocate the \$130 million annually approved by the legislature to implement the Safe and Affordable Drinking Water Program. Staff and stakeholders committed to a robust public process as the program is created.

The California Air Resources Board (CARB) has released a two-pronged regulatory approach aimed at expanding zero-emission (ZEV) truck fleets to help meet the state's air quality and GHG targets; accelerate development of a self-sustaining ZEV market and maximize the use of ZEVs. The plan calls for data collection to help inform a 2022 process that would set guidelines requiring fleet owners to purchase a yet-to-be-determined percentage of zero-emission trucks.

As long expected, the SWRCB Division of Drinking Water (DDW) has released new Notification Levels (NNLs) for PFOA and PFOS. The new guidelines lower the current notification levels from 14 parts per trillion (PPT) to 5.2 for PFOA and from 13 to 6.5 PPT for PFOS. DDW also asked for the Office of Environmental Health Hazzard Assessment to start the process of establishing a public health goal, followed by a Maximum Contaminant Level.

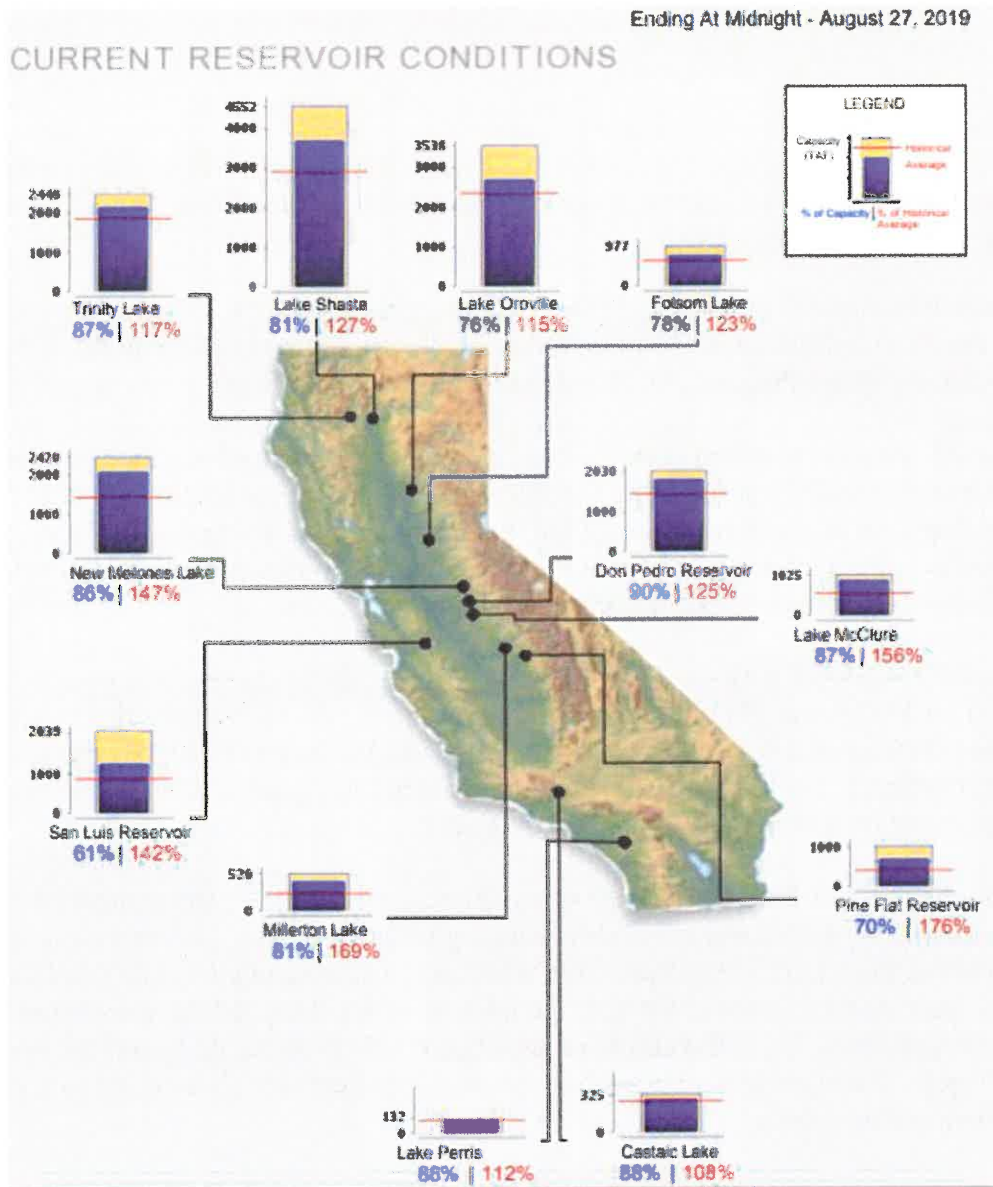
The Legislature has two weeks left to complete any business before the adjournment of the first year of the two-year session. With safe and affordable drinking water complete, the main issue left for the water community is SB 1 (Atkins), the pro Tem's bill aimed at ensuring the state would adopt any environmental regulations in place at the time Tump took office if the federal government weakens any environmental regulations. The bill could have significant effects on the delta and the operation of the State Water Project. The administration, proponents and opponents are all working to come to a resolution in the coming weeks.

Finally, there are four resource/water bonds currently circling around Sacramento, with two introduced in the last ten days. All the bonds are expected to be worked on over the break and will be actively pursued at the beginning of 2020.

# Inland Empire Utilities Agency Status Report – August 2019

## *Water Supply Conditions*

Water managers successfully managed significant runoff throughout the spring, allowing enough space in reservoirs for flood control, but also keeping as much water in storage for dry years. Water storage is at or above average levels at reservoirs throughout the state.



## *SWRCB Starts Safe Drinking Water Program*

The State Water Resources Control Board (SWRCB) recently started the process to create a long-term plan allocate the \$130 million annually approved by the legislature to implement the Safe and Affordable Drinking Water Program. The fund will be used to fund grants, loans, contracts, or services to help water systems provide safe and affordable drinking water. The Division of Financial Assistance

will work with the Division of Drinking Water, the Department of General Services, environmental justice groups and other stakeholders to develop a program implementation plan for consideration in June 2020.

SWRCB staff have outlined tasks for the upcoming year, including identifying high-risk water systems; consolidation and regional solutions; accelerating project timelines, permitting; and program tracking and reporting. Their goal is to provide preliminary planning assistance to 100 communities and to accelerate or provide permanent solutions for 75 communities.

### ***CARB Stands by ZEV Truck Plan Despite Pushback from Environmentalists***

The California Air Resources Board (CARB) has released a two-pronged regulatory approach aimed at expanding zero-emission (ZEV) truck fleets to help meet the state's air quality and GHG targets; accelerate development of a self-sustaining ZEV market and maximize the use of ZEVs.

The first part of the plan is a manufacturer sales requirement for 2024-2030 model years. This will help increase the availability of ZEVs. The second, and more significant phase for public agencies, is a set of truck fleet reporting requirements for medium and heavy duty trucks that will inform the development of a separate regulation scheduled to be adopted in 2022 that will require fleet owners to purchase a certain percentage of ZEV trucks.

Environmentalists have asked for accelerated timelines, which CARB has rejected.

### ***The Division of Drinking Water Releases New Notification Levels for PFOA/PFAS***

As long expected, the SWRCB Division of Drinking Water (DDW) has released new Notification Levels (NNLs) for PFOA and PFOS. The new guidelines lower the current notification levels from 14 parts per trillion (PPT) to 5.2 for PFOA and from 13 to 6.5 PPT for PFOS. The guidelines are based on health recommendation by the Office of Environmental Health Hazard Assessment (OEHHA). OEHHA released a report the same day outlining their research. It can be found [here](#).

Notification levels are a nonregulatory, precautionary health-based measure for concentrations in drinking water that warrant notification and further monitoring and assessment. Public water systems are encouraged to test their water for contaminants with notification levels. If a test is performed, any exceedances are required to be reported to their governing boards and the SWRCB and are urged to report to customers.

Additionally, the SWRCB has requested OEHHA develop public health goals for PFOA and PFOS. This is the next step on the way to developing an MCL. Other chemicals in the broader group of PFOA/PFOS may be considered either individually or grouped.

While this first phase is only targeting drinking water, the state is continuing to assess how big the PFOA/PFOS problem is with a robust sampling program around wastewater and industrial sites. As the state collects this data it is possible the next phase could be regulating POTWs.

A large stakeholder group, of which WCA participates, has been meeting in Sacramento to discuss developments and plan next steps. It is very likely that there will be legislation in 2020 on the issue.

### ***Legislative Update***

The legislature has just two more weeks left in the first year of the two-year session. Both the Senate and Assembly Appropriations Committees took up their Suspense Files on August 29, significantly narrowing the number of bills awaiting action in the coming weeks.

#### Clean, Safe and Affordable Drinking Water:

With the big-ticket item off the table, SB 200 and the corresponding budget actions, the only item left in drinking water topics is SB 414 (Caballero), the Small System Water Authority Act of 2019. The bill is similar to their AB 2050 that was vetoed last year and would create a mechanism for small water systems to consolidate and share technical, managerial and financial support. The bill recently took amendments at the request of the SWRCB and was made a two-year bill by the appropriations committee.

#### Recycled Water:

*AB 292 (Quirk):* AB 292 builds on previous legislation, AB 574 (Quirk, 2017) which IEUA supported, and recent work by the SWRCB to remove the terms “direct potable reuse” and “indirect potable reuse” in state code in order to better align the terms with how the water agencies are using recycled water. AB 574 (2017, Quirk) created four distinct types of potable reuse projects – “Indirect Potable Reuse for Groundwater Recharge”, “Reservoir Water Augmentation”, and Direct Potable Reuse, which includes two subcategories, “Raw Water Augmentation” and “Treated Drinking Water Augmentation.” With the more precise definitions added by AB 574, the terms “indirect” and “direct” only add to confusion about potable reuse and proposed projects. The term “Direct Potable Reuse” also implies that purified recycled water is going directly into the drinking water supply, which is not the case with Raw Water Augmentation projects. For example, opponents of a groundwater recharge project in the Central Coast incorrectly labeled the project “Direct Potable Reuse” and the confusion in the statute made this difficult to correct. This bill is sponsored by WateReuse California. The bill hasn’t received a single no vote the entire time through the process, but the SWRCB voiced concerns about eliminating the terms when they are about to release their “Direct Potable Reuse Report” and are still working on raw water augmentation regulations. Because of these concerns, WateReuse and Asm. Quirk decided to park the bill on the Senate Floor for the year, hoping to pick it back up again next year.

*AB 1180 (Friedman):* AB 1180 will require the SWRCB to update the state’s non-potable recycled water regulations by 2023. These regulations have not been revised since 2000. An update to these regulations, incorporating the knowledge and lessons learned from nearly two decades of non-potable water recycling, will help the state to achieve its ambitious goals for recycled water use. The bill also promotes recycled water use for dual plumbed building and for commercial, industrial and institutional (CII) uses by requiring the Water Board, through its update of Title 17 backflow regulations, to include the use of a change over device, such as a swivel ell. This bill is also sponsored by WateReuse. The bill passed off the Suspense File and is awaiting final floor action in the Senate.

#### *SB 1 (Atkins)*

As previously reported, SB 1 by pro Tem Atkins, is an attempt to backstop any environmental regulations the Trump administration tries to roll back. The State Water Contractors and other water agencies have raised serious concerns about key provisions of the bill. A coalition of business (California Chamber of Commerce) and water interests has formed to try to secure amendments to address those concerns.

The main concern is that the language would handcuff the CA Department of Fish and Wildlife (DFW) from being able to apply new science, new adaptive management practices or consider current

hydrologic conditions, by locking in the current biological opinions, and incidental take permits in place as of January 19, 2017. It would also allow the state to add federally listed endangered species to the California Endangered Species Act, bypassing the normal public process.

Locking these permits in place would also essentially end any discussion of voluntary agreements (VAs). The VA process began after the State Water Resources Control Board issued a draft plan for 40 percent unimpaired flows on the San Joaquin River (a second phase would consider unimpaired flows on the Sacramento River). Massive backlash led to the start of talks to create VAs. VA talks have been fruitful and are close to completion. The VAs will rely on a series of measures to sustainably manage flows, restore habitat and protect native species. If the 2017 rules are locked into place, the VAs could fall apart and the state would have to start process over again.

The proponents of the bill, lead by the Defenders of Wildlife, are believed to be seeking these changes because they are unhappy with the VAs and because they would like to get two species, orca whales and steelhead trout, listed under the CA Endangered Species Act.

Because this bill is authored by the pro Tem, and clearly a top priority for her as it is the first bill introduced in the year, opponents know that defeating the bill is unlikely. The oppose unless amended coalition, including MWD, ACWA and the State Water Contractors, has offered a set of amendments that would take care of their opposition without compromising the pro Tem's goal of protecting California from of federal rollback on environmental regulations. The Newsom administration has gotten involved because of the implications for the VAs and is trying to bring parties together to come up with a solution.

The Administration has weighed in with amendments that, while not public, are rumored to take care of the concerns of the opposition coalition. The proponents of the bill have given the Administration a counter set of amendments that are also not public. The bill passed off the Suspense File with amendments. The amendments have not been released but it is believed that they are not positive to the water contractors, but it is unclear how they will affect the voluntary agreements. Further analysis will be shared with IEUA management and staff once the amendments are in print.

### ***Water Bonds***

Within the last ten days two additional water bonds were introduced in the legislature. As reported previously, an initiative was submitted for 7.8 billion bond for the November ballot, and SB 45 (Allen) has been in print since January. Recently, Speaker Rendon indicated that he was open to entertaining a water bond and two were subsequently introduced in the Assembly. Eduardo Garcia (D-Coachella), chair of the Assembly Water, Parks and Wildlife Committee, introduced AB 352, the \$3.9 billion Wildlife Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2020. Assemblymember Kevin Mullin (D-San Francisco) introduced AB 1298 the Climate Resiliency, Fire Risk Reduction, Recycling, Groundwater and Drinking Water Supply, Clean Beaches, and Jobs Infrastructure Bond Act of 2020 without funding amounts included.

None of these bonds are likely to move in the next two weeks, leaving the discussion for the interim and consideration on the November ballot.

**IEUA BILL POSITIONS—August 30, 2019**

Bill Number	Author/Sponsor	Title and/or Summary	Summary	IEUA Position
AB 292	<p><i>Quirk</i></p> <p><i>WateReuse</i></p>	<p><i>Recycled water: raw water and groundwater augmentation</i></p>	<p><i>This bill would eliminate the definition of “direct potable reuse” and instead would substitute the term “groundwater augmentation” for “indirect potable reuse for groundwater recharge” in these definitions. The bill would revise the definition of “treated drinking water augmentation.”</i></p>	<p><i>SUPPORT</i></p> <p><i>2-year bill</i></p>
AB 405	<p><i>Rubio</i></p>	<p><i>Sales and use taxes: exemption: water treatment</i></p>	<p><i>Would exempt from Sales and Use Tax the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, chemicals used to treat water, recycled water, or wastewater regardless of whether those chemicals or other agents become a component part thereof and regardless of whether the treatment takes place before or after the delivery to consumers.</i></p>	<p><i>SUPPORT</i></p> <p><i>Held in Approps</i></p>
AB 533	<p><i>Holden</i></p> <p><i>MWD</i></p>	<p><i>Income taxes: exclusion: water conservation or efficiency programs: water runoff management improvement programs</i></p>	<p><i>This bill, for taxable years beginning on or after January 1, 2019, and before January 1, 2024, would provide an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a water service provider for any water conservation or efficiency program or water runoff management improvement program, as provided.</i></p>	<p><i>SUPPORT</i></p> <p><i>Held in Approps</i></p>
AB 557	<p><i>Wood</i></p>	<p><i>Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program</i></p>	<p><i>Would appropriate \$9,250,000 from the General Fund to the Department of Water Resources in the 2019–20 fiscal year to operate the Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program.</i></p>	<p><i>SUPPORT</i></p> <p><i>Held in Approps</i></p>
AB 654	<p><i>Rubio</i></p>	<p><i>Public records: utility customers: disclosure of personal information</i></p>	<p><i>Would authorize a local agency to disclose the name, utility usage data, and home address of utility customers to an officer or employee of another governmental agency when the disclosure is not necessary for the performance of the other governmental agency’s official duties but is to be used for scientific, educational, or research purposes, and the requesting agency receiving the disclosed material agrees to maintain it as confidential in accordance with specified criteria.</i></p>	<p><i>SUPPORT</i></p> <p><i>2- year bill</i></p>

AB 756	Christina Garcia	Public water systems: perfluoroalkyl substances and polyfluoroalkyl substances.	<p>Would authorize the State Water Resources Control Board to order a public water system to monitor for perfluoroalkyl substances and polyfluoroalkyl substances. The bill would require a community water system or a nontransient noncommunity water system, upon a detection of these substances, to report that detection, as specified. The bill would require a community water system or a nontransient noncommunity water system where a detected level of these substances exceeds the response level to take a water source where the detected levels exceed the response level out of use or provide a prescribed public notification.</p>	<p>OPPOSE</p> <p>Signed by Governor</p>
AB 841	Ting	Drinking water: contaminants: perfluoroalkyl and polyfluoroalkyl substances	<p>Would require the Office of Environmental Health Hazard Assessment to adopt and complete a work plan within prescribed timeframes to assess which substances in the class of perfluoroalkyl and polyfluoroalkyl substances should be identified as a potential risk to human health, as provided. The bill would require the office, as part of those assessments, to determine which of the substances are appropriate candidates for notification levels to be adopted by the state board. The bill would require the Office of Environmental Health Hazard Assessment, by January 1, 2022, to provide to the Legislature an update on the assessment.</p>	<p>SUPPORT</p> <p>2- Year Bill</p>
AB 1180	Friedman  WaterReuse	Recycled Water	<p>The California Safe Drinking Water Act requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Current law requires, on or before January 1, 2020, the state board to adopt standards for backflow protection and cross-connection control through the adoption of a policy handbook, as specified. This bill would require that handbook to include provisions for the use of a swivel or changeover device to supply potable water to a dual-plumbed system during an interruption in recycled water service.</p>	<p>SUPPORT</p> <p>Senate Floor</p>



AB 1194	Frazier	Sacramento-San Joaquin Delta: Delta Stewardship Council	Would increase the membership of the Delta Stewardship Council to 13 members, including 11 voting members and 2 nonvoting members	OPPOSE  2-year bill
AB 1204	Rubio  ACWA	Public water systems: primary drinking water standards: implementation date.	Would require the adoption or amendment of a primary drinking water standard for a contaminant in drinking water not regulated by a federal primary drinking water standard or that is more stringent than a federal primary drinking water standard to take effect 3 years after the date on which the state board adopts or amends the primary drinking water standard. The bill would authorize the state board to delay the effective date of the primary drinking water standard adoption or amendment by no more than 2 additional years as necessary for capital improvements to comply with a maximum contaminant level or treatment technique.	SUPPORT  2-year bill
AB 1588	Gloria	Drinking water and wastewater operator certification programs	Current law requires the State Water Resources Control Board to issue a water treatment operator certificate and water distribution operator certificate by reciprocity to any person holding a valid, unexpired, comparable certification issued by another state, the United States, prescribed territories or tribal governments, or a unit of any of these. Current law requires the board to classify types of wastewater treatment plants for the purpose of determining the levels of competence necessary to operate them. This bill would require the board to evaluate opportunities to issue a water treatment operator certificate or water distribution operator certificate by reciprocity, or a wastewater certificate by examination waiver, to persons who performed duties comparable to those duties while serving in the United States military, as specified.	SUPPORT  Held in Senate Appropriations

AB 1672	Bloom  CASA	Product labeling: flushable products	Current law regulates the labeling requirements on various consumer products. This bill would express the intent of the Legislature to enact legislation to prohibit the sale or advertisement of any nonwoven disposable product labeled as "flushable" or "sewer and septic safe" if that product fails to meet specified performance standards.	SUPPORT  2-Year Bill
ACA 1	Aguiar-Curry	Local government financing: affordable housing and public infrastructure: voter approval	The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions. This measure would create an additional exception to the 1% limit that would authorize a city, county, city and county, or special district to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing, or the acquisition or lease of real property for those purposes, if the proposition proposing that tax is approved by 55% of the voters of the city, county, or city and county, as applicable, and the proposition includes specified accountability requirements.	SUPPORT  Assembly Floor- first vote failed, still eligible for reconsideration
SB 1	Atkins  Defenders of Wildlife	California Environmental, Public Health, and Workers Defense Act of 2019	Current state law regulates the discharge of air pollutants into the atmosphere. The Porter-Cologne Water Quality Control Act regulates the discharge of pollutants into the waters of the state. The California Safe Drinking Water Act establishes standards for drinking water and regulates drinking water systems. The California Endangered Species Act requires the Fish and Game Commission to establish a list of endangered species and a list of threatened species, and generally prohibits the taking of those species. This bill would require specified agencies to take prescribed actions regarding certain federal requirements and standards pertaining to air, water, and protected species, as specified.	OPOSE UNLESS AMENDED  Assembly floor, with amendments (8/30)
SB 200	Monning	Safe and Affordable Drinking Water Fund	Would establish the Safe and Affordable Drinking Water Fund in the State Treasury to help water systems provide an adequate and affordable supply of safe drinking water in both the near and the long term. The bill would authorize the board to provide for the deposit into the fund	SUPPORT

			<i>of federal contributions, voluntary contributions, gifts, grants, and bequests and would provide that moneys in the fund are available, upon appropriation by the Legislature, to the board to fund grants, loans, contracts, or services to assist eligible recipients.</i>	<i>Chaptered</i>
<i>SB 204</i>	<i>Dodd</i>  <i>Delta Interests</i>	<i>State Water Project: Contracts</i>	<i>Would require the Department of Water Resources to provide at least 10 days' notice to the Joint Legislative Budget Committee and relevant policy and fiscal committees of the Legislature before holding public sessions to negotiate any potential amendment of a long-term water supply contract that is of project-wide significance with substantially similar terms intended to be offered to all contractors, or that would permanently transfer a contractual water amount between contractors.</i>	<i>WATCH</i>  <i>2- year bill</i>
<i>SB 307</i>	<i>Roth</i>  <i>National Parks Conservation Association</i>	<i>Water conveyance: use of facility with unused capacity</i>	<i>This bill would prohibit a transferor of water from using a water conveyance facility that has unused capacity to transfer water from a groundwater basin underlying desert lands, as defined, that is in the vicinity of specified federal lands or state lands to outside of the groundwater basin unless the State Lands Commission, in consultation with the Department of Fish and Wildlife, finds that the transfer of the water will not adversely affect the natural or cultural resources of those federal and state lands.</i>	<i>OPPOSE</i>  <i>Signed by Governor</i>
<i>SB 332</i>	<i>Hertzberg</i>  <i>NRDC</i>	<i>Ocean Discharge</i>	<i>Would declare, except in compliance with the bill's provisions, that the discharge of treated wastewater from ocean outfalls is a waste and unreasonable use of water. The bill would require each wastewater treatment facility that discharges through an ocean outfall and affiliated water suppliers to reduce the facility's annual flow as compared to the average annual wastewater discharge baseline volume, as prescribed, by at least 50% on or before January 1, 2030, and by at least 95% on or before January 1, 2040. The bill would subject the owner or operator of a wastewater treatment facility, as well as the affiliated water suppliers, to a civil penalty of \$2,000 per acre-foot of water above the required reduction in overall volume discharge for the failure to meet these deadlines.</i>	<i>OPPOSE UNLESS AMENDED</i>  <i>Held in Approps</i>

SB 414	Caballero  Eastern MWD/ CMUA	Small System Water Authority Act of 2019	<p>Would create the Small System Water Authority Act of 2019 and state legislative findings and declarations relating to authorizing the creation of small system water authorities that will have powers to absorb, improve, and competently operate noncompliant public water systems. The bill, no later than March 1, 2020, would require the state board to provide written notice to cure to all public agencies, private water companies, or mutual water companies that operate a public water system that has either less than 3,000 service connections or that serves less than 10,000 people, and are not in compliance, for the period from July 1, 2018, through December 31, 2019, with one or more state or federal primary drinking water standard maximum contaminant levels, as specified.</p>	<p>SUPPORT</p> <p>2- year bill</p>
SB 667	Hueso		<p>Would require the Department of Resources Recycling and Recovery to develop, on or before January 1, 2021, and would authorize the department to amend, a 5-year needs assessment to support innovation and technological and infrastructure development, in order to meet specified organic waste reduction and recycling targets, as provided. The bill would require, on or before June 1, 2021, the department, in coordination with the Treasurer and the California Pollution Control Financing Authority, to develop financial incentive mechanisms, including, among other mechanisms, loans and incentive payments, to fund and accelerate public and private capital towards organic waste diversion and recycling infrastructure.</p>	<p>SUPPORT IF AMENDED</p> <p>2-year bill</p>
SB 669	Caballero  ACWA/CMUA	Safe Drinking Water Trust	<p>Would establish the Safe Drinking Water Fund in the State Treasury and would provide that moneys in the fund are continuously appropriated to the State Water Resources Control Board. The bill would require the state board to administer the fund to assist community water systems in disadvantaged communities that are chronically noncompliant relative to the federal and state drinking water standards and do not have the financial capacity to pay for operation and maintenance costs to comply with those standards, as specified.</p>	<p>Held in Approps</p>

<i>AJR 8</i>	<i>Quirk</i>	<i>Invasive species: federal Nutria Eradication and Control Act of 2003</i>	<i>Would urge the United States Congress to specifically add California to the Nutria Eradication and Control Act of 2003 and to authorize an appropriation of \$4,000,000 to help the state implement a nutria eradication program.</i>	<i>SUPPORT</i>  <i>Chaptered</i>
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**INFORMATION  
ITEM**

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# INNOVATIVE FEDERAL STRATEGIES, LLC

*Comprehensive Government Relations*

## MEMORANDUM

**To:** IEUA Community & Legislative Committee

**From:** Letitia White, Jean Denton, Drew Tatum, Shavenor Winters

**Date:** August 29, 2019

**Re:** August Monthly Legislative Update

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### *Congress Reaches Budget Deal, Appropriators Now Face Short Timetable*

Despite Congress and President Trump striking a two-year budget deal, they now will face another challenge: funding the government.

While Congress approved the budget deal this summer, it was not an easy sell for Republicans, despite backing from President Donald Trump and GOP leadership. Several Republicans expressed concern about the agreement's effect on the federal deficit. In the end, 132 House Republicans and 23 Senate Republicans voted against the agreement.

Congress will still need to pass spending bills in September adhering to the new \$1.3 trillion spending cap to avoid a government shutdown when the next fiscal year starts October 1. Congress could either pass 12 government funding bills or a continuing resolution (CR) that would give negotiators more time while extending funding at 2019 levels.

The House has passed 10 out of the 12 bills already. However, those bills will not likely pass the Senate in their current form because they are loaded up with “poison pill” riders — provisions Republicans oppose and are marked to levels inconsistent with the new budget caps.

After leaving its appropriations process in limbo while the White House and Speaker Nancy Pelosi (D-CA) hashed out the two-year budget deal, Senators have yet to consider any of the 12 appropriations bills, a short-term measure extending current funding is likely for at least some government agencies.

The 12 appropriations bills, in their totality, equal hundreds if not thousands of pages for lawmakers, the White House and their staffs to haggle over. Given the complexities of the process a stop gap measure is almost a guarantee. The stopgap measure- or continuing resolution- may go into late November or early or mid-December, setting up another funding cliff just before the holidays.

A document released by Democrats detailing the budget agreement included an understanding that the appropriations bills will not include “poison pills, additional new riders, additional CHIMPS [changes in mandatory programs], or other changes in policy or conventions that allow for higher spending levels, or any non-appropriations measures unless agreed to on a bipartisan basis by the four leaders with the approval of the President.”

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Senate Majority Leader Mitch McConnell (R-KY) touted the document from the Senate floor as a “big win for the White House.”

However, lawmakers are already facing skepticism that the poison pill agreement will hold as they get into the trenches of the government funding negotiations, or that everyone will be able to agree on what must be jettisoned from the talks.

The Senate Appropriations Committee is supposed to have its first markups the week of September 9, which is Congress’s first week back from month-long district work period.

This sets up a short timetable and a breakneck pace of trying to get a bill to the floor, conferenced with the House and signed by President Trump in just over two weeks.

To potentially ease the process, Senate Republicans are eyeing merging three bills — Defense; Labor, Health and Human Services; and Energy and Water Development — on the Senate floor in September.

The three bills make up a majority of total spending, helping Congress fund at least part of the government from and reduce the possibility of a full shutdown.

In addition to timing challenges, the Trump Administration’s threat to send a recessions package to Capitol Hill, which was withdrawn after a cool reception on Capitol Hill, threatened to spark further spending fights. The administration had threatened to impose more than \$4 billion in cuts to the United States Agency for International Development and the State Department.

The Trump Administration has also said it plans to reprogram \$271 million in Homeland Security funds to the immigration enforcement agency, \$155 million of which is expected to come from the Federal Emergency Management Agency’s (FEMA) disaster relief fund that helps hurricane-stricken areas.

In defending the move, a FEMA official said, “This transfer of funds to support the border emergency will leave a remaining balance of \$447 million in the DRF (Disaster Relief Fund) Base account. Based on DHS and FEMA’s review of historical emergency spending from the DRF Base account, this amount will be sufficient to support operational needs and will not impact ongoing long-term recovery efforts across the country. The DRF Majors account, which provides funding for ongoing recovery efforts, including those supporting communities impacted by the 2017 disasters, has a current balance of approximately \$27 billion and is not impacted by the reprogramming.”

The move, which has draw criticism from Democratic lawmakers on Capitol Hill could also impact negotiations over fiscal year 2020 appropriations bills, as there will likely be an effort to undue or place limitations on such future transfers.



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### ***Highway Programs Reauthorized Under America's Transportation Infrastructure Act***

Highway programs would be authorized to receive \$287 billion from fiscal year 2021 through 2025 under S. 2302, America's Transportation Infrastructure Act of 2019.

The measure includes provisions to address climate change and infrastructure resiliency to weather events and natural disasters. It would also modify regulatory oversight of projects.

The legislation will form part of a larger measure to reauthorize surface transportation programs that expire after fiscal 2020. The Senate Environment and Public Works Committee approved it 21-0 on July 30.

The measure doesn't include policy changes to address the solvency of the Highway Trust Fund, which funds most major highway programs. The Congressional Budget Office estimates it will be insolvent after fiscal 2021.

The bill's federal-aid highway authorization would be \$47.9 billion in fiscal 2021, increasing to \$52 billion by fiscal 2025. That authorization funds state apportionments for federal highway construction and maintenance, as well as Surface Transportation Block Grants and other programs.

The fiscal 2021 amount would be a 10% increase from the \$43.4 billion authorized for fiscal 2020 under the last surface transportation authorization, known as the FAST Act. The Senate Finance Committee would be responsible for proposing changes to the motor fuels tax, which is the fund's main source of revenue and was last increased in 1993. The measure would express the sense of the Senate that the Trust Fund's solvency should be achieved through user fees.

The funding would be provided as contract authority, a unique budgeting method that allows the Federal Highway Administration to commit funds for a project before they have been appropriated. The measure also would set obligation ceilings on federal-aid highway programs, totaling \$283.6 billion over the five-year period, limiting the amount of contract authority that can be obligated in a single fiscal year.

The measure would authorize \$600 million from the general fund and \$600 million from the Trust Fund in fiscal 2021 for grants for bridge repair and replacement. The authorizations would increase to \$700 million from both funds by fiscal 2025. Grants could be used for bridges in poor condition or that don't meet current needs or standards.

The legislation would authorize \$500 million from the Trust Fund for each of fiscal 2021 through 2025 for formula safety incentive grants. The program would fund highway projects that would improve the safety of pedestrians and cyclists.

In addition, the bill would also:

- Extend eligibility for Transportation Infrastructure Finance and Innovation Act (TIFIA) loans to airport projects and economic development projects related to rail stations, among

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other program changes. The measure would authorize \$300 million annually for the program.

- Make several changes to the Infrastructure for Rebuilding America grant program, including directing at least 15% of funds, instead of 10%, toward smaller projects, and establishing set-asides for projects with a higher nonfederal match or that would address certain critical freight needs.
- Require the Transportation Department to provide notice and opportunity for comment before waiving Buy America requirements.
- Direct public entities in public-private partnerships that cost \$100 million or more to review the private entity's compliance with the terms of their agreement within three years of when the project opens to traffic.
- Authorize the Transportation Department to use alternative contracting methods — such as bundling or design-build contracting — on behalf of federal land management agencies and tribal governments.
- Authorize \$180 million annually through fiscal 2025 for the Appalachian Regional Commission, which funds economic development projects.

### ***DOT Proposes Page Limits on NEPA***

On Friday, August 23, the Department of Transportation published two new interim policies on environmental reviews for infrastructure projects.

The first rule says that sub-agencies should limit the text of draft and final environmental impact statements to 150 pages unless they are “of an unusual scope or complexity.” It also recommends environmental assessments not be more than 75 pages.

The policy indicates that the Department of Transportation finds it necessary to implement the interim policy due to the length of NEPA documents and what it calls extraneous details and needless data. Furthermore, the Department notes that it is necessary because it says that such documents have resulted in increases in both time and cost to complete the environmental review process, making it increasingly difficult for agency decisionmakers and the public to find relevant information regarding proposed actions.

The second policy gives guidance on implementing President Donald Trump's “One Federal Decision” executive order, which mandates that major projects have one lead federal agency guiding the environmental review and authorization process.

Both are part of the administration's broader effort across agencies to streamline project permitting, a major plank of the White House's infrastructure policy.

### ***EPA Proposes to Reform Water Quality Certification Process***

On Friday, August 9, the Environmental Protection Agency (EPA) issued a proposed rule to implement Section 401 of the Clean Water Act (CWA). The EPA said that the action will increase transparency and efficiency of the 401-certification process and promote the timely

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review of infrastructure projects while ensuring that Americans have clean water for drinking and recreation.

EPA Administrator Andrew Wheeler made the announcement at the Council of Manufacturing Associations Summer Leadership Conference in Charleston, South Carolina.

“Under President Trump, the United States has become the number one oil and gas energy producer in the world, while at the same time continuing to improve our air quality,” said Administrator Andrew Wheeler. “Our proposal is intended to help ensure that states adhere to the statutory language and intent of Clean Water Act. When implemented, this proposal will streamline the process for constructing new energy infrastructure projects that are good for American families, American workers, and the American economy.”

Section 401 of the CWA gives states and authorized tribes the authority to assess potential water quality impacts of discharges from federally permitted or licensed infrastructure projects that may affect navigable waters within their borders. The EPA’s existing certification rules have not been updated in nearly 50 years and EPA holds that they are inconsistent with the text of CWA Section 401, leading to confusion and unnecessary delays for infrastructure projects. EPA is proposing to modernize and clarify the timeline and scope of CWA Section 401 certification review and action in an effort, they say, to be consistent with the plain language of the CWA.

EPA is proposing this rule in response to President Trump’s Executive Order 13868, “Promoting Energy Infrastructure and Economic Growth.” EPA was directed to first revise guidance on the CWA Section 401 certification process and then to propose new rules to implement CWA Section 401 by Aug. 8, 2019.

### ***Bureau of Reclamation Seeks Partners for Shasta Dam Project***

The Bureau of Reclamation has long-pushed to raise its 602-foot Shasta Dam by 18.5 feet and enlarge the reservoir by 630,000 acre-feet, saying it would increase water supply reliability and reduce flood risks. An acre-foot is about 326,000 gallons of water.

Funding for the federal project has been delayed, halting the award of a land-consulting contract that was due this past spring and land surveys that were expected this summer. A partner to share 50 percent of the cost also was to be secured in August, but that will not happen, Bureau of Reclamation spokesman Jeff Hawk said, adding that the agency has not determined a new timeline at this point.

Congress authorized \$20 million from the Water Infrastructure Improvements for the Nation (WIIN) Act in 2018 for preconstruction and design engineering, but that law requires local cost-sharing partners.

Westlands Water District, which serves agriculture customers and once employed Interior Secretary David Bernhardt as a lobbyist, sought to be that partner, but a recent court ruling went against the district’s plans.

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On July 29, a Shasta County Superior Court judge ordered Westlands to stop environmental reviews of the project until a trial can be held. Westlands undertook the review as part of it considering a cost-sharing partnership with the Bureau of Reclamation.

The California Department of Fish and Wildlife hasn't been notified of a delay, but was "aware of recent court rulings that may have resulted in a delay," Jordan Traverso, the department's deputy director of communications, said.

Raising the dam would have a profound effect, Fish and Wildlife said in a January letter to the federal bureau.

"The amount of impacted public trust resources (fish, wildlife, native plants, and natural communities) is a substantial loss," it said.

At issue is the 77-mile-long McCloud River, which flows south into the Shasta Lake reservoir and has special protections under California's Wild and Scenic Rivers Act. That law prohibits dams, reservoirs, or other diversions that could stop the free-flowing nature of the river or harm its wild trout fishery.

State Attorney General Xavier Becerra sued Westlands in May to stop the environmental review. The advocacy group Friends of the River and other environmental and fishing groups also sued based on the protections in state law.

### *Measure Introduced to Assist Financing Rural Infrastructure Projects*

A new proposal in Congress could make financing infrastructure projects in rural America far more affordable.

Small governments that don't issue debt in the municipal market very often tend to pay a premium on interest and borrowing costs because investors aren't familiar with them. In 1986, bank-qualified bonds were created to encourage banks to invest with these smaller, less frequent issuers by giving the banks tax breaks related to buying and holding the bonds. It also saved those municipalities money on borrowing costs because it allowed them to bypass the traditional underwriting system and sell their tax-exempt bonds directly to local banks.

But only small governments that issue \$10 million or less in bonds per calendar year can sell bank-qualified debt. In today's dollars, \$10 million doesn't go very far.

The Municipal Bond Market Support Act of 2019 would modernize a restriction on bank-qualified municipal bonds that effectively limits small government's access to cheaper borrowing rates in the municipal market. The measure would expand access to low-cost capital for municipalities and non-profits.

The Government Finance Officers Association (GFOA) estimates that the proposed bill could save as much as \$1.1 million in financing costs on a 15-year, \$30 million bond issued by a small

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government. That translates into hundreds of millions of dollars in savings each year for small governments, nonprofits and districts across the country.

The legislation also applies the bank qualified debt limit on a borrower-by-borrower basis, rather than aggregating all bank qualified bonds issued by a conduit issuer, so that schools, hospitals and other community organizations can more easily access capital.

Reps. Terri Sewell (D-AL), a former bond lawyer, and Tom Reed (R-NY), both members of the House Committee on Ways and Means, envision that the legislation will help local governments, non-profits, schools, hospitals, universities and other entities reduce costs associated with infrastructure and development projects.

While there appears to be strong support for the bill from leadership in the House Committee on Ways and Means, it remains unclear how an infrastructure-related bill will fair given Congress' limited success on infrastructure financing and funding in general.

### ***Robocalls Could Receive Congressional Oversight***

By one estimate, Americans lost more than \$10 billion thanks to scam phone calls over the last year.

Due to a combination of emerging technology and legal ambiguity, autodial marketing calls — both legitimate and illegitimate — are on the rise. The call-blocking company YouMail reports that U.S. consumers received 48 billion robocalls last year, and they are now the largest source of consumer complaints to the Federal Trade Commission.

New complaint data from the Federal Trade Commission's "do not call" list shows that more than 30 percent of the 17 million robocall complaints filed last year concerned autodialed calls that connected to a real person. The Federal Communications Commission has been tasked with clarifying the regulations and has opened them up for public comment by soliciting responses from industry lobbyists, public advocates, and consumers alike, but so far has failed to clarify them.

While addressing unwanted robocalls seems to have garnered wide-ranging support, some say the rules to limit them are too burdensome, associations representing banks, creditors, community credit unions, and other debt collectors have seen success in inaction.

The issue could be added to the docket for Chairman Roger Wicker (R-MS) and Ranking Member Maria Cantwell (D-WA) of the Senate Commerce Committee. Many consumer protection groups could use the time following the month-long district work period to urge the Chair and Ranking Member to encourage their Senate colleagues to consider and keep key parts of H.R. 3375, the House passed Stopping Bad Robocalls Act.

The legislation would require the Federal Communications Commission to update its rules in order to prevent illegal robocalls and text messages. The updated rules would have to allow consumers to withdraw consent to receive robocalls, prevent violators from evading or

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circumventing the prohibition, and require callers to maintain records to demonstrate consent for any robocalls that aren't subject to an exemption.

The FCC would have to act within one year of the bill's enactment to limit the availability of regulatory exemptions to the robocall ban, considering the types of entities that use the exemptions, the types of parties that are called, and the number of robocalls to any particular recipient.

The Senate passed a similar version, S.151 - TRACED Act Telephone Robocall Abuse Criminal Enforcement and Deterrence Act but consumer advocates argue the Senate version needs to be strengthened in key areas.

The chambers will need to reconcile the differences between the bills in order for the bill to receive final consideration in both the House and Senate.

### ***Bureau of Land Management Relocation Causes Tension***

Interior Secretary David Bernhardt said he has received a green light to move the headquarters of the Bureau of Land Management (BLM) to Grand Junction, Colorado but two key Democratic lawmakers are telling him to tap the brakes.

According to Secretary Bernhardt the department submitted its plan for the move to Congress in July, and House and Senate appropriations committees had 30 days to register their disapproval. Neither did so within that time frame, so the move to Grand Junction is essentially approved.

"That means this is happening," he said. "I could not be more clear about my intention to move forward in an expeditious and appropriate manner, and I think I have the authority to clearly do so."

According to a letter sent on Thursday, August 22 from Representative Betty McCollum (D-MN) and Sen. Tom Udall (D-NM) that is not the case. Rep. Betty McCollum chairs the House Appropriations Interior Subcommittee which funds the Interior Department, while Sen. Tom Udall is the Ranking Member on the committee's Senate counterpart, the Senate Appropriations Interior Subcommittee.

The letter, sent to Joe Balash, Assistant Interior Secretary for Land and Minerals Management, called on the BLM to suspend any efforts to move the headquarters and relocate staff.

McCollum and Udall expressed concerns that the proposed reorganization is part of a "deliberate effort to dismantle and weaken" the agency.

The letter states that the Bureau provided incomplete and superficial information to Congress and it appears that the "proposal to relocate Bureau headquarters is not based on rigorous financial and organizational analysis, nor is it intended to increase the Bureau's accountability and improve the management of our nation's public lands".

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The letter further argues that “any serious effort by the Department to restructure a large, multi-disciplinary organization like the Bureau should have more directly involved Congress, Federal land management agencies, State and local governments, American Indian and Alaska Native tribes and tribal organizations, industry, conservation organizations and the public at large.” And requests on the Department to halt implementation of the relocation proposal.

### ***President Calls for Background Checks***

President Trump last week called for "intelligent background checks" on gun purchases in response to a string of mass shootings across the country, expressing confidence that Congress would come together on action.

Senate Majority Leader Mitch McConnell (R-KY) has not publicly backed any gun bills following mass shootings in El Paso and Dayton, though he did note a background checks bill backed by Senators Pat Toomey (R-PA) and Joe Manchin (D-WV) was once again getting attention.

That bill previously failed to get enough votes to move through the Senate after the 2012 Sandy Hook Elementary School shootings.

President Trump previously voiced support for stronger background checks and an increase in the age requirement to purchase certain types of weapons following the 2018 shooting at a Parkland, Florida, high school.

In the wake of these shootings, he also expressed support for "red flag" laws that would allow law enforcement to obtain court orders to confiscate weapons from dangerous individuals.

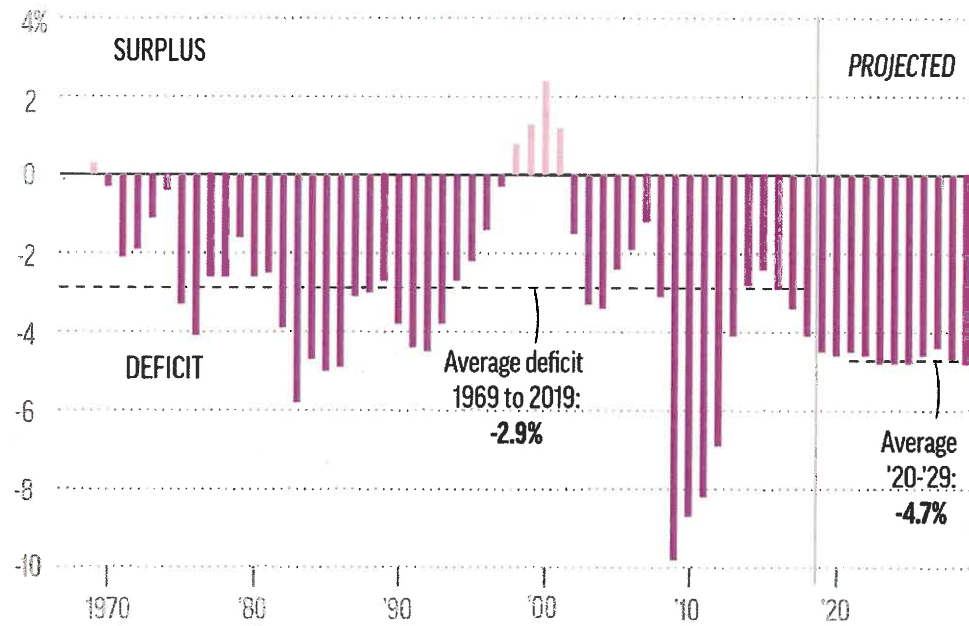
### ***U.S. Budget Gap to Top \$1 Trillion in 2020***

The U.S. budget deficit is set to widen to \$1 trillion by fiscal year 2020, two years sooner than previously estimated, according to the Congressional Budget Office.

The deficit will expand faster than thought after recent legislation that raised spending levels, according to the non-partisan group’s annual budget outlook released earlier this month. That effect was somewhat moderated by the expectation of lower interest rates, which reduces borrowing costs.

It would be the first time the deficit exceeded the \$1 trillion mark since 2012, as the economy recovered from the financial crisis. The deficit breaching that threshold would come as President Donald Trump runs for re-election.

Percentage of Gross Domestic Product





Bill Number (linked to the legislation on Congress.gov)	Sponsor/ Cosponsor	Title and/or Summary	Summary/Status	Latest Action
n/a		Status of the 12 annual appropriations bills in the House	<p>The House has passed 10 of its 12 annual appropriations bills in three pieces of legislation. The first 9 passed in 2 separate minibus packages and the final bill went on its own.</p> <p>The two remaining bills have advanced through the House Appropriations Committee and await action by the full House.</p>	<p>H.R.2740, First minibus (passed 226 - 203): Defense; Energy and Water: Labor-HHS; and State-Foreign Operations.</p> <p>H.R.3055, Second minibus (passed 227 - 194): Agriculture; Commerce-Justice-Science; Military Construction - VA; Interior-Environment; and Transportation-HUD.</p> <p>H.R.3351, Stand alone legislation (passed 224-196): Financial Services.</p> <p>Not yet completed: Homeland Security; and Legislative Branch.</p>
n/a		Status of the 12 annual appropriations bills in the Senate	The Senate has not yet introduced or passed any of its twelve annual appropriations bills.	<p>Senate Appropriations Chairman Shelby has indicated he would move to hand down subcommittee allocations, known as 302(b)s, to Senate Appropriations Subcommittee Chairmen the first week of August.</p> <p>Subcommittee chairs are preparing to move quickly once they receive their allocations with the goal of having their bills ready to be packaged or taken up on the floor individually.</p> <p>Senate Subcommittee markups are expected to begin the week of September 9th.</p>
H.R. 1695	Rep. Betty McCollum (D-MN)	Community Services Block Grant Reauthorization Act of 2019	The legislation would amend the Community Services Block Grant Act to reauthorize and modernize the Act.	The measure was introduced in the House on March 12, 2019 to the House Committee on Education and Labor.
S. 2356	Sen. Mike Braun (R-IN)	Define WOTUS Act of 2019	The measure would create a new WOTUS definition and void the previous Obama-era definition that is currently tied up in litigation.	The legislation was introduced on July 31 and referred to the Committee on Environment and Public Works.

H.R. 3877	Rep. John Yarmuth (D-KY)	Bipartisan Budget Act of 2019	<p>The measure would amend the Balanced Budget and Emergency Deficit Control Act of 1985, to establish a congressional budget for fiscal years 2020 and 2021 and to temporarily suspend the debt limit for two years- through July 31, 2021. Once the debt ceiling suspension lifts in 2021, the measure would not prohibit the Treasury Department from utilizing extraordinary measures.</p> <p>The 2-year proposal calls for increasing the discretionary spending caps for fiscal years 2020 and 2021 above the levels set in the Budget Control Act of 2011. The compromise would increase fiscal 2020 spending limits on non-defense programs by \$24.5 billion over current levels, to \$621.5 billion. Defense spending caps for fiscal 2020 would be increased by \$19.5 billion over current levels, to \$666.5 billion. Another \$71.5 billion would be included in the OCO fund, an increase of \$2.5 billion over the current OCO level.</p>	<p>The legislation was introduced in the House on July 23, 2019 and then referred to the Committee on the Budget, and in addition to the Committees on Rules, and Ways and Means.</p> <p>The measure was then considered and passed the House with a vote of 284 to 149. The Senate followed suit and passed the measure on August 1, 2019 with a vote of 67 to 28. The President signed the measure into on August 2, 2019.</p> <p>Now that an agreement on budget caps has been reached Senate Appropriations Chairman Shelby has indicated he will hand down subcommittee allocations, known as 302(b)s.</p>
H.R. 1764	Rep. John Garamendi (D-CA)	The bill to amend the Federal Water Pollution Act	The legislation would amend the Federal Water Pollution Control Act with respect to permitting terms, and for other purposes.	<p>Introduced on March 15 and then referred to the Subcommittee on Water Resources and Environment.</p> <p>This legislation has bipartisan cosponsor ship.</p>
S. 1790	Sen. Jim Inhofe (R-OK)	<p>National Defense Authorization Act, 2020</p> <p>Note: Included a rider on PFAS</p>	<p>The National Defense Authorization Act, 2020 is the annual authorization for Defense programs.</p> <p>This year, the legislation included legislation aimed at addressing the risks and challenges associated with per- and polyfluoroalkyl substances (PFAS). This provision will ensure that the EPA sets a national drinking water standard for PFAS and PFOS. It will also require industrial manufactures and users to notify the public when PFAS chemicals are released into the environment. The EPA will also have to issue guidance on how to dispose of and destroy PFAS. The legislation also provides authorization for funding for monitoring and sampling, and requires better interagency coordination on PFAS chemicals.</p>	<p>Passed the Senate on Thursday, June 27, 2019, though an amendment vote was held the following day.</p>

H.R.1497	Water Quality Protection and Job Creation Act of 2019	Rep. Peter DeFazio (D-OR)	<p>Reauthorizes sections of the Federal Water Pollution Control Act that provide grants to States and interstate agencies, including:</p> <p>State Management Assistance: Section 106(a);  Watershed Pilot Projects: Section 122(c);  Alternative Water Source Projects Pilot Program: Section 220(d);  Sewer Overflow and Stormwater Reuse Municipal Grants: Section 221(f)1); and  State Water Pollution Control Revolving Funds.</p>	Introduced on March 6 and referred to the Subcommittee on Water Resources and Environment of the House Transportation Committee.
H.R. 1508	Rep. Blumenauer (D-OR)	Move America Act of 2019	The measure would amend the Internal Revenue Code of 1986 to provide for Move America bonds and Move America credits.	<p>Introduced on March 5 and then referred to the House Committee on Ways and Means.</p> <p>Note: All tax issues are likely to be addressed as part of a larger tax package. The Ways and Means Committee is considering forming a tax extenders package, which would be the most likely venue for this legislation.</p>
H.R. 1744	Rep. Mark Takano (D-CA)	S.T.O.R.A.G.E. Act (Storage Technology for Operational Readiness And Generating Energy Act) Energy Storage Systems by Electric Utilities	The bill would provide for the consideration of energy storage systems by electric utilities as part of a supply side resource process, and for other purposes.	The bill was introduced on March 13 and referred to the Committee on Energy and Commerce, and in addition to the Subcommittee on Energy of the Committee on Science, Space, and Technology.
S. 146	Sen. John Hoeven (R-ND)	Move America Act of 2019	A bill to amend the Internal Revenue Code of 1986 to provide for Move America bonds and Move America credits- which provide tools to finance additional transportation, water, and information infrastructure capital investments, through an approach that provides assistance for financing of infrastructure to all States, rural and urban.	Introduced in the Senate on January 16th
H.R.1162	Rep. Grace Napolitano (D-CA)	Water Recycling Investment and Improvement Act	This legislation would create a competitive grant program for the funding of water recycling and reuse projects by raising the authorization cap for the Title XVI program from \$50 million to \$500 million. The legislation would also raise the authorization cap from \$20 million to \$30 million for the Reclamation Wastewater and Groundwater Study and Facilities Act.	<p>Introduced in the House on February 13.</p> <p>The House Natural Resources Subcommittee on Water, Oceans, and Wildlife held a hearing on the legislation on June 13.</p>

H.R.579	Rep. Scott Tipton (R-CO)	Water Rights Protection Act of 2019	This bill would prohibit the conditioning of any permit, lease, or other use agreement on the transfer of any water right to the United States by the Secretaries of the Interior and Agriculture, and for other purposes.	Introduced in the House on January 15th. Referred to the Conservation and Forestry Subcommittee of the Agriculture Committee on 2/7 and to the Water, Oceans, and Wildlife Subcommittee of the House Natural Resources Committee on 2/4.  A similar amendment was submitted to the House Rules Committee for consideration in the Interior-Environment Appropriations bill, but was not made in order by the Committee for floor consideration.
H. R. 855	Rep. Scott Peters (D-CA)	STRONG (Strengthening the Resiliency of our Nation on the Ground Act) Act	The bill would work to minimize the economic and social costs resulting from losses of life, property, well-being, business activity, and economic growth associated with extreme weather events by ensuring that the United States is more resilient to the impacts of extreme weather events in the short- and long-term, and for other purpose	Introduced in the House and referred to the Subcommittee on Economic Development, Public Buildings, and Emergency Management of the House Transportation Committee on February 7th.
S. 361/H.R. 807	Sen. Cory Gardner (R-CO) / Rep. Ken Buck (R-CO)	Water and Agriculture Tax Reform Act of 2019	The measure would work to amend the Internal Revenue Code of 1986 to facilitate water leasing and water transfers to promote conservation and efficiency.	Introduced and referred to the Committee on Finance (Senate) and Ways and Means Committee (House).
H.R. 420	Rep. Earl Blumenauer (D-OR)	Regulate Marijuana Like Alcohol Act	The bill would decriminalize marijuana and sets up legal framework to regulate marijuana.	Introduced in the House on January 9th and referred to the Committees on Energy and Commerce, Ways and Means, Natural Resources, and Agriculture.
S.420 /H.R. 1120	Sen. Ron Wyden (D-OR) / Rep. Earl Blumenauer (D-OR)	Marijuana Revenue and Regulation Act	A bill to amend the Internal Revenue Code of 1986 to provide for the taxation and regulation of marijuana products, and for other purposes.	The bill was introduced in the Senate on February 7th and was referred to the Finance Committee.  Introduced in the House on February 8th and was referred to the Committees on .
H.R.34	Rep. Eddie Bernice Johnson (D-TX)	Energy and Water Research Integration Act of 2019	The legislation would ensure consideration of water intensity in the Department of Energy's energy research, development, and demonstration programs to help guarantee efficient, reliable, and sustainable delivery of energy and clean water resources.	The bill was introduced in the House on January 3rd. It was marked up and ordered to be reported by the House Science and Technology Committee on May 1, 2019 and was passed by the House on July 23, 2019 by voice vote. On July 24, the bill was referred to the Senate Committee on Energy and Natural Resources.

H.R. 2313	Rep. Jared Huffman (D-CA)	Water Conservation Rebate Tax Parity Act	The measure would amend the Internal Revenue Code of 1986 to expand the exclusion for certain conservation subsidies to include subsidies for water conservation or efficiency measures and storm water management measures.	<p>The bill was introduced in the House on April 12 and then referred to the Committee on Ways and Means.</p> <p>Note: All tax issues are likely to be addressed as part of a larger tax package. The Ways and Means Committee is considering forming a tax extenders package, which would be the most likely venue for this legislation.</p>
S.1419	Sen. James Lankford (R-OK)	Early Participation in Regulations Act	The legislation would direct agencies to issue advanced notices for rules costing more than \$100 million annually. The bill would require agencies must outline the problem the rule intends to solve and listen to the public's input on the subject.	<p>On May 13, the bill was introduced into the Senate. It was then referred to the Committee on Homeland Security and Governmental Affairs. Hearings on the bill were held in both the Committee on Homeland Security and the Committee on Small Business. On July 19 the Committee on Homeland Security and Governmental Affairs ordered the measure to be reported favorably with an amendment in the nature of a substitute.</p> <p>The legislation has bipartisan cosponsor ship.</p>
H.R. 3794	Rep. Paul A. Gosar (R-AZ)	Public Land Renewable Energy Development Act of 2019	The bill would work to promote the development of renewable energy on public lands	<p>The measure was introduced in the House on July 17, 2019 and was then referred to both the Committee on Natural Resources and the Committee on Agriculture. A hearing on the bill was held on July 25 by the Subcommittee on Energy and Mineral Resources.</p> <p>The measure was later referred to the Subcommittee on Energy and Mineral Resources where a hearing was held on the legislation.</p> <p>The legislation has bipartisan cosponsor ship.</p>

S. 1344	Sen. Cory Booker (D-NJ) and Tim Scott (R-SC)	Reinstate Opportunity Zone Data Mandates	<p>The bill would require the Secretary of the Treasury to collect data and issue a report on the opportunity zone tax incentives enacted by the 2017 tax reform legislation.</p> <p>The reporting requirements were part of the original legislation as introduced, but they were not incorporated in H.R.1 (the tax package) when it was advanced in the House and Senate.</p>	<p>The legislation was introduced in the Senate on May 7, 2019 and referred to the Finance Committee.</p> <p>The legislation has bipartisan cosponsor ship.</p>
<b>Enacted Legislation</b>				
H.J.Res.31	Rep. Lucille Roybal-Allard (D-CA)	Consolidated Appropriations Act, 2019 (Conference Reports for the Agriculture, Commerce-Justice-Science, Financial Services-General Government, Interior-Environment, State-Foreign Operations, and Transportation-HUD Appropriations bills).	<p>The House and Senate came to an agreement on a Conference Report for the 7 remaining FY19 appropriations bills after holding an official conference on the FY19 Homeland Security Appropriations bill. The Homeland Security section contained approximately \$1.3 billion for border funding in the Rio Grande Valley of Texas and slight reduction in funding for ICE detention beds. The other 6 appropriations bills contained conference reports similar to those that had been previously been released.</p>	<p>The bill was introduced on January 22nd and was passed by both the Senate and the House before being signed into law on February 15th. This bill's enactment finalized full year funding for all federal agencies for fiscal year 2019 through September 30, 2019.</p>
S.47	Sen. Lisa Murkowski (R-AK)	<p>Natural Resources Management Act (renamed the John D. Dingell, Jr. Conservation, Management, and Recreation Act)</p> <p>Included the following provisions: California Desert Protection and Recreation Act of 2019</p> <p>Bureau of Reclamation Transparency Act</p> <p>Santa Ana River Wash Plan Land Exchange Act</p>	<p>This bill sets forth provisions regarding various programs, projects, activities, and studies for the management and conservation of natural resources on federal lands. Specifically, the bill addresses: Land conveyances, exchanges, acquisitions, withdrawals, and transfers; the Santa Ana River Wash Plan Land Exchange Act; national parks, monuments, memorials, wilderness areas, other conservation and recreation areas; and federal reclamation projects. For California, the legislation included the Santa Ana River Wash Plan Land Exchange Act and the California Desert Protection and Recreation Act of 2019, which was a compromise between individual bills introduced by Senator Dianne Feinstein and Congressman Paul Cook in previous Congresses.</p>	<p>Introduced in the Senate on January 8th. The legislation passed the Senate by a vote 92 - 8 on February 12th. The measure was then taken up by the House and passed by a vote of 363-62. The bill was signed into law by President Trump on March 12, 2019.</p>

H.R. 2157	Rep. Nita Lowey (D- NY)	Supplemental Appropriations Act, 2019	<p>This bill provides \$19.1 billion in FY2019 supplemental appropriations to several federal departments and agencies for expenses related to the consequences of recent wildfires, hurricanes, volcanos, earthquakes, typhoons, and other natural disasters.</p> <p>The funding provided by this bill is designated as emergency spending, which is exempt from discretionary spending limits and other budget enforcement rules.</p>	<p>The Senate rejected the underlying legislation by failing to invoke cloture on the legislation as well as a substitute amendment due to disagreements over Puerto Rico and, after several attempts, later passed an alternative supplemental measure totaling \$19.1 billion.</p> <p>The House passed the \$19.1 billion disaster relief package by a vote of 354-58 on June 3. The measure was signed into law on June 6.</p>
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INFORMATION  
ITEM

**5T**





CALIFORNIA STRATEGIES, LLC

Date: August 28, 2019  
To: Inland Empire Utilities Agency  
From: John Withers, Jim Brulte  
Re: August 2019 Activity Report

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1. This month Jim Brulte and John Withers participated in the monthly senior staff meeting, which was attended by senior Executive Management Team staff, including Sylvie Lee, Manager of Planning and Environmental Compliance, and Cathleen Pieroni, Manager of Government Relations, on August 5.
2. Chino Basin Program
  - Reviewed the activities to date regarding the Regional Contract including the workshop which addressed predesign efforts, roles, and cost benefits
  - Evaluated the various stakeholder projects and in September will consider alternatives
  - Discussed the regional water allocation and recycled water issues and impacts and perception by member agencies (Ontario, CVWD, and Fontana)
  - Sylvie Lee reviewed the GANT chart on program activities and the group discussed MWD, DWR dynamics
3. Biennial Budget
  - Reviewed issues raised by advisory committee related to water ownership
4. Rate Study (Carollo)
  - Discussed proposed draft fees and approach to implementation and political adoption process
  - Goal is to be done by October with adoption by February
5. Discussed personnel changes and potential impacts on IEUA
6. Member Questions and Answers
  - Answered questions from IEUA Board members and the GM since the meeting included leadership changes at City of Fontana on the implications of those changes

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6A**



# SAWPA

SANTA ANA WATERSHED PROJECT AUTHORITY

11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

## REGULAR COMMISSION MEETING TUESDAY, SEPTEMBER 3, 2019 – 9:30 A.M.

### AGENDA

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE (Ronald W. Sullivan, Chair)
2. ROLL CALL
3. PUBLIC COMMENTS

Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).
4. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered routine and non-controversial and will be acted upon by the Commission by one motion as listed below.

  - A. APPROVAL OF MEETING MINUTES: AUGUST 20, 2019  
**Recommendation:** Approve as posted.
5. CLOSED SESSION
  - A. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(2)  
One Case
6. NEW BUSINESS
  - A. SAWPA BUILDING RENOVATIONS PROJECT UPDATE (CM#2019.93)  
**Presenter:** Carlos Quintero  
**Recommendation:** Receive an update on the Building Renovation effort and approve an additional transfer of \$40,862.00 from Building Reserves.
  - B. INLAND EMPIRE BRINE LINE DISCHARGER LEASE AGREEMENT (CM#2019.94)  
**Presenter:** David Ruhl  
**Recommendation:** Approve and Authorize the General Manager to execute a Discharger Lease Agreement with the Chino Desalter Authority (CDA) to lease 0.4 million gallons per day (MGD) of brine line pipeline and treatment and disposal capacity right from the Lease Capacity Pool for a period of six (6) months with the possibility of extending period for an additional six (6) months, subject to adequate commitment to the lease capacity pool.

**C. GRANT AGREEMENT AMENDMENT TO THE SARCCUP WATER USE EFFICIENCY (WUE) COMPONENT (CM#2019.95)**

**Presenter:** Ian Achimore

**Recommendation:** (1) Approve transfer of approximately \$1.2 Million in SARCCUP funding from the SARCCUP Conservation-Based Rates program to fund a new program, SARCCUP Water Use Efficiency (WUE) Budget Assistance; and, (2) Authorize the SAWPA General Manager to execute associated amendments to the Department of Water Resources (DWR) SARCCUP Grant Agreement and agreements with the implementing agencies.

**D. SAWPA PARTICIPATION AND ENGAGEMENT IN OUTSIDE ORGANIZATIONS (CM#2019.96)**

**Presenter:** Larry McKenney

**Recommendation:** Receive and file an updated report.

**E. LEGAL SERVICES, RESULTS OF REQUEST FOR QUALIFICATIONS (RFQ) | AWARD OF CONTRACT (CM#2019.97)**

**Presenter:** Rich Haller

**Recommendation:** Receive a presentation on the Legal Services Request for Qualifications (RFQ) process; consider the benefits and costs of consultant-provided legal services versus a part time staff position; consider staff's recommendation to utilize consultant-provided legal services as set forth in Option 1; provide direction to staff and authorize the General Manager to execute an Agreement for Services and issue a Task Order for up to an amount not to exceed \$75,000 to implement the Commission's direction.

**7. INFORMATIONAL REPORTS**

**Recommendation:** Receive for information.

**A. CHAIR'S COMMENTS/REPORT**

**B. COMMISSIONERS' COMMENTS**

**C. COMMISSIONERS' REQUEST FOR FUTURE AGENDA ITEMS**

**8. ADJOURNMENT**

Americans with Disabilities Act: If you require any special disability related accommodations to participate in this meeting, call (951) 354-4220 or email [klucht@sawpa.org](mailto:klucht@sawpa.org). 48-hour notification prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility for this meeting. Requests should specify the nature of the disability and the type of accommodation requested.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at [www.sawpa.org](http://www.sawpa.org), subject to staff's ability to post documents prior to the meeting.

**Declaration of Posting**

I, Katie Lucht, Deputy Clerk of the Board of the Santa Ana Watershed Project Authority declare that on Wednesday, August 28, 2019, a copy of this agenda has been uploaded to the SAWPA website at [www.sawpa.org](http://www.sawpa.org) and posted at the SAWPA office, 11615 Sterling Avenue, Riverside, California.

/s/

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Katie Lucht

**2019 SAWPA Commission Meetings/Events/Important Dates**

First and Third Tuesday of the Month

(NOTE: Unless otherwise noticed, all Commission Workshops/Meetings begin at 9:30 a.m., and are held at SAWPA.)

<b>March</b> 3/5/19 Commission Workshop 3/19/19 Regular Commission Meeting 3/29/19 OWOW Conference 2019, Cal State Fullerton	<b>April</b> 4/2/19 Commission Workshop 4/16/19 Regular Commission Meeting
<b>May</b> 5/7/19 <del>Commission Workshop</del> [cancelled] 5/7 – 5/10/19 ACWA Spring Conference, Monterey 5/21/19 Regular Commission Meeting	<b>June</b> 6/4/19 Commission Workshop 6/18/19 Regular Commission Meeting
<b>July</b> 7/2/19 Commission Workshop 7/16/19 Regular Commission Meeting	<b>August</b> 8/6/19 Commission Workshop 8/20/19 Regular Commission Meeting
<b>September</b> 9/3/19 Commission Workshop 9/17/19 Regular Commission Meeting	<b>October</b> 10/1/19 Commission Workshop 10/15/19 Regular Commission Meeting
<b>November</b> 11/5/19 Commission Workshop 11/19/19 Regular Commission Meeting	<b>December</b> 12/3/19 Commission Workshop 12/17/19 Regular Commission Meeting 12/3 – 12/6/19 ACWA Fall Conference, San Diego

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6B**



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

**Regular Board Meeting**  
**September 10, 2019**  
**12:00 p.m. – Boardroom**

Tuesday, September 10, 2019		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:00 AM	C&LR	Rm. 2-456
11:00 AM	RP&AM	Rm. 2-145
12:00 PM	Board Mtg	Boardroom

MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

## 1. Call to Order

- (a) Invocation: Gabriela Garcia Tarin, Administrative Assistant, External Affairs Group
- (b) Pledge of Allegiance: Director Jerry Butkiewicz

## 2. Roll Call

## 3. Determination of a Quorum

- 4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Government Code Section 54954.3(a))

## 5. OTHER MATTERS

- A. Approval of the minutes of the adjourned meeting for August 20, 2019  
(A copy has been mailed to each Director)  
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of August 2019
- C. Presentation of Commendatory Resolution for Director Gold representing the City of Los Angeles
- D. Presentation of Commendatory Resolution for Director Zurita representing the City of Compton

- E. Approve committee assignments
- F. Chairwoman's Monthly Activity Report

**6. DEPARTMENT HEADS' REPORTS**

- A. General Manager's summary of activities for the month of August 2019
- B. General Counsel's summary of activities for the month of August 2019
- C. General Auditor's summary of activities for the month of August 2019
- D. Ethics Officer's summary of activities for the month of August 2019

**7. CONSENT CALENDAR ITEMS — ACTION**

- 7-1 Approve Metropolitan's membership in the California African American Water Education Foundation for three years and authorize payment of \$25,000 per year for a total of \$75,000; the General Manager determined that the proposed action is exempt or otherwise not subject to CEQA. (C&L)
- 7-2 Approve The Metropolitan Water District of Southern California's salary schedules pursuant to CalPERS regulations; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (OP&T)
- 7-3 Authorize the granting of a ten-year license agreement with an option to renew for five additional years to Fountains La Verne MHP Associates, LP, for mobile home park related purposes in the city of La Verne; the General Manager has determined that this action is exempt or otherwise not subject to CEQA. (RP&AM)



- 7-4 Review and consider the County of Riverside's certified Final Environmental Impact Report and take related CEQA actions, and authorize the General Manager to enter into a 30-year license agreement with IP Athos, LLC, for power transmission line purposes in the Desert Center area of Riverside County. (RP&AM)
  
- 7-5 Review and consider the County of Riverside's certified Final Environmental Impact Report and take related CEQA actions, and authorize the General Manager to enter into a thirty-year license agreement with Desert Harvest, LLC, for power transmission line purposes in the Desert Center area of Riverside County. (RP&AM)
  
- 7-6 Authorize an annual increase of \$300,000, to an amount not-to-exceed \$500,000 per year, for an existing agreement with WaterWise Consulting, Inc. to provide inspection services for turf removal, regional device rebates, and water saving incentive program projects for Metropolitan's conservation rebate programs; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (WP&S)
  
- 7-7 Adopt Resolution designating Authorized Agents for FEMA Disaster Assistance; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)

**END OF CONSENT CALENDAR**

**8. OTHER BOARD ITEMS — ACTION**

- 8-1 Award \$3,634,250 contract to RockForce Construction, LLC for rehabilitation of the Whitewater erosion protection structure; and amend an existing agreement with HELIX Environmental Planning, Inc. for a new not-to-exceed total of \$515,000 for environmental monitoring; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)

- 8-2** Approve contractor request for subcontractor substitution for the F.E. Weymouth Water Treatment Plant Chlorination System Upgrades construction contract, as recommended by the Hearing Officer; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)
- 8-3** Authorize the granting of a 30 year lease agreement to Riverside County Regional Parks and Open Space District to operate a public recreation facility at Lake Skinner, in the Winchester area of Riverside county; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (RP&AM)
- 8-4** Review and consider the Fallbrook Public Utilities District's approved Final EIR/EIS and Addendum and take related CEQA actions, and authorize the General Manager to enter into a Local Resources Program agreement with San Diego County Water Authority and Fallbrook Public Utilities District for the Fallbrook Groundwater Desalter Project. (WP&S)
- 8-5** Authorize \$5.0 million for a Stormwater for Direct Use Pilot Program and authorize the General Manager to enter into agreements with member agencies for developing and monitoring stormwater capture for direct-use projects; the General Manager has determined that these actions are exempt or otherwise not subject to CEQA. (WP&S)

## **9. BOARD INFORMATION ITEMS**

- 9-1** Update on Conservation Program
- 9-2** Mid-cycle Biennial Budget Review. (F&I)
- 9-3** Prefunding PERS and OPEB. (F&I)

**10. FOLLOW-UP ITEMS**

**11. FUTURE AGENDA ITEMS**

**12. ADJOURNMENT**

**NOTE:** Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g., (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

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.

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6C**



**NOTICE OF CANCELLATION  
OF THE**

**THURSDAY, SEPTEMBER 5, 2019, 4:00 P.M.  
REGULAR MEETING OF THE  
REGIONAL SEWERAGE POLICY COMMITTEE**

**HAS BEEN CANCELLED DUE TO A LACK OF  
BUSINESS TRANSACTIONS**

**THE NEXT REGULAR MEETING IS SCHEDULED FOR  
THURSDAY, OCTOBER 3, 2019  
AT  
6075 KIMBALL AVENUE  
CHINO, CA 91708**

**DECLARATION OF POSTING**

I, Laura Mantilla, Executive Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted to the IEUA Website at [www.ieua.org](http://www.ieua.org) and posted in the foyer at the Agency's main office at 6075 Kimball Avenue, Building A, Chino, CA, on Thursday, August 29, 2019.

  
Laura Mantilla

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6E**

**SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS  
CHINO BASIN DESALTER AUTHORITY**

**September 5, 2019  
2:00 p.m.**

**Council Chambers, of the City of Ontario  
303 E. "B" Street, Ontario, CA**

*All documents available for public review are on file with the Authority's secretary  
located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.*

**NOTICE AND AGENDA**

**CALL TO ORDER**

**FLAG SALUTE**

**PUBLIC COMMENT**

*Members of the public may address the Board at this time on any non-agenda matter. Please complete a Comment Card and give it to the Secretary. Comments are limited to three (3) minutes per individual. State your name and address for the record before making your presentation. This request is optional, but very helpful for the follow-up process.*

*Under the provisions of the Brown Act, the CDA Board is prohibited from taking action on oral requests. However, Board Members may respond briefly or refer the communication to staff. The CDA Board may also request the Secretary to calendar an item related to your communication at a future CDA Board meeting.*

**ACTION ITEMS**

*Prior to action of the CDA Board, any member of the audience will have the opportunity to address the CDA Board on any item listed on the agenda, including those on any consent calendar. Please submit a comment card to the secretary with the agenda item number noted.*

- 1. MINUTES OF AUGUST 1, 2019 SPECIAL BOARD MEETING**
- 2. LEASE OF SANTA ANA RIVER INTERCEPTOR CAPACITY**

**Staff Recommendation:**

1. Approve an agreement with Santa Ana Watershed Authority for the lease of .4 MGD of Santa Ana River Interceptor capacity; and
2. Authorize the General Manager/CEO to finalize and execute the agreement and approve \$305,000 in expenditures.

**3. PHASE 3 EXPANSION PROJECT: CONSTRUCTION CONTRACT AWARD FOR CHINO II DESALTER CONCENTRATE REDUCTION FACILITY CHEMICAL STORAGE AND METERING SYSTEM MODIFICATIONS AND PRIMARY RO CONCENTRATE PIPING MODIFICATIONS, CDA EXP3-19-07**

**Staff Recommendation:**

1. Approve the contract award to Pascal & Ludwig for construction of the Chino II Desalter CRF Chemical Storage and Metering System Modifications and Primary RO Concentrate Piping Modifications in the not-to-exceed amount of \$340,600.
2. Authorize the General Manager/CEO to execute the contract and approve authorized expenditures up to a not-to-exceed total of \$391,690.
3. Authorize the General Manager/CEO to file a Notice of Completion upon completion of the project.

**4. CONTRACT WITH MORTON SALT, INC. FOR SUPPLY OF SODIUM CHLORIDE**

Report By: Tom O'Neill, CDA General Manager/CEO

**Staff Recommendation:**

1. Approve a contract with Morton Salt, Inc., for supply and delivery of medium source sodium chloride (salt); and
2. Authorize the General Manager/CEO to finalize and execute the initial contract and amendments to extend the contract for (3) one-year periods; and
3. Authorize the General Manager/CEO to authorize expenditures up to the approved annual budgeted amounts.

**5. CONTRACT WITH LHOIST NORTH AMERICA FOR SUPPLY OF CALCIUM HYDROXIDE AQUEOUS SLURRY (HYDRATED LIME SLURRY)**

Report By: Tom O'Neill, CDA General Manager/CEO

**Staff Recommendation:**

1. Approve a contract with Lhoist North America for the supply and delivery of calcium hydroxide aqueous slurry (hydrated lime slurry).
2. Authorize the General Manager to finalize and execute the contract and authorize expenditures up to the approved annual budgeted amount.

**6. CONTRACT WITH KING LEE FOR SUPPLY OF REVERSE OSMOSIS ANTISCALANTS**

Report by: Tom O'Neill, CDA General Manager/CEO

**Staff Recommendation:**

1. Approve a contract with King Lee Technologies for supply and delivery of Reverse Osmosis Antiscalant; and
2. Authorize the General Manager/CEO to finalize and execute the initial contract and amendments to extend the contract for (3) one-year periods; and
3. Authorize the General Manager/CEO to authorize expenditures up to the approved annual budgeted amounts.

**7. CONSIDERATION AND POSSIBLE ACTION ON SCHEDULING A SPECIAL BOARD MEETING ON SEPTEMBER 26, 2019, AND CANCELLATION OF THE REGULAR BOARD MEETING ON OCTOBER 3, 2019.**



## **STAFF COMMENTS**

Deputy CDA General Counsel, Allison Burns

CDA CFO/Treasurer, Michael Chung

CDA General Manager/CEO, Tom O'Neill

## **CLOSED SESSION**

*The Authority may adjourn to a Closed Session to consider litigation matters, personnel matters, or other matters as provided for in the Ralph M. Brown Act (Section 54950 et seq., of the Government Code).*

8. **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**  
Property: APN 0218-231-13, 15, City of Ontario  
CDA Negotiators: Tom O'Neill, Allison Burns  
Negotiating parties: SC Ontario Development Company  
Under negotiation: Price and terms of payment
  
9. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: CONSIDERATION OF INITIATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(D)(4)**  

(TWO POTENTIAL CASES)
  
10. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(D)(2)**  

(ONE POTENTIAL CASES)

## **DIRECTOR COMMENTS**

## **ADJOURN**

Any person with a disability who requires accommodations in order to participate in this meeting or for package materials in an alternative format should telephone Executive Assistant Casey Costa at (909) 218-3730, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation. Copies of records provided to Board Members which relate to any agenda item to be discussed in open session may be obtained from Chino Basin Desalter Authority at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

### ***Declaration of Posting***

*I, Casey Costa, Executive Assistant to the Chino Basin Desalter Authority, hereby certify that a copy of this agenda has been posted by 2:00 p.m. at the Chino Basin Desalter Authority's main office, 2151 S. Haven Ave., Ontario, CA on Monday, September 2, 2019.*

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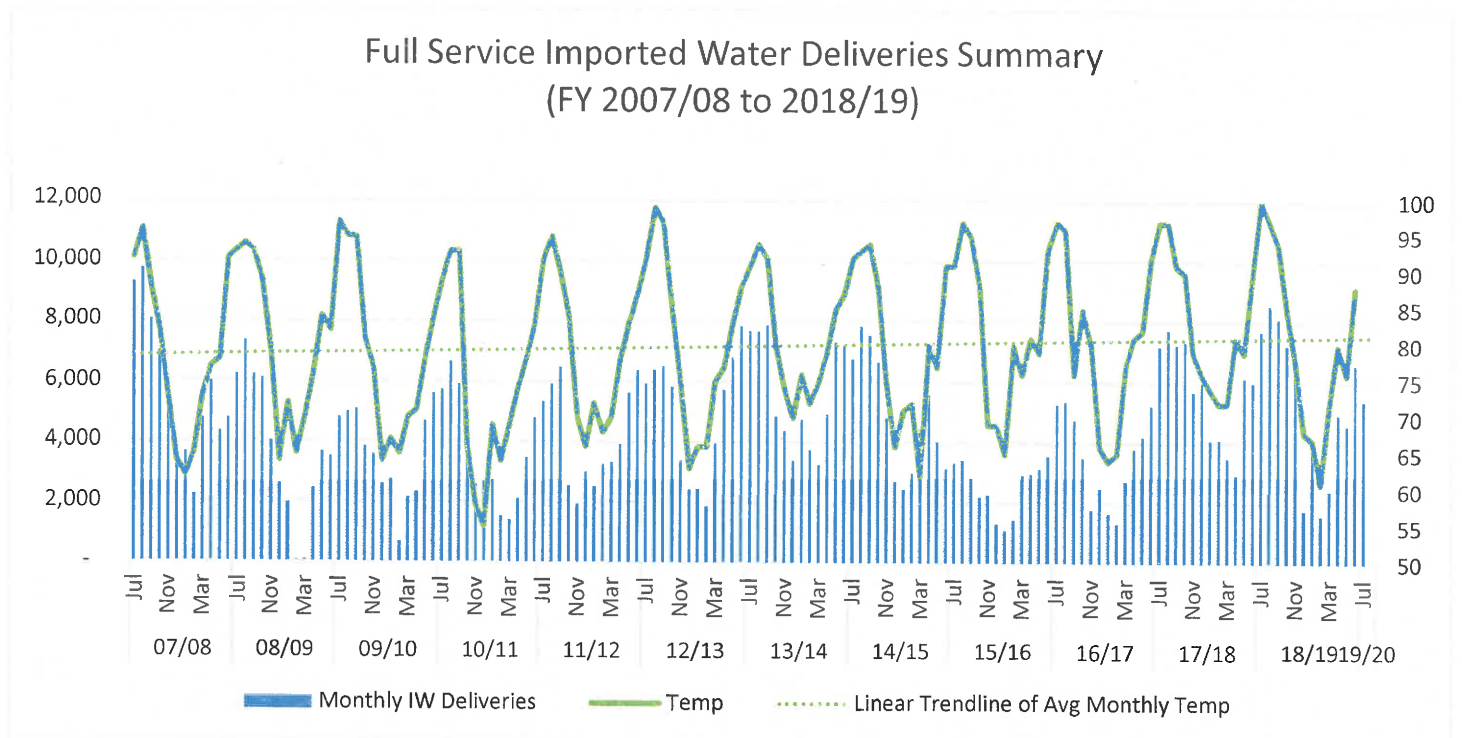
Casey Costa, Executive Assistant

**GENERAL  
MANAGER'S  
REPORT**

Date: September 18, 2019  
 To: The Honorable Board of Directors  
 From: Shivaji Deshmukh, General Manager *SD*  
 Subject: General Manager's Report Regarding Agency Activities

**PLANNING & ENVIRONMENTAL RESOURCES**

**A. Imported Water**



**B. Reclamation System**

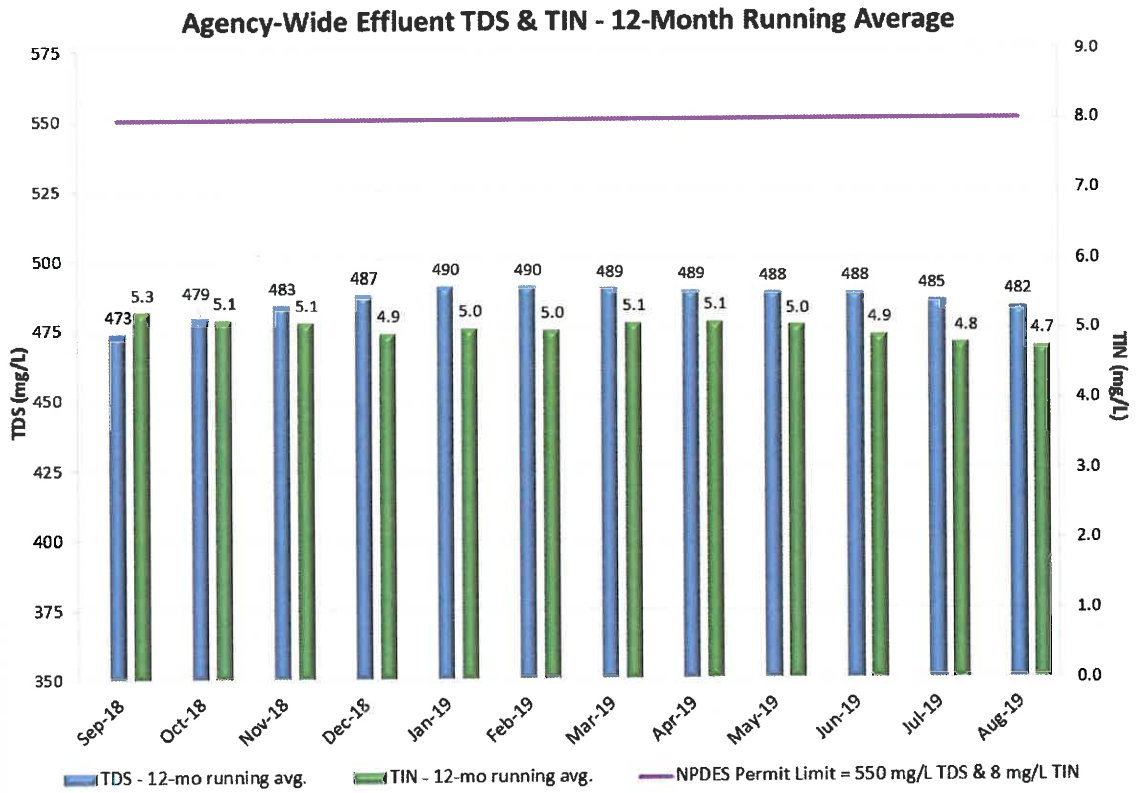
Regional Plants 1, 4, 5 and Carbon Canyon Water Recycling Facility met all the NPDES requirements and effluent/recycled water limitations during the month of August 2019.

1. The Agency-wide average sewer influent flow for the month of August 2019 was 49.3 million gallons per day (mgd) (preliminary value), which is a 0.4 mgd increase from the July 2019 total influent flow.

**IEUA Regional Influent Flows**

<b>INFLUENT FLOW</b>	<b>RP-1</b>	<b>RP-4</b>	<b>RP-5</b>	<b>CCWRF</b>	<b>ALL FACILITIES</b>
<b>Daily Average (mgd)</b>	23.3	9.8	8.2	8.0	49.3
<b>Monthly Total (million gal.)</b>	723	304	253	247	1,527

- The discharge permit effluent limit for total dissolved solids (TDS) is 550 mg/L. The 12-month running average TDS value for August 2019 was 482 mg/L (preliminary value).
- The discharge permit effluent limit for total inorganic nitrogen (TIN) is 8 mg/L. The 12-month running average TIN value for August 2019 was 4.7 mg/L (preliminary value).



**Air Quality**

There were no reportable incidents relating to air quality compliance during the month of August 2019. During August, the South Coast Air Quality Management District (SCAQMD) conducted on-site inspections at RP-5, RP-2, and RP-1. No issues were raised during the inspections. IEUA is awaiting notices from the SCAQMD Legal Department for the RP-1 violations received in December 2017

**INLAND EMPIRE REGIONAL COMPOSTING FACILITY**

**A. Operational Comments**

Facility throughput for August averaged approximately 90% of permitted capacity at an average of 392 tons per day of biosolids and 123 tons per day of amendments (based on the 31-day month-to-date). Biosolids volumes are on target for the fiscal year. The facility is operating well with no violations, environmental compliance issues, or lost-time incidents.

**B. Facility Biosolids Throughput**

SOURCE	WET TONS MONTH	WET TONS YEAR TO DATE
Los Angeles County Sanitation District	5,759.21	47,298.29
Inland Empire Utilities Agency	5,637.74	46,254.25
Orange County Sanitation District	759.88	7,128.65
<b>TOTAL</b>	<b>12,156.83</b>	<b>100,681.19</b>

**C. Compost Sales**

Sales volumes were slightly increased from last year. Inventory is currently at 4,600 cubic yards. Inventory is projected to be depleted over the next three months from pending orders. Sales are projected to maintain production through the summer to meet the demands of the landscape markets. We have begun taking orders for the winter AG season and project depleting inventory before the end of the calendar year.

**D. Monthly Sales Summary**

CUBIC YARD	\$/CUBIC YARD	TOTAL REVENUE
18,235.92	\$2.58	\$47,097.00

**Fiscal Year-To-Date Sales Summary**

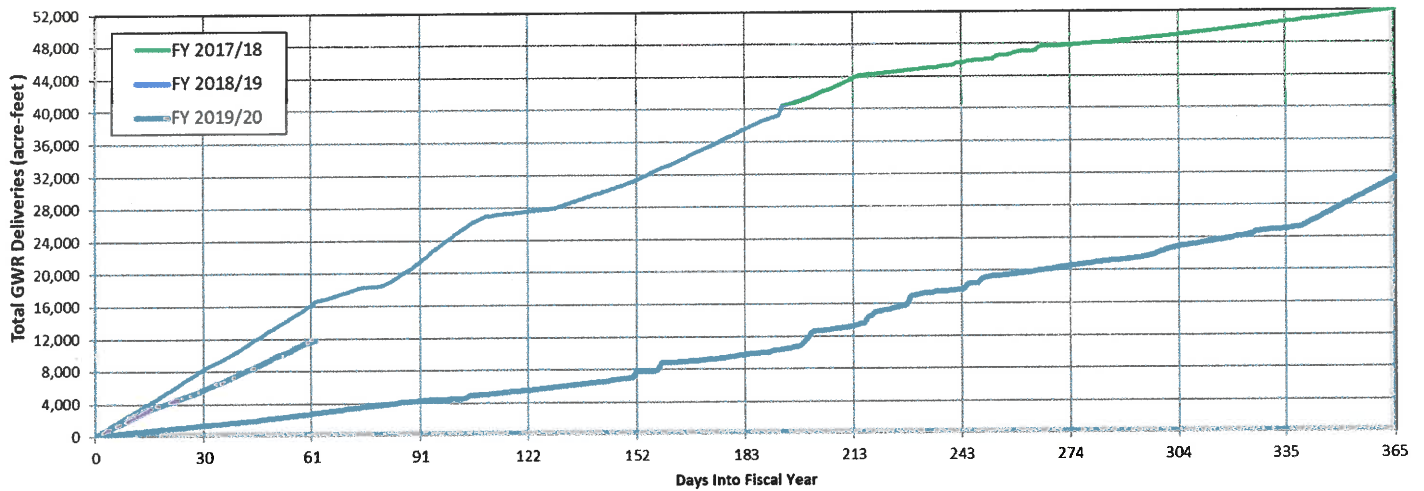
MONTH	TOTAL YARDS 2019/2020	TOTAL YARDS 2018/2019	TOTAL REVENUE 2019/2020	TOTAL REVENUE 2018/2019
July	15,197.96	14,910.11	\$26,993.99	\$24,972.01
August	18,235.92	15,194.50	\$47,097.00	\$28,866.84
<b>TOTAL</b>	<b>33,433.88</b>	<b>30,104.61</b>	<b>\$74,090.99</b>	<b>\$53,838.85</b>
<b>AVERAGE</b>	<b>16,716.94</b>	<b>15,052.31</b>	<b>\$37,045.50</b>	<b>\$26,919.43</b>

**RECYCLED WATER**

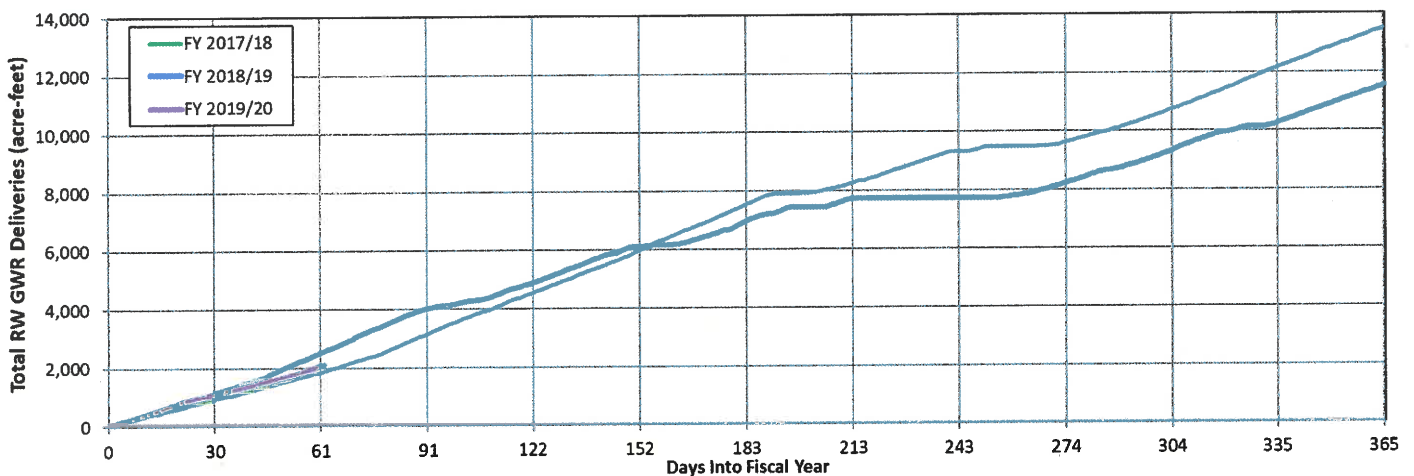
**A. Groundwater Recharge – August 2019**

During August 2019, recycled water recharge totaled 993 acre-feet. Dry weather flow recharge was approximately 54 acre-feet. Approximately 37 acre-feet of imported water was recharged in the Chino basin for storage by San Antonio Water Company. Recharge of imported water from MWD totaled 4,809 acre-feet. For supplemental water deliveries (imported and recycled), Chino Basin Watermaster will remove 4.2% for evaporation losses during the month of August. Considering evaporation, total recharge for the month was approximately 5,648 acre-feet.

**Total Groundwater Recharge – through August 2019**

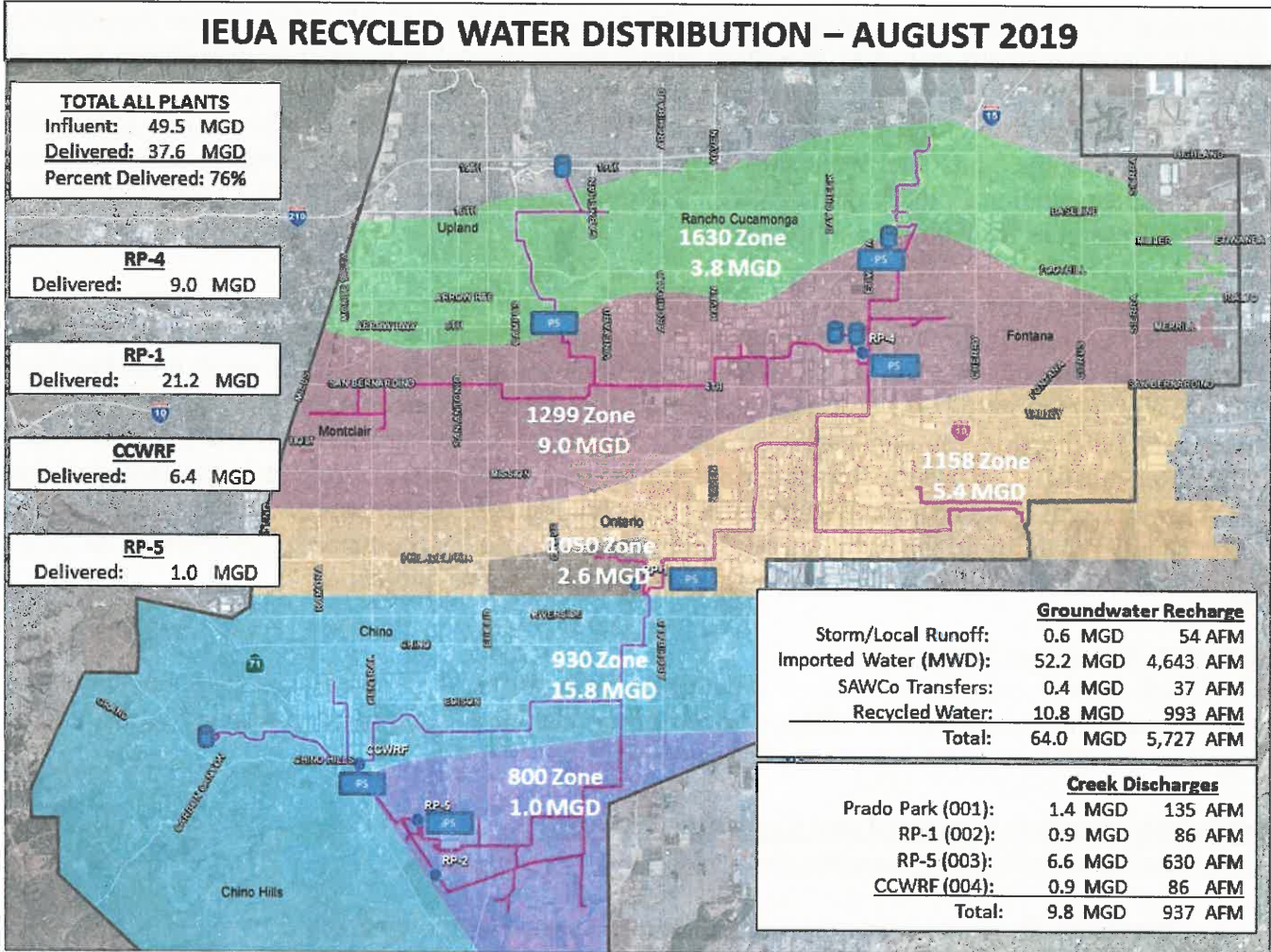


**Recycled Water Delivered to Groundwater Recharge – through August 2019**



**B. Recycled Water Distribution – August 2019**

During August 2019, 76% (37.6 MGD) of IEUA recycled water supply (49.5 MGD) was delivered into the distribution system for direct use customers (26.8 MGD) and groundwater recharge (10.8 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 9.8 MGD.



## **GRANTS UPDATE**

### **A. Grant/Loan Applications Submitted:**

1. Through a competitive initial application process, IEUA's RP-5 Expansion Project was selected by the U.S. EPA to participate in the full application process for the 2019 Water Infrastructure Finance and Innovation Act (WIFIA) loan funding program. In August, Grants staff submitted the full application to the EPA for the loan amount of \$178 million, which was increased to account for recent cost estimates and is the maximum 49 percent of the total project costs.
2. IEUA's grant application for the IEUA-JCSD Recycled Water Intertie Project is approved for \$2.6 million grant funding by the Santa Ana Watershed Project Authority (SAWPA). Staff participated in the Prop 1 IRWM Implementation Grant Program Pre-Application Workshop hosted by SAWPA and the Department of Water Resources for the final application.

### **B. Grant/Loan Applications in Process:**

1. Grants staff is preparing an application for the Proposition 68 Trails and Greenways Program to expand the education center in the Chino Creek Wetlands and Educational Park, as well as install restrooms in the park. The project proposal will be due to the California Natural Resources Agency on October 11.
2. Grants staff is preparing an application for the U. S. Bureau of Reclamation's (USBR) WaterSMART: Water Reclamation and Reuse Research opportunity. The Chino Basin Program's Pre-Design Report (PDR), which will evaluate several state-of-the-art technologies to determine the optimal way to increase water supply reliability in the basin, meets the eligibility criteria for the funding opportunity. IEUA will apply for \$300,000 in funding, the maximum award possible for the project.

### **C. Grant/Loan Agreement Negotiation:**

1. The USBR is conducting its final review of materials for the \$400,000 Water Marketing Strategy Planning Grant agreement. Grants staff is collaborating with the Planning Department to respond to the USBR's inquiries. A draft agreement is expected in September.

### **D. Grant Reimbursements Processed and Reporting Activities:**

1. Grant reimbursements were processed for:
  - SWRCB – Regional Water Quality Laboratory Invoice #20 for **\$62,374**
  - SWRCB – Regional Water Quality Laboratory Invoice #21 for **\$321,258**
  - SWRCB – Stormwater Management Facilities: Wineville, Jurupa, RP-3 Basin Improvements and Pumping and Conveyance System Project Invoice #4 for **\$14,268.32**
  - SWRCB – Central Area Wineville Recycled Water Pipeline Extension Invoice #11 for **\$5,815**
  - USBR – RP-3 Basin Improvement Project Invoice #2 for **\$2,988.27**
  - USBR – IEUA/CDA Joint Groundwater Wells & Raw Water Pipelines Invoice #17 for **\$85,200.75**

### **E. Other Department Activities:**

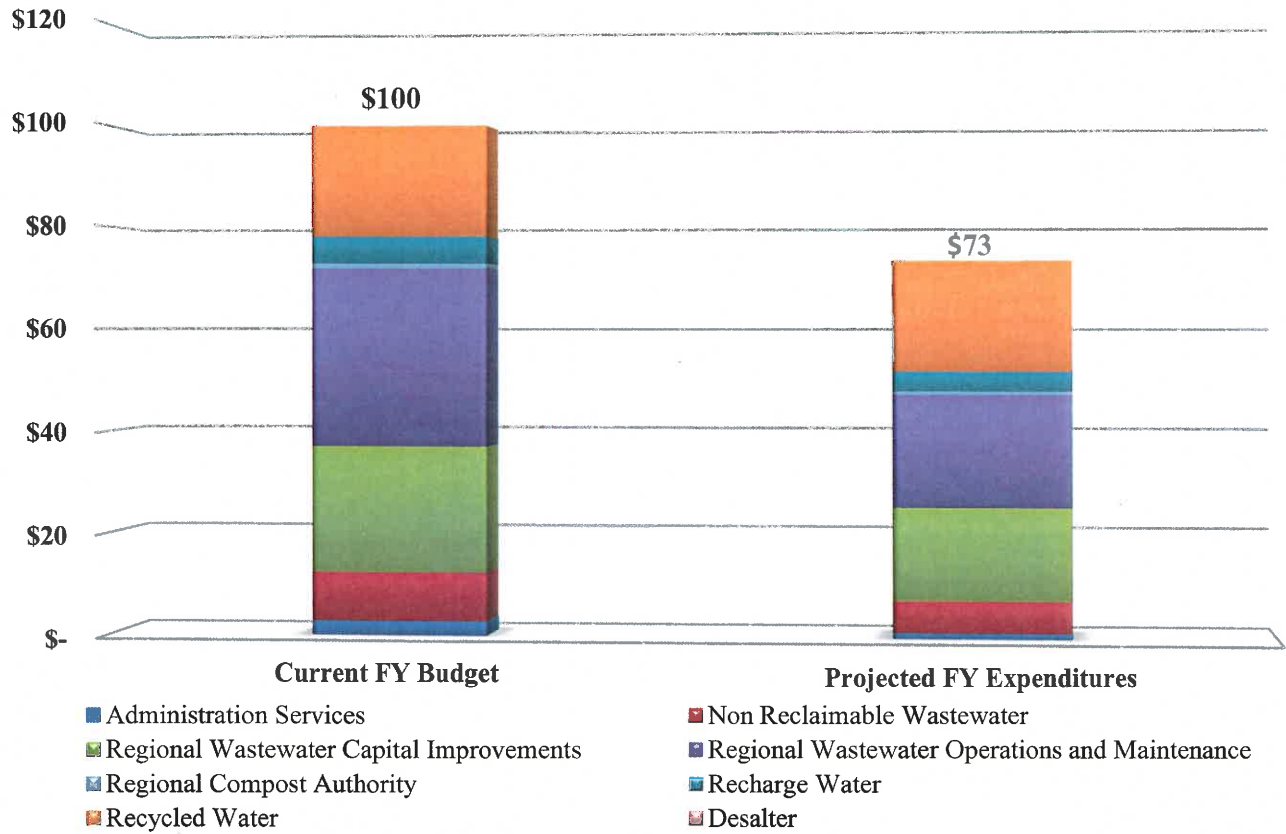
1. Grants management staff visited the USBR office in Denver to discuss upcoming opportunities and gather information on the WaterSMART, Title XVI, and the Water Infrastructure Improvements for the Nation (WIIN) Act.



**ENGINEERING AND CONSTRUCTION MANAGEMENT DEPARTMENT**

Engineering and Construction Management's current FY 2019/20 budget is \$99,860,685. As of August 31<sup>st</sup>, staff has projected to spend \$73,263,462 (~73%).

*Engineering and Construction Management FY19/20 Budget Status Update*



The accompanying attachments have detailed information for IEUA's capital improvement program.

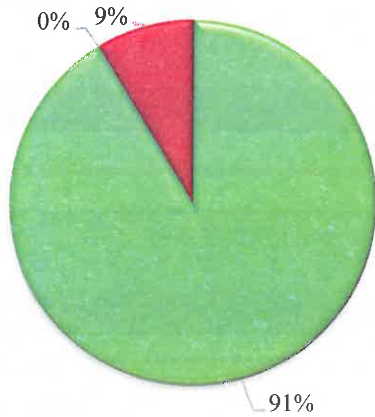
- Attachment A: Bid and Award Look Ahead Schedule
- Attachment B: Active Capital Improvement Project Status
- Attachment C: Emergency Projects

**Attachment A  
 Bid and Award Look Ahead Schedule**

<b>Bid and Award Look Ahead Schedule</b>			
	Project Name	Projected Bid Opening Date	Projected Bid Award Date
	Oct-19		
1	RW15004.00 Lower Day Basin Improvements	4-Sep-19	16-Oct-19
	Dec-19		
2	EN22004.00 1158 East Reservoir Re-coating/painting and Upgrades	5-Oct-19	18-Dec-19
3	EN20014.00 NRWS Manhole Upgrades - 19/20	25-Oct-19	18-Dec-19
4	EN21004.00 1158 West Reservoir Re-coating/painting and Upgrades	29-Oct-19	18-Dec-19
5	EN20015.00 Collection System Upgrades 19/20	25-Oct-19	18-Dec-19
6	EN19027.00 NRW Pipeline Relining Along Cucamonga Creek	30-Sep-19	18-Dec-19
	Jan-20		
7	EN22002.00 NRW East End Flowmeter Replacement	7-Oct-19	15-Jan-20
8	RW15003.03 Montclair Basin Improvements	4-Dec-19	15-Jan-20
9	EN19025.00 Regional Force Main Improvements	19-Nov-19	15-Jan-20
10	EN17043.00 RP4 Primary Clarifier Rehab	18-Nov-19	15-Jan-20
11	EN17110.00 RP-4 Process Improvements	27-Nov-19	15-Jan-20
	Feb-20		
12	EN17041.00 Orchard Recycled Water Turnout Improvements	11-Dec-19	19-Feb-20
13	EN18006.00 RP-1 Flare Improvements	2-Jan-20	19-Feb-20
	Mar-20		
14	EN19006.00 RP-5 Biosolids Facility	31-Jan-20	18-Mar-20
15	RW15003.06 Wineville/Jurupa/Force Main Improvements	5-Feb-20	18-Mar-20
16	EN19001.00 RP-5 Expansion to 30 mgd	5-Feb-20	18-Mar-20
	Apr-20		
17	EN19028.00 NRW Manhole and Pipeline Condition Assessment	4-Mar-20	15-Apr-20
	May-20		
18	EN20037.00 Agency Wide Chemical Containment Coating Rehabilitation	30-Mar-20	20-May-20
19	EN19024.00 Collection System Asset Management (Assessment Only)	8-Apr-20	20-May-20
20	FM20002.00 Agency Wide Roofing	3-Feb-20	20-May-20
21	EN20058.00 RP-1 TP-1 Waste Wash Water Basin Pumps Replacement	8-Apr-20	20-May-20
22	EN20008.00 HQ Parking Lot FY19/20	27-Mar-20	20-May-20
	Jul-20		
23	PA20003.00 Agency Wide Paving	21-Apr-20	15-Jul-20
24	EN20040.00 HQ Driveway Improvements	20-May-20	15-Jul-20
	Oct-20		
25	EN20041.00 RP-1 TP-1 Bleach Mixing Repairs	26-Jun-20	16-Sep-20
26	EN20056.00 RSS Haven Avenue Repairs	5-Aug-20	16-Sep-20

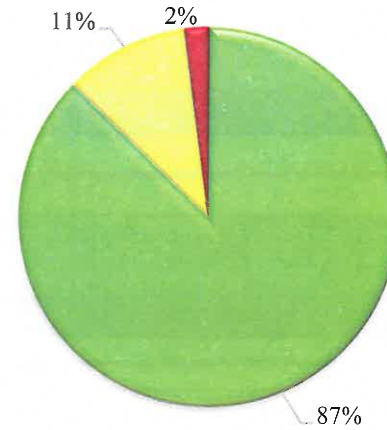
**Attachment B**  
**Active Capital Improvement Project Status**

**Construction Schedule Performance**



■ On-Time ■ Recovery in Progress ■ Behind Schedule

**Design Schedule Performance**



■ On-Time ■ Recovery in Progress ■ Behind Schedule

Agency-Wide							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
1	FM20001	HQ Interior Replacements	4,361	320,000	On-Time	Project Evaluation	
2	EN20037	Agency Wide Chemical Containment Coating Rehabilitation	2,008	350,000	On-Time	Project Evaluation	
3	EN19024	Collection System Asset Management (Assessment Only)	43,320	1,250,000	On-Time	Project Evaluation	
4	EN19030	WC Asset Management (Assessment Only)	32,796	250,000	Recovery in Progress	Project Evaluation	There is no plan in place currently. Once a plan is in place, the schedule will be assessed and re-baselined.
5	PA20003	Agency Wide Paving	-	640,000	On-Time	Project Evaluation	
6	EN20038	Agency Wide Pavement Management Study	3,372	150,000	Recovery in Progress	Consultant Contract Award	Contract was approved by the board and a kickoff meeting is scheduled for September 4, 2019. At that time, it will be determined if the project can be brought back on schedule or rebaselined.
7	EN20054	Agencywide Chemical Containment Coating Evaluation	2,979	50,000	On-Time	Consultant Contract Award	
8	EN19023	Asset Management Planning Document	169,581	750,000	On-Time	Pre-Design	
9	EN20034.02	RP-5 IPS Guide Rail	-	-	On-Time	Bid and Award	

Agency-Wide (Cont.)							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
10	FM20002	Agency Wide Roofing	4,805	1,481,064	On-Time	Design	
11	EN17080	System Cathodic Protection Improvements	731,006	3,540,851	On-Time	Construction	
12	EN19032.01	Agency-Wide Railing and Threshold Improvements (Budget is in EN19032)	243,057	-	On-Time	Project Acceptance	
13	EN17020.05	Agency-Wide Recycled Water System Repairs and Improvements (Budget is in EN17020)	83,334	-	On-Time	Project Acceptance	
14	EN17020	WC On-Call Operations and Maintenance Support	-	230,500	N/A	N/A	
15	EN19032	RO Safety Operations and Maintenance Projects	-	370,000	N/A	N/A	
16	EN13016	SCADA Enterprise System	-	16,025,090	N/A	N/A	
Totals			1,320,619	25,407,505			

Carbon Canyon							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
17	EN18036.01	CCWRF RW Pump Station Control Bldg. HVAC Modifications (Budget is in EN18036)	6,358	-	On-Time	Construction	
18	EN19032.02	CCWRF Electrical Wiring Repair (Budget is in EN19032)	14,504	-	On-Time	Construction	
19	EN18036	CCWRF Asset Management and Improvements - Package III	-	2,420,000	N/A	On-Hold	
20	EN20055	CCWRF Tertiary Panel Rebuild	135	170,000	N/A	Not Started	
Totals			20,997	2,590,000			

Chino Desalter Authority (CDA)							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
21	EN16021	TCE Plume Cleanup	12,936,245	17,294,171	On-Time	Land Acquisition	
Totals			12,936,245	17,294,171			

Collections							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
22	EN20014	NRWS Manhole Upgrades - 19/20	17,123	200,000	On-Time	Pre-Design	
23	EN20015	Collection System Upgrades 19/20	429	500,000	On-Time	Pre-Design	
24	EN19028	NRW Manhole and Pipeline Condition Assessment	33,528	915,000	On-Time	Project Evaluation	
25	EN20056	RSS Haven Avenue Repair & Replacement	3,208	6,000,000	On-Time	Consultant Contract Award	
26	EN19025	Regional Force Main Improvements	171,420	1,250,000	On-Time	Design	
27	EN22002	NRW East End Flowmeter Replacement	340,895	1,986,985	On-Time	Design	
28	EN23002	Philadelphia Lift Station Force Main Improvements	407,809	18,500,000	On-Time	Design	
29	EN19027	NRW Pipeline Relining Along Cucamonga Creek	63,888	2,395,000	On-Time	Permits	
30	EN19041	San Bernardino Lift Station Facility Improvements	5,710	200,000	On-Time	Bid and Award	
Totals			1,044,009	31,946,985			

Groundwater Recharge							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
31	RW15003.03	Montclair Basin Improvements (Budget is in RW15003)	228,517	-	On-Time	Design	
32	RW15003.06	Wineville/Jurupa/Force Main Improvements (Budget is in RW15003)	1,062,293	-	Recovery in Progress	Design	An easement is required to place the new pipeline within the Flood Control District's easement. Staff will be working with three property owners to acquire an easement. Staff will expedite this added effort to mitigate further delays in starting construction. Project will be re-baselined when contract is awarded, and contractor's schedule is received.
33	RW15004	Lower Day Basin Improvements	549,819	4,008,000	On-Time	Bid and award	
34	RW15003.05	RP-3 Basin Improvements (Budget is in RW15003)	388,347	-	On-Time	Construction	
35	RW19002	CBWM Pomona Extensometer Construction	1,153,608	1,463,581	Behind Schedule	Construction	Due to on-going change orders, recovery is not possible. The staff will continue to mitigate any additional delays.
36	RW15003	Recharge Master Plan Update	-	7,490,500	N/A	N/A	
Totals			3,382,584	12,962,081			

Headquarters							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
37	EN20040	HQ Driveway Improvements	2,538	400,000	On-Time	Consultant Contract Award	
38	EN20008	HQ Parking Lot FY19/20	2,269	450,000	On-Time	Pre-Design	
39	EN19038	HR Exit Door	27,410	75,000	On-Time	Construction	
Totals			32,217	925,000			

IERCF							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
40	RA17007	IERCF Building Improvements	-	550,000	N/A	N/A	
41	RA15001	IERCF Baghouse and Dust Collection System Enhancements	-	1,700,000	N/A	N/A	
42	RA15001.01	IERCF Duct Work Phase II (Budget is in RA15001)	31,456	-	On-Time	Construction	
43	RA17007.01	IERCF Design Build Wash Pad Cover (Budget is in RA17007)	27,792	-	On-Time	Construction	
44	RA19002	IERCF Trommel Screen Improvements	1,373,024	1,600,000	Behind Schedule	Construction	The project is waiting on completion of one punch list item. Recovery is not possible.
Totals			1,432,273	3,850,000			

Regional Water Recycling Plant No. 1 (RP-1)							
No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
45	EN13016.05	SCADA Enterprise System - (Regional Water Recycling Plant No. 1) (Budget is in EN13016)	519,685	-	On-Time	Pre-Design	
46	EN20058	RP-1 TP-1 Waste Wash Water Basin Pumps Replacement	1,295	650,000	On-Time	Project Evaluation	
47	EN19043	RP-1 Centrifuge Foul Air Line	110	45,000	On-Time	Consultant Contract Award	

### Regional Water Recycling Plant No. 1 (RP-1) (Cont.)

No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
48	EN20041	RP-1 TP-1 Bleach Mixing Repairs	2,910	680,000	On-Time	Consultant Contract Award	
49	EN20043	RP-1 Pipe Gallery Staircase Evaluation	2,512	50,000	On-Time	Consultant Contract Award	
50	EN17044	RP-1 12 kV Switchgear and Generator Control Upgrades	1,146,037	5,870,248	On-Time	Design	
51	EN18006	RP-1 Flare Improvements	697,005	5,564,918	Recovery in Progress	Design	Project will be re-baselined after construction contract award.
52	EN24001	RP-1 Liquid Treatment Capacity Recovery	4,201,852	182,050,000	On-Time	Design	
53	EN20042	RP-1 Headworks Sump Pump Redundancy	909	150,000	On-Time	Design	
54	EN24002	RP-1 Solids Treatment Expansion	1,238,354	48,050,000	On-Time	Design	
55	EN20034.01	RP-1 Gravity Thickener Gearbox Installation (Budget is in EN20034)	347	-	On-Time	Bid and Award	
56	EN17082	Mechanical Restoration and Upgrades	802,024	7,945,844	On-Time	Bid and Award	
57	EN14042	1158 RWPS Upgrades	2,197,723	7,900,000	On-Time	Construction	
58	EN15012.01	RP-1 Plant No. 2 Effluent Conveyance Improvements (Budget is in EN15012)	255,352	-	On-Time	Construction	
59	EN17042	Digester 6 and 7 Roof Repairs	2,865,708	4,868,387	On-Time	Construction	
60	EN17045	RP-1 Filter Valve Replacement	316,021	890,000	On-Time	Construction	
61	EN14019	RP-1 Headworks Primary and Secondary Upgrades	9,355,685	9,750,000	On-Time	Project Acceptance	
62	EN18042	RP-1 Civil Restoration and Upgrades	745,484	810,000	On-Time	Project Acceptance	
63	EN20060	RP-1 Plant 2 Sludge Piping Repair	-	-	N/A	Not Started	
64	EN15012	RP-1 Primary Effluent Conveyance Improvements	-	6,692,610	N/A	N/A	
65	EN20034	RO On-Call/Small Projects FY 19/20	-	500,000	N/A	N/A	
Totals			24,349,014	282,467,007			

### Regional Water Recycling Plant No. 2 (RP-2)

No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
Totals			-	-			

### Regional Water Recycling Plant No. 4 (RP-4)

No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
66	EN19010	RP-4 Influent Screen Replacement	43,964	3,040,000	On-Time	Consultant Contract Award	
67	EN17043	RP4 Primary Clarifier Rehab	521,188	7,681,542	On-Time	Design	
68	EN17110	RP-4 Process Improvements	6,222,660	20,962,396	On-Time	Design	
69	EN13016.03	SCADA Enterprise System - (Regional Water Recycling Plant No. 4 ) (Budget is in EN13016)	3,543,042	-	On-Time	Construction	
70	EN19029	RP-4 Outfall Pipeline	331,560	945,000	On-Time	Construction	
Totals			10,662,413	32,628,938			

**Regional Water Recycling Plant No. 5 (RP-5)**

No.	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
71	EN19001	RP-5 Expansion to 30 mgd	10,328,039	175,000,000	On-Time	Design	
72	EN19006	RP-5 Biosolids Facility	10,351,694	165,000,000	On-Time	Design	
73	EN14043	RP-5 RW Pipeline Bottleneck	1,878,198	3,137,169	On-Time	Construction	
74	EN13016.04	SCADA Enterprise System - (Regional Water Recycling Plant No. 5) (Budget is in EN13016)	4,408,730	-	On-Time	Project Acceptance	
Totals			26,966,662	343,137,169			

**Recycled Water**

	Project ID	Project Title	Total Expenditures thru 8/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
75	EN15002	1158 Reservoir Site Cleanup	54,434	1,215,000	Behind Schedule	Project Evaluation	The project scope is not defined yet. Staff is waiting for approval from Department of Toxic Substances Control (DTSC) on Southern California Edison facility investigation report.
76	EN22004	1158 East Reservoir Re-coating/painting and Upgrades	475	2,200,000	On-Time	Pre-Design	
77	EN17041	Orchard Recycled Water Turnout Improvements	128,377	430,910	Recovery in Progress	Design	The Army Corps of Engineers (USACE) reviewed the plans and required the connection be redesigned which has been submitted for their review. The project schedule will be re-baselined once the project is awarded and the contractor's schedule is received.
78	EN21004	1158 West Reservoir Re-coating/painting and Upgrades	3,747	1,000,000	On-Time	Design	
79	EN17049	Baseline RWPL Extension	1,157,506	6,702,000	On-Time	Construction	
80	WR15021	Napa Lateral	2,237,839	6,947,717	On-Time	Construction	
81	EN20061	Recycle Water Area 11 Blow Off Repairs	-	20,000	N/A	Not Started	
Totals			3,582,378	19,515,627			
Overall Totals			85,729,410	772,724,483			

**Attachment C**

**FY18/19 Emergency Projects**

	Project ID	Contractor	Task Order Description (Details of Circumstance and Cause of the Emergency)	Location	TO #	Original Not-to-Exceed /Estimate	Actual Cost thru 8/31/2019	Date of Award	Status
<b>Agency Wide</b>									
1	EN19042.00	W.A. Rasic Construction	HQ-B 2in Potable Water Leak	Agencywide	TO-0010	10,000	16,836	2/27/2019	Completed
2	EN19019.12	W.A. Rasic Construction	El Prado Manhole Adjustment	Agencywide	TO-0012	35,000	54,043	3/17/2019	Completed
<b>RP-1</b>									
3	EN19019.10	W.A. Rasic Construction	RP-1 Digester Gas Leak Repair	RP-1	TO-0011	26,100	40,289	2/28/2019	Completed
4	EN19019.11	Ferreira	TP-1 Bleach Distribution System Replacement	TP-1	TO-0006	120,000	90,281	3/20/2019	Completed
5	EN19019.13	W.A. Rasic Construction	RP-1 Gravity Thickener Cover Removal	RP-1	TO-0015	50,800	53,957	6/5/2019	Completed
6	EN19019.14	W.A. Rasic Construction	RP-1 UW Line Leak	RP-1	TO-0017	10,900	10,711	6/10/2019	Completed
<b>RP-5</b>									
7	EN19017.08	T.E. Roberts	RP-5 RW 18-inch Line Repair	RP-5	TO-0001	35,000	30,018	5/28/2019	Completed
8	EN19017.09	W.A. Rasic Construction	RP-5 RW Leak	RP-5	TO-0016	5,495	6,196	6/12/2019	Completed
<b>Recycled Water</b>									
9	EN19017.06	W.A. Rasic Construction	RW Pipeline Water Leak East Preserve Loop	RW	TO-0013	65,000	99,332	4/27/2019	Completed
10	EN19017.07	W.A. Rasic Construction	RW Lateral Water Leak on Bickmore	RW	TO-0014	59,600	91,363	5/8/2019	Completed
Totals						417,895	493,027		

**August 2019 Emergency**

Contractor	Task Order Description	Details of the Circumstances/Cause of Emergency	Scope of Repair	Location	Date of Call Out	Not-to-Exceed /Estimate
N/A						