



AGENDA

**MEETING OF THE
BOARD OF DIRECTORS**

**WEDNESDAY, JUNE 19, 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 five 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. PUBLIC HEARING

**A. ADOPTION OF THE AGENCY'S BIENNIAL BUDGET FOR THE FISCAL
YEARS (FYs) 2019/20 AND 2010/21, AND FYs 2020-2029 TEN-YEAR
CAPITAL IMPROVEMENT PLAN (Fin/Admin)**

Staff recommends that the Board:

1. Hold a public hearing to receive public comments on the proposed Agency's Biennial Budget for FYs 2019/20 and 2020/21, and FYs 2020-2029 Ten Year Capital Improvement Plan (TYCIP); and

2. After closing the public hearing:

- a. Adopt Resolution No. 2019-6-10, approving the Agency's Biennial Budget for FYs 2019/20 and 2020/21 and FYs 2020-2029 TYCIP, including the inter-fund transfers, Agency-wide departmental goals and objectives; and
- b. Adopt Resolution Nos. 2019-6-1 through 2019-6-8 for the Non-Reclaimable Wastewater system rates and other service fees.

2. 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 May 1, 2019 Board Workshop, May 15, 2019 Board Meeting and June 5, 2019 Board Workshop/Meeting.

B. REPORT ON GENERAL DISBURSEMENTS (Fin/Admin)

Staff recommends that the Board approve the total disbursements for the month of April 2019, in the amount of \$13,025,357.43.

C. ADOPTION OF RESOLUTION NO. 2019-6-9, ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR (FY) 2019/20 (Fin/Admin)

Staff recommends that the Board adopt Resolution No. 2019-6-9, establishing the appropriations limit for Fiscal Year 2019/20.

D. CONTACTS UPDATE ON MUTUAL AID AGREEMENT

Staff recommends that the Board approve the Mutual Aid Agreement Amendment No. 2.

E. SUPPORT OF FEDERAL LEGISLATION (Comm/Leg Affairs)

Staff recommends that the Board to adopt a support position on:

- a. HR 1162 (Napolitano) – The Water Recycling Investment and Improvement Act;
- b. HR 1764 (Garamendi) – To amend the Federal Water Pollution Control Act with respect to permitting terms; and
- c. HR 2313 (Huffman) – Water Conservation Rebate Tax Parity Act.

F. REGIONAL CONTRACT FACILITATION CONTRACT AMENDMENT

(Eng/Ops/WR)

Staff recommends that the Board:

1. Approve the budget amendment of \$393,831 for the Regional Contract Facilitation, Project No. PL19002;
2. Authorize the contract amendment for \$393,831 to Kearns & West for a not-to-exceed maximum of \$898,676; and
3. Authorize the General Manager to execute the contract amendment, subject to non-substantive changes.

G. PROJECT AGREEMENT 24 FOR THE INLAND EMPIRE BRINE LINE

(Eng/Ops/WR)

Staff recommends that the Board:

1. Approve Project Agreement 24 for the Inland Empire Brine Line; and
2. Authorize the General Manager to execute the Agreement.

H. PAVEMENT MANAGEMENT MASTER SERVICES CONTRACT AWARD

(Eng/Ops/WR)

Staff recommends that the Board:

1. Award a five-year master services contract, with the option for up to two, one-year time extensions to Buckman Infrastructure Group for a not-to-exceed amount of \$500,000; and
2. Authorize the General Manager to execute the contract, subject to non-substantive changes.

I. FY 2019/20 ANNUAL AUDIT PLAN *(Audit)*

Staff recommends that the Board:

1. Approve the FY 2019/20 Annual Audit Plan; and
2. Direct the Manager of Internal Audit to implement the FY 2019/20 Annual Audit Plan.

J. ADOPT POSITIONS ON STATE LEGISLATION – CONSENT *(Comm/Leg Affairs)*

Affairs)

Staff recommends that the Board adopt the following positions:

1. Oppose for AB 756 (C.Garcia);
2. Support for AB 841 (Ting);
3. Support for AB 1588 (Gloria); and
4. Support if Amended for SB 667 (Hueso).

3. **ACTION ITEM**

A. **ADOPTION OF RESOLUTION NO. 2019-6-12, FOR IEUA SUPPORT OF THE UPDATE TO THE CHINO BASIN OPTIMUM BASIN MANAGEMENT PROGRAM**

Staff recommends that the Board:

1. Adopt Resolution No. 2019-6-12, supporting the timely completion of the Optimum Basin Management Program update; and
2. Direct the General Manager to update the Board with its progress on a regular basis.

B. **APPROVAL TO PARTICIPATE IN A CITIBANK SETTLEMENT AGREEMENT**

Staff recommends that the Board:

1. Approve the Agency's participation in a settlement agreement between 42 state attorney generals and Citibank; and
2. Authorize the General Manager to execute and submit the Election to Participate Release and Claim Form prior to July 9, 2019.

C. **CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) CALL FOR ELECTION FOR SEAT B, SOUTHERN NETWORK**

Staff recommends that the Board cast one vote on behalf of the Inland Empire Utilities Agency for CSDA's 2019 Board of Directors' election for Seat B, Southern Network.

D. **ADOPT POSITIONS ON STATE LEGISLATION - ACTION** *(Comm/Leg Affairs)*

Staff recommends that the Board adopt the following positions:

1. Support for SB 200 (Monning);
2. Support for SB 414 (Caballero);
3. Support for ACA 1 (Aguiar-Curry);
4. Support if Amended for SB 45 (Allen); and
5. Oppose unless Amended for SB 1 (Atkins, Portantino, and Stern).

4. **INFORMATION ITEMS**

A. **BOARD OF DIRECTORS' TRAVEL AND CONFERENCE EXPENSES (WRITTEN)** *(Audit)*

B. **ENGINEERING AND CONSTRUCTION MANAGEMENT PROJECT UPDATES (POWERPOINT)** *(Eng/Ops/WR)*

- C. IMPACT OF DE-ENERGIZING POWER GRID TO AGENCY OPERATIONS (POWERPOINT)
- D. MWD UPDATE (ORAL)
- E. CBWM UPDATE (ORAL)
- F. SAWPA UPDATE (ORAL)
- G. CHINO BASIN PROJECT UPDATE (ORAL)

RECEIVE AND FILE INFORMATION ITEMS

- H. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/POWERPOINT) *(Fin/Admin)*
- I. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN) *(Comm/Leg Affairs)*
- J. STATE LEGISLATIVE REPORT AND MATRIX FROM WEST COAST ADVISORS (WRITTEN) *(Comm/Leg Affairs)*
- K. FEDERAL LEGISLATIVE REPORT AND MATRIX FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN) *(Comm/Leg Affairs)*
- L. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN) *(Comm/Leg Affairs)*
- M. FISCAL YEAR 2018/19 THIRD QUARTER BUDGET VARIANCE, PERFORMANCE GOAL UPDATES, AND BUDGET TRANSFERS (WRITTEN/POWERPOINT) *(Fin/Admin)*
- N. INTERNAL AUDIT DEPARTMENT QUARTERLY STATUS REPORT FOR JUNE 2019 (WRITTEN) *(Audit)*
- O. FY 2019/20 FINANCIAL AUDIT – COMMUNICATIONS REQUIRED BY SAS 114 (WRITTEN) *(Audit)*
- P. REPORT OF OPEN AUDIT RECOMMENDATIONS (WRITTEN) *(Audit)*
- Q. ACCOUNTS PAYABLE FOLLOW-UP AUDIT (WRITTEN/POWERPOINT) *(Audit)*
- R. PAYROLL FOLLOW-UP AUDIT: ETHICS RESOLUTION AND CONFIDENTIALITY AGREEMENT (WRITTEN) *(Audit)*
- S. VOYAGER FUEL CARD AUDIT (WRITTEN/POWERPOINT) *(Audit)*
- T. OPERATIONS DIVISION SEMI-ANNUAL UPDATE (POWERPOINT) *(Eng/Ops/WR)*

5. **AGENCY REPRESENTATIVES' REPORTS**

A. **SAWPA REPORT (WRITTEN)**

June 4, 2019 Regular Commission meeting.

B. **MWD REPORT (WRITTEN)**

June 11, 2019 Board meeting.

C. **REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (WRITTEN)**

June 6, 2019 Regional Sewerage Program Policy Committee meeting.

D. **CHINO BASIN WATERMASTER REPORT (WRITTEN)**

May 23, 2019 CBWM Board meeting.

E. **CHINO BASIN DESALTER AUTHORITY (WRITTEN)**

June 6, 2019 CDA Special Board meeting.

F. **INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY**

Next IERCA Board meeting scheduled for August 5, 2019.

6. **GENERAL MANAGER'S REPORT (WRITTEN)**

7. **BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS**

8. **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.

9. **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 54956.9(d)4 CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

One Case


C. **PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)2 CONFERENCE WITH LEGAL COUNSEL - POTENTIAL LITIGATION**

One Case

10. **ADJOURN**

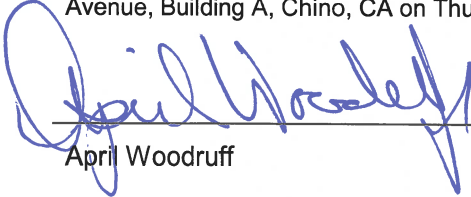
*A Municipal Water District

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.

Proofed by: 

Declaration of Posting

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, June 13, 2019.



April Woodruff

**INFORMATION
ITEM**

4A



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Board of Director's Travel and Conference Expenses

Executive Summary:

In response to the Board's request at the March 20, 2019 Board of Directors Meeting, Internal Audit (IA) performed a review of Directors Travel and Conference Expenses and related guidelines and policies. The review included summarizing Board spending over the previous five years and surveying other public agencies to gather comparable information about "best practices". The complete report is attached.

In response to an additional request, IA provided a detailed analysis of expenditures and copies of the Agency's relevant resolution and policies. This is included in the report as Exhibit C. If the Board desires additional controls, IA provided suggestions on page 6 of the initial report, some which have been adopted by other agencies surveyed:

1. Consider establishing a "prior-to-conference" approval process.
2. Consider establishing a list of potential organizations, conferences and meetings that are important and beneficial to the Agency, where Board representation is desirable.
3. Consider establishing guidelines (minimum and/or maximum) for the number and cost of events to be attended per Board member.
4. Consider adopting IRS guidelines for per-diem reimbursements.
5. Consider having General Counsel review the Board Handbook regularly.

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

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On June 20, 2018, the Board approved the IA Annual Audit Plan. The Board of Directors Travel and Conference Expenses review was not included in the Annual Audit Plan. It is considered a Special Project as described in the quarterly Status Report as: "Special Projects can be short or long-term projects . . . 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." Audit guidelines require IA be responsive to these requests.

Environmental Determination:

Not Applicable

Business Goal:

The Board of Directors Travel and Conferences Expenses report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing independent evaluations and audit/consulting services of Agency activities and making recommendations to foster a strong ethical and internal control environment, evaluate processes and make recommendations to improve efficiencies, safeguard assets and assist management and the Board in achieving organizational goals and objectives.

Attachments:

Attachment 1 - Board of Director's Travel and Conference Expenses report

DATE: May 16, 2019

TO: The Honorable Board of Directors

CC: Shivaji Deshmukh, General Manager
Jean Cihigoyenetché, General Counsel
Teresa V. Velarde

FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Board of Director's Travel and Conference Expenses

Audit Authority & Scope

This report is in response to the March 2019 Inland Empire Utilities Agency (IEUA or Agency) Board of Directors' request for a review of Directors Travel and Conference Expenses and related guidelines and policies. IA performed the review, which included summarizing Board spending over the previous five years and surveying other public agencies to gather comparable information about "best practices". The survey results are attached to this report.

This review focused only on evaluating the policies that guide travel and conference attendance for Board members. The Board of Directors' compensation for attendance at meetings and the types of meetings attended was not evaluated in this review. Meal and/or other expenses incidental to those meetings were not reviewed, nor were regular monthly mileage reimbursements and other related business expenses.

Background Information

The State of California has established regulations through the California Water Code in Sections 71255 and 20202 and Assembly Bill 1234 requiring public agencies to enact policies for director compensation and reporting of reimbursement of expenses.

The IEUA Board of Directors has established policies and resolutions that provide guidelines to comply with the State requirements. The policies and resolutions are included in the Board of Directors' Handbook, a two-volume guide for Directors which contains information about the Agency along with those Agency policies and other information.

The Board of Directors Handbook, Volume 2, also includes resource material including: *Guidelines for Conduct and AB1234, A Primer for Public Water Agency Officials, 2006 Update*, which is published by the Association of California Water Agencies (ACWA).

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

Board of Director's Travel and Conference Expenses

At the March 2019 IEUA Board of Directors meeting, Board members requested a review of the IEUA Board of Directors travel and conference expenses and the related policies and guidelines. IA performed the review with approval from the Audit Committee Chair.

The comments, questions and requested information included:

- Is there a need for more transparency?
- How are travel/conferences approved?
- How are expenses budgeted and what goes into that budget?
- What guidelines are in place and are those guidelines up to date?
- What are other agencies doing?

IA performed the following audit procedures:

- Obtained and reviewed the IEUA *policies currently in place*
- Compiled the *expenses over the past five years*
- Gathered *survey responses from other public agencies*
- Evaluated *other controls* that might be considered by the Board for adoption

IEUA Ordinances and Policies Currently in Place

The information and/or guidelines about Board of Directors Travel and Conference Expenses, are included in Volume 2 of the Board of Directors' Handbook and include:

- **Ordinance No. 107**, adopted by the IEUA Board Directors on May 15, 2019, establishes Compensation/Benefits and authorizes reimbursement of expenses for the Board of Directors and their appointed representatives to meetings and conferences, including the MWD Board and describes the compensable meeting types. It authorizes reimbursements pursuant to Water Code Section 71255 and 20202 and requires compliance with Agency Policies A-37 and A-77.
- **Agency Policy A-37** *Reimbursement for Attendance at a Conference, Seminar or Meeting*, last revised 7/24/2015. This policy applies to all Agency employees, and Board Members. The purpose of the policy is to establish guidelines for expense reimbursements for attendance at a conference, seminar or meeting. The guidelines include procedures for approval of expenses for accommodations, transportation, registration, per diem, etc.
- **Agency Policy A-77** *Board of Directors Expense Reimbursement Policy*, last revised 3/16/2015. This policy applies only to the Board of Directors. It establishes the procedure for submitting expense reimbursement requests for attendance at a conference, seminar or training. It also provides information about compliance with Government Code Sections 53232, 56232.1, 53232.2 and 53232.3 and amendments provided through Assembly Bill 1234.

Board of Directors Budget

To account for all expenses, the Agency's financial system includes separate accounts for Board compensation and payroll taxes, health care expenses, meeting expenses, Agency service awards and a variety of other miscellaneous office and administrative expense categories. It also includes an account called "Directors Expense" that tracks travel and conference expenses. An amount of \$50,000 has been budgeted annually in each of the previous 5 years for "Directors Expense". Actual spending averaged approximately \$21,000 per year. In summary, of the \$50,000 budgeted every year, approximately 40% has been used by all directors combined for travel, conference and related expenses.

As part of the Agency's biennial budget process, all Agency departments are required to prepare the "Conference Training Travel Budget Form" to itemize the expenses for each type of training/conference for the employees in the department that are planning or anticipate attend in the next fiscal year. Documenting the "Conference Training Travel Budget Form" provides a basis and justification for the budgeted amount and serves as a planning tool for the budget about the types of training, conferences and related travel expenses expected to be incurred. Currently, the same process is not required for budgeting Board of Directors travel and conference expenses.

Summary of Board Expenses Over the Past Five Years

The "Directors Expense" which tracks Board conference and travel expenses, amount to approximately 10% of the total expenditures related to the Board of Directors expenses (see all expenses below). IA compared the expenses for travel and conferences to all other expenses related to Board of Directors' expenses, for comparative purposes:

Board of Directors Spending by Category and Year

CATEGORY	2018	2017	2016	2015	2014
Directors Expense Account					
Conference & Travel Expenses (Breakdown & details in next table, next page)	\$ 22,705	\$ 23,824	\$ 20,649	\$ 17,256	\$ 19,781
Meeting Compensation & Payroll Taxes	\$115,854	\$ 87,099	\$ 72,759	\$ 99,199	\$ 80,633
Healthcare*	\$ 79,174	\$ 74,498	\$ 85,599	\$ 82,726	\$ 86,990
Other Board Related Expenses (incl. Reg. Policy Comp, etc. & meals for Board/other mtgs)	\$ 11,184	\$ 10,780	\$ 8,554	\$ 7,085	\$ 4,782
Mileage - Monthly reported	\$ 6,959	\$ 6,056	\$ 4,336	\$ 5,775	\$ 5,921
Service Awards & other Administration (Included in Board accounts)	\$ 5,131	\$ 4,799	\$ 4,757	\$ 5,425	\$ 3,685
TOTALS	\$241,007	\$ 207,056	\$196,654	\$ 217,466	\$201,792

*Updated on June 10, 2019

**Directors Expense Account
 Conference and travel expenses (details)**

CATEGORY	2018	2017	2016	2015	2014
Conference Registrations and Fees	\$ 7,909	\$ 6,506	\$ 7,552	\$ 6,075	\$ 7,485
Lodging	\$ 8,796	\$ 7,988	\$ 6,726	\$ 5,793	\$ 6,988
Airfare	\$ 3,350	\$ 4,939	\$ 3,238	\$ 2,832	\$ 3,115
Car & Transportation	\$ 1,984	\$ 3,502	\$ 2,426	\$ 2,028	\$ 1,555
Meals & per diem	\$ 667	\$ 889	\$ 706	\$ 529	\$ 637
TOTALS	\$ 22,705	\$ 23,824	\$20,649	\$ 17,256	\$ 19,781

Survey Responses from Other Public Agencies

IA requested information about Board Member travel and conference expense practices and policies from other public agencies. The request was made through the California Society of Municipal Finance Officers (CSMFO). When available, IA also made phone calls and reviewed the Administrative Manuals of some comparable agencies. A total of 11 results were compiled from entities that included a City, a Parks District, a Fire Protection District and 8 Water and/or Wastewater Agencies:

- Beaumont-Cherry Valley Water District
- Central Contra Costa Sanitary District
- City of La Quinta
- Cucamonga Valley Water District
- East Bay Regional Park District
- Eastern Municipal Water District
- Moraga-Orinda Fire Protection District
- San Diego County Water Authority
- San Gabriel Basin Water Quality Authority
- West Valley Sanitation District
- Western Municipal Water District

The following survey questions were asked:

1. How is travel for conference and seminars approved or pre-approved or is it approved after? Who approves it?
2. How do Board members select the conferences or training they want to attend? Are there any restrictions to what they can select?
3. Are Board members limited to the number, dollar amount or types of Conferences and/or Seminars they may attend per year? If so, what limits are established?
4. Is there a budget for Board Member travel and conference expenses set by the agency or district or city for the year? If so, how much is it? Is it per Board Member or in total for all members?
5. Are Board Members required to follow per diem guidelines or limits for meal expenses? If so, what are they? If not, are there any other limits or parameters set for any other expenses?

Exhibit A (attached) summarizes the results of all the responses and provides suggestions for the Board's consideration and Exhibit B (attached) provides a compilation of the information from the individual agencies.

The surveys noted:

- All of the Agencies included in the survey have travel, conference and/or expense reimbursement policies, many of which are directed to everyone at the Agency, both employees and Board members. This is similar to IEUA's Agency Policy A-37 which applies to all Agency employees and Board Members and describes how reimbursements should be submitted.
 - Seven of the eleven Agencies require approval in advance, either through the budgeting process or through the Board agenda for at least some forms of travel or conferences. That approval is obtained before the conference/training is attended. IEUA requires that regular Agency employees obtain prior approval from "their department manager and executive manager prior to attending a conference, seminar or meeting and also requires that staff submit details of anticipated travel and conference attendance as part of the budgeting process. For IEUA Board members, there is no advance notification requirement.
 - One Agency restricts conference attendance to California Association of Sanitation Agencies (CASA) conferences, but five Agencies have some form of guideline, either by providing a recommended list or by restricting attendance to a particular organization or a maximum number of conferences or by including a policy statement about the conference addressing "topics related" to the industry. IEUA does not have a policy in place to restrict conference attendance nor that sets a maximum number of conferences per year. IEUA follows the Water Code and AB1234 that provides a limit of 12 events per year.
 - All the Agencies surveyed establish a budget for conference attendance. IEUA budgets \$50,000 annually for "Directors Expenses". The amount budgeted has not changed over the 5-year period reviewed.
 - Per diem* guidelines vary by organization; some use the IRS approved limits; one Agency has a daily maximum of \$75 for meals, another of \$80 and another has a daily maximum of \$500 for food, lodging and incidentals. IEUA's policy states that a "\$50 per diem rate guideline has been established for Agency employees" which includes meals and other miscellaneous expenses.
- * The Agency has a per diem guideline of \$50 for Agency employees (for advance of funds) for travel/related expenses for attendance at conference, seminar or meeting, to be used for meals and other miscellaneous expenses, expenses are fully reimbursed with supporting documentation. Employees shall be reimbursed a maximum of \$50 per day for meals with supporting receipts.
- In accordance with State law, all Agencies require an oral report at the next Board meeting following conference attendance. IEUA's Policy includes this requirement.

Additional Controls for the Board to consider

If additional controls for travel/conference expenses are desired, the IEUA Board of Directors may want to consider the following additional controls and guidelines, or others suggested by the Agency's General Counsel:

- Consider establishing a "prior-to-conference" approval process, either as part of the budgeting process before the beginning of the fiscal year, or periodically, or on an event by event basis. This would ensure Board members are made aware of conferences each of the other Board members are planning to attend.
- Consider having the Board, along with the General Manager and/or Executive Management work together to establish a list of potential organizations, conferences and meetings that are important and beneficial to the Agency and plan for attendance at the event.
- Consider establishing guidelines (potentially a minimum and/or maximum) for the number of conferences and events that Board members are expected and/or encouraged to attend and a range of spending on conferences and events per Board member.
- Consider adopting IRS guidelines for meal reimbursements Agency-wide. These may be adjusted annually or periodically.
- Consider having General Counsel review the Board of Directors Handbook annually or at a minimum every two years to ensure all documents are up to date, specifically with regard to legal requirements. IA is available to assist with the review for Agency-wide policies and other pertinent information.

IA extends its appreciation to the Finance and Accounting department, Agency Management, and IEUA's General Counsel for their assistance during this review. Please contact Teresa Velarde, Manager of Internal Audit at 909-993-1521 for additional information or details related to this report.

The Board of Director's Travel and Conference Expenses Review of policies and guidelines is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by ensuring that IA's evaluations provide suggestions that foster a strong internal control environment, transparency in business practices to mitigate risks and assist in the achievement of organizational goals and objectives.

This review is also aligned with the responsibilities documented in the Internal Audit Department Charter, as approved by the IEUA Board of Directors.

Exhibit A – Survey Summary
Board of Directors Travel, Conferences and Expenses Policies and Practices

Survey Question	IEUA	Summary of Survey Responses from 11 Agencies	Additional guidance to consider
How is travel for conferences and seminars approved or pre-approved or is it approved after? Who approves it?	No pre-approval requirement for Board members. Receipts are submitted to the Board Secretary for reimbursement.	7 of 11 responses require approval in advance for at least certain types of events, remainder are less formal.	Consider establishing a prior-approval process either as part of the budget process or before the beginning of the fiscal year on before each event.
How do Board members select the conferences or training they want to attend? Are there any restrictions to what they can select?	No specific guideline mentioned in the policies; Ordinance provides compensation for “conference related to Agency business” not exceeding three days [for compensation].	8 of 11 have a stipulation requiring water or wastewater connection; 2 of the 8 have a recommended list or a restriction to a specific organization; 3 of 11 are informal based-on Board member interest	Consider planning ahead the various conferences along with the GM and/or Executive management to list all possible conferences and determine those that are important/beneficial to the Agency.
Are Board members limited to the number, dollar amount or types of Conferences and/or Seminars they may attend per year? If so, what limits are established?	No specific guideline mentioned in the policies; Policy A-37 states: “directly beneficial to the Agency”; Ordinance provides compensation for “conference related to Agency business” not exceeding three days [for compensation].	7 of 11 responses mention a budget for the overall Board for conference expenses, 1 Agency has a limit per Board member. Several mention the limit on monthly compensated meetings.	Consider establishing guidelines.
Is there a budget for Board Member travel and conference expenses set by the agency or district or city for the year? If so, how much is it? Is it per Board Member or in total for all members?	Yes, Agency budget for “Directors Expenses” account #510032 has a budget amount of \$50,000 per year for Director expenses per fiscal year not including regular meeting & mileage expenses.	7 of 11 mention a budget. 4 Agencies provided an amount for the fiscal year ranged from a low of \$2,500 total to a high of \$25,000 total. 7 Agencies did not provide a budget amount.	Consider establishing guidelines.
Are Board Members required to follow per diem guidelines or limits for meal expenses? If so, what are they? If not, are there any other limits or parameters set for any other expenses?	Not specific mentioned in Policy A-77, only alcohol is not allowed. Employee Policy A-37 provides limit of \$50 per day with suggested limits of breakfast \$10; lunch \$15; dinner \$25. Ordinance says Board should follow Agency reimbursement policies.	All have limits, examples include IRS limits, \$80 per day and “limits set by a policy”. One Agency allows up to \$500 per day to cover lodging, meals and incidentals.	Keep the current rates or consider adjusting to IRS guidelines and revising periodically.

**Exhibit B – Comparable Survey with External Organizations
 Board of Director’s Travel and Conference Expenses**

	How is travel for conference & seminars approved or pre-approved or is it approved after? Who approves it?	How do Board members select the conferences or training they want to attend? Are there any restrictions to what they can select?	Are Board members limited to the number, dollar amount or types of Conferences and/or Seminars they may attend per year? If so, what limits are established?	Is there a budget for Board Member travel and conference expenses set by the agency or district or city for the year? If so, how much is it? Is it per Board Member or in total for all members?	Are Board Members required to follow per diem guidelines or limits for meal expenses? If so, what are they? If not, are there any other limits or parameters set for any other expenses?
IEUA	<i>Pre-approval not required for Board. Receipts are submitted to Board Secretary for reimbursement</i>	<i>No mention or guidance in the policies; Ordinance provides compensation for "conference related to Agency business" not exceeding three days; Policy A-37 states: "directly beneficial to the Agency"</i>	<i>Not mentioned; Policy A-37 states: "directly beneficial to the Agency"; Ordinance provides compensation for "conference related to Agency business" not exceeding three days.</i>	<i>Agency budget for "Directors Expenses" account #510032 has a total amount of \$50,000 for all Director expenses not including regular meeting & mileage expenses.</i>	<i>Not mentioned in Policy A-77, other than no alcohol. Employee Policy A-37 provides limit of \$50 per day with suggested limits of breakfast \$10; lunch \$15; dinner \$25. Ordinance says Board follows Agency reimbursement policies.</i>
Western Municipal Water District	No pre-approval requirement for Board members. Receipts are submitted for reimbursement	Must have a water nexus. Directors must be informed of & familiar with . . . water district law . . . and about national, statewide, and local water and wastewater programs and issues. Each member of Board of Directors is encouraged to participate in those outside organizations that in the judgment of the Board further the interests of the District.	No limits, other than they are only compensated for up to 10 meetings a month.	No budget set	The maximum allowable pursuant to an IRS Accountable Plan.
Eastern Municipal Water District	No pre-approval requirement noted in the District's admin code	Board member can be compensated for educational seminars conducted by various organizations on topics related to water and wastewater issues. May also be compensated for nonprofit & service club meetings if advance approval of Board obtained.	Can be compensated for up to 10 meetings a month and no more than one per day	Not found in administrative code. Can be compensated for up to 10 meetings a month and no more than one per day.	Up to \$500 per day for lodging, meals and incidentals.
Cucamonga Valley Water District	Must be included on the District's "Calendar of Events" for approval on the Consent Calendar of the Board Meeting Agenda for approval prior to the event	Board members communicate their interest in attending an event to the Executive Assistant who then includes it on the Calendar of Events and should be "in the performance of their official duties as a representative of the District"	Can be compensated for up to 10 meetings a month and no more than one per day	Not found in administrative code. Can be compensated for up to 10 meetings a month and no more than one per day.	Reimbursed for actual meal expenses including taxes and gratuities for up to \$80 per day. Reimbursed for expenses for authorized business of the District.
San Diego County Water Authority	List of authorized meetings and organizations included in the policy. For organizations & policy events not specifically named, authorization from Board Chair required in advance	Self-select; for events not specifically mentioned in the Policy, need prior authorization from Board Chair	Can be compensated for up to 10 meetings a month and no more than one per day	Not found in administrative code. Can be compensated for up to 10 meetings a month and no more than one per day.	\$65 per day/\$80 for high cost cities and actual expenses of the event
Central Contra Costa Sanitary District	Certain dollars for travel are included in the budget each year to start	They make their selections & those are compiled into a document for entire Board to approve at a regular meeting before the budget year starts. They have to be closely related to District business, and some of them are closely involved in certain organizations, so will attend those.	There are no limits on the number of conferences & seminars, but they normally try to stay within a \$2,000 cap for each conference	Yes, there is a budget for each year. It varies from year to year. There are no limits on the number of conferences & seminars.	Yes, follow IRS Per Diem guidelines. Only difference Board is not held to the per meal per diem, they just cannot go over total for day. If they choose, they can utilize entire per diem for dinner for example

Board of Directors Travel and Conference Expenses
 May 16, 2019
 Page 9 of 9

	How is travel for conference & seminars approved or pre-approved or is it approved after? Who approves it?	How do Board members select the conferences or training they want to attend? Are there any restrictions to what they can select?	Are Board members limited to the number, dollar amount or types of Conferences and/or Seminars they may attend per year? If so, what limits are established?	Is there a budget for Board Member travel and conference expenses set by the agency or district or city for the year? If so, how much is it? Is it per Board Member or in total for all members?	Are Board Members required to follow per diem guidelines or limits for meal expenses? If so, what are they? If not, are there any other limits or parameters set for any other expenses?
San Gabriel Basin Water Quality Authority	No approval needed if travel is in accordance with policy and budget.	Select based on list of approved conference or training which is part of the policy	Yes, the budget is set annually during the budget process	Yes. A maximum of \$4,000 annually has been set for each board member	Limits are set by the policy
West Valley Sanitation District	The Board approves in advance as an agenda item	Only CASA related conferences are offered to board members. They choose which one they want to attend. Board's conference attendance is low to none in recent years.	Board members receive expense reimbursement & \$150 per day for attending conference, maximum 6 days per month including board meetings. Upon return, the member is to complete certificate & expense report	No set amount, annually the budget is based on board's interest to attend conferences. \$150 per day for attending conference, maximum 6 days per month for board meetings	Follows travel policy. The maximum that will be reimbursed for meals in one day is \$75, including gratuity.
Beaumont Cherry Valley Water District	Taken to Board, Board approves (note: Per manual approved by Board in advance)	Any Board member can recommend, or District Staff recommends, then taken to the Board meeting to see if Board is interested and approved if needed. District must benefit from information or education obtained by the Board member attending.	No. Limitation is based on their annual budget and board member's availability.	Yes. \$10,000 total for all board members. Limitation is based on their annual budget.	Yes, they have a per diem. No restrictions on meals other than no alcohol
Moraga-Orinda Fire Protection District	Yes	Board chooses. Has to comply with Policy	All can attend. Has to comply with Policy	Yes, \$2,500 total for the board	Yes, they have to comply with the Policy. Elected officials are required to submit receipts for food purchases
City of La Quinta	Policy addresses approvals; basically, if it involves overnight travel it must be approved in advance by Council (for anyone-even themselves). These items go as consent calendar items.	Not aware of restrictions as to what they can attend, & as far as I know they can select for themselves; but again, if it is going to involve overnight travel, they have to be ready to justify it at a public meeting if they get asked.	A total budget for entire department. This year it is \$25,000. Includes travel for all 5 members of Council & sponsorships like buying a table at a luncheon of local organizations	There is a total budget. This year it is \$25,000. It includes travel for all 5 members of Council, as well as sponsorships like buying a table at a luncheon of local organizations	There are meal limits in the policy that must be followed by everyone, including council members & do require detailed itemized receipts for all meals. Have rejected travel expenses for people who cannot provide receipts
East Bay Regional Park District	Board resolution is initiated by Clerk of the Board for out of state travel. It must be approved in advance by majority of Board in open session. Local travel/meetings do not have much formality for prior approval. Board members attend as they deem appropriate. If necessary, receive mileage & attendance fee at pre-set amounts	It is relevant to District activities, and the Board members express their interest	I am not sure if they are restricted, I believe they use their judgement and are very frugal	As part of annual budget, a cumulative lump sum is designated for such purposes not for each individual. Also, a Board Contingency Fund at a set amount annually that Board members decide how to allocate. Contingency fund amounts are always for relevant District purposes (never seen it used for travel expenses). They use their judgement and are very frugal.	Yes, follow IRS, (or Federal Govt.) approved limits.

Exhibit C -
Additional Information
RE: Board of Director's Travel and Conference Expenses



6075 Kimball Avenue • Chino, CA 91708
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TEL (909) 993-1600 • FAX (909) 993-1985
www.ieua.org

DATE: May 22, 2019

Additional Information

RE: Board of Director's Travel and Conference Expenses

Attached, is additional detailed analysis of the Board of Director's (Board) Travel and Conference Expenses that is supplementary information to the Internal Audit Department's report on Board Travel and Conference Expenses.

The Internal Audit Department is available to provide additional information, details and/or respond to any other questions regarding this topic. Please contact Teresa Velarde at 909-993-1521, for any questions.

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

**INLAND EMPIRE UTILITIES AGENCY
SUMMARY OF ANALYSIS OF BOARD OF DIRECTORS
CONFERENCE AND TRAVEL EXPENDITURES**

	Camacho	Catlin	Elie	Hall	Hofer	Koopman	Parker	(blank)	Grand Total
2018	\$ 2,339		\$ 6,083	\$ 14,189	\$ 16		\$ 97		\$ 22,725
2017	\$ 2,017	\$ 1,877	\$ 5,852	\$ 14,282	\$ 1	\$ 135	\$ 504	\$ 970	\$ 25,638
2016	\$ 3,167	\$ 1,119	\$ 6,987	\$ 9,410					\$ 20,684
2015	\$ 2,707	\$ 75	\$ 4,453	\$ 10,092				\$ 1,059	\$ 18,387
2014	\$ 5,291	\$ 1,194	\$ 4,031	\$ 9,280		\$ 100		\$ 84	\$ 19,980
TOTALS	\$ 15,521	\$ 4,265	\$ 27,407	\$ 57,253	\$ 17	\$ 235	\$ 601	\$ 2,113	\$ 107,413

(blank) Amounts in this category consist primarily of IEUA logo clothing and/or Director Portraits

BOARD MEMBER CONFERENCE AND TRAVEL EXPENDITURES

General notes about approach to reviewing the amounts and types of events.

In order to determine the nature and types of conferences attended, IA:

- 1 Reviewed the account description "Registration" for all amounts in excess of \$100 to determine the event sponsor.
- 2 Scanned the "Director Expense" accounts for any other significant expenditures for events such as "summits", "meetings" and similar descriptions to provide context for other travel. The analysis was not exhaustive and IA did not review all invoices and/or other original documentation in all cases.
- 3 Items noted with "From expense review" were items that were noted during the scanning process.
- 4 IA also reviewed other accounts in the Board of Directors budget heading to add-back into the conference and travel category items that were included elsewhere, but related to conferences and travel. This review also did not include all invoices and/or other original documentation in all cases, so there may be other items not noted.
- 5 IA noted a small number of items in the "Directors Expense" category that could have been classified elsewhere, but IA did not move any expenditures out of this category. So, some items such as "Director Portraits", "IEUA logo clothing" and items that might have been characterized as "sponsorships" or "contributions" are included in this analysis.

2018

INLAND EMPIRE UTILITIES AGENCY
Analysis of Board of Directors Conference and Travel Expenditures

	Camacho	Elie	Hall	Hofer	Parker	Grand Total
Airfare	\$ 524	\$ 1,529	\$ 1,297			\$ 3,350
Car Rental		\$ 160	\$ 195			\$ 355
Conference			\$ 8			\$ 8
Event						\$ -
Flowers						\$ -
Gasoline			\$ 20			\$ 20
Lodging	\$ 591	\$ 1,876	\$ 6,329			\$ 8,796
Meals		\$ 307	\$ 360			\$ 667
Mileage	\$ 7	\$ 273	\$ 407			\$ 687
Parking	\$ 22	\$ 190	\$ 212		\$ 20	\$ 444
Photos						\$ -
Registration	\$ 1,175	\$ 1,572	\$ 5,061		\$ 77	\$ 7,885
Toll Roads		\$ 8				\$ 8
Tour						\$ -
Training				\$ 16		\$ 16
Transportation	\$ 20	\$ 169	\$ 302			\$ 491
Uniform						\$ -
Grand Total	\$2,339	\$6,083	\$14,189	\$16	\$97	\$22,725

CONFERENCES BY BOARD MEMBER:

Association of California Water Agencies	OC Summit	State of the Region
Association of California Water Agencies	National Water Policy DC	CA Water Policy
	Holiday Home Tour Program (s/b contributions)	Water Reuse
	Association of California Water Agencies	Association of California Water Agencies
	From Expense Review: Water Now Committee, Urban Wtr Conf.	Association of Women in Water, Energy and Environment
		California Association of Sanitation Agencies

2017

INLAND EMPIRE UTILITIES AGENCY
Analysis of Board of Directors Conference and Travel Expenditures

	Camacho	Catlin	Elie	Hall	Hofer	Koopman	Parker	(blank)	Grand Total
Airfare	\$ 518	\$ 518	\$ 3,147	\$ 756					\$ 4,939
Car Rental				\$ 288					\$ 288
Conference				\$ 745					\$ 745
Event	\$ 107		\$ 113						\$ 220
Flowers						\$ 135			\$ 135
Gasoline				\$ 15					\$ 15
Lodging	\$ 727	\$ 581	\$ 1,034	\$ 5,646					\$ 7,988
Meals		\$ 30	\$ 114	\$ 745					\$ 889
Mileage	\$ 8		\$ 66	\$ 822					\$ 896
Parking		\$ 33	\$ 126	\$ 373					\$ 532
Photos					\$ 1		\$ 472		\$ 473
Registration	\$ 657	\$ 715	\$ 344	\$ 4,013			\$ 32		\$ 5,761
Toll Roads									\$ -
Tour									\$ -
Training									\$ -
Transportation			\$ 907	\$ 879					\$ 1,786
Uniform								\$ 970	\$ 970
Grand Total	\$ 2,017	\$ 1,877	\$ 5,852	\$ 14,282	\$ 1	\$ 135	\$ 504	\$ 970	\$ 25,638

CONFERENCES BY BOARD MEMBER:

Association of California Water Agencies	Association of California Water Agencies	American Academy of Environmental Engineers and Scientists	Grow Riverside
	From Expense Review: California Special Districts Association	From Expense Review: Leg Mtg-Sac	Association of California Water Agencies
		From Expense Review: California Special Districts Association	American Academy of Environmental Engineers and Scientists
		From Expense Review: WaterNow Alliance Summit	CA Water Policy
		American Academy of Environmental Engineers and Scientists	Association of California Water Agencies
		From Expense Review: Leg Mtg-Sac	California Special Districts Association
		From Expense Review: California Special Districts Association	California Association of Sanitation Agencies
		From Expense Review: WaterNow Alliance Summit	

Director Portraits

2016

INLAND EMPIRE UTILITIES AGENCY
Analysis of Board of Directors Conference and Travel Expenditures

	Camacho	Catlin	Elie	Hall	Grand Total
Airfare	\$604		\$1,884	\$750	\$3,238
Car Rental			\$260	\$407	\$668
Conference		\$1,119			\$1,119
Event					
Flowers				\$10	\$0
Gasoline					\$0
Lodging	\$773		\$2,241	\$3,712	\$0
Meals	\$81		\$299	\$326	\$10
Mileage	\$544		\$143	\$332	\$6,726
Parking			\$158	\$252	\$706
Photos					
Registration	\$1,165		\$1,731	\$3,537	\$1,020
Toll Roads				\$25	\$410
Tour					
Training					
Transportation			\$271	\$58	\$0
Uniform					\$0
Grand Total	\$3,167	\$1,119	\$6,987	\$9,410	\$20,684

CONFERENCES BY BOARD MEMBER:

American Water Works Association	From Expense Review: Association of California Water Agencies	OC Water Summit	Association of California Water Agencies
Association of California Water Agencies		From Expense Review: Annual Awards Dinner - Cal State	California Association of Sanitation Agencies
		Association of California Water Agencies	California Association of Sanitation Agencies
		Association of California Water Agencies	American Association of Blacks in Energy
		From Expense Review: Leg Mtg - DC	Association of California Water Agencies
		From Expense Review: Dlgtn - SAC	American Association of Blacks in Energy
		From Expense Review: Wtr Agencies IE Leg Recptn	California Association of Sanitation Agencies

2015

INLAND EMPIRE UTILITIES AGENCY
Analysis of Board of Directors Conference and Travel Expenditures

	Camacho	Catlin	Elie	Hall	(blank)	Grand Total
Airfare			\$1,509	\$1,323		\$2,832
Car Rental						\$0
Conference				-\$300		-\$300
Event				\$50		\$50
Flowers						\$0
Gasoline				\$21		\$21
Lodging	\$883		\$1,120	\$3,790		\$5,793
Meals	\$44		\$131	\$354		\$529
Mileage	\$531		\$70	\$264		\$865
Parking	\$84		\$229	\$255		\$568
Photos						\$0
Registration	\$1,165	\$75	\$1,340	\$3,795		\$6,375
Toll Roads						\$0
Tour						\$0
Training						\$0
Transportation			\$54	\$540		\$594
Uniform					\$1,059	\$1,059
Grand Total	\$2,707	\$75	\$4,453	\$10,092	\$1,059	\$18,387

CONFERENCES BY BOARD MEMBER:

Association of California Water Agencies	Association of California Water Agencies	Association of California Water Agencies	IEUA Logo Wear
	Association of California Water Agencies	Water 101	
	From Expense Review: Wtr Agencies IE/Orange Recp-Leg Recptn	Joint: Association of California Water Agencies/California Association of Sanitation Agencies	
	From Expense Review: Legislatv Mtg-SAC	California Association of Sanitation Agencies	
		Association of California Water Agencies	
		California Special Districts Association/SDLA	
		California Special Districts Association	
		California Association of Sanitation Agencies	

2014

INLAND EMPIRE UTILITIES AGENCY
Analysis of Board of Directors Conference and Travel Expenditures

	Camacho	Catlin	Elie	Hall	Koopman	(blank)	Grand Total
Airfare	\$428		\$944	\$1,743			\$3,115
Car Rental			\$70	\$55			\$125
Conference	\$399						\$399
Event	\$85		\$13	\$50			\$148
Flowers							\$0
Gasoline				\$7			\$7
Lodging	\$1,546	\$460	\$1,164	\$3,819			\$6,988
Meals	\$129		\$247	\$248		\$14	\$637
Mileage	\$605		\$56	\$262			\$923
Parking	\$120	\$24	\$136	\$105			\$385
Photos							\$0
Registration	\$1,955	\$710	\$1,271	\$2,625	\$100	\$70	\$6,731
Toll Roads				\$12			\$12
Tour				\$45			\$45
Training			\$130	\$225			\$355
Transportation	\$25			\$85			\$110
Uniform							\$0
Grand Total	\$5,291	\$1,194	\$4,031	\$9,280	\$100	\$84	\$19,980

CONFERENCES BY BOARD MEMBER:

Water Reuse Conference	Association of California Water Agencies	Joint: Association of Groundwater Agencies/American Groundwater Trust	Water Reuse Conference
Association of California Water Agencies		From Expense Review: SAC Legislative Mtg	California Special Districts Association
Association of California Water Agencies			Joint: California Association of Sanitation Agencies/Association of California Water Agencies
			California Association of Sanitation Agencies
			Association of California Water Agencies

ORDINANCE NO. 107

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

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* ("Agency") as follows:

WHEREAS, it is recognized that each member of the Board of Directors expends a considerable amount of time and effort serving on committees and attending meetings including, but not limited to meetings of the Board of Directors;

WHEREAS, in consideration for the expenditure of time and effort, it is appropriate to provide reasonable compensation and to authorize reimbursement of expenses for the Board of Directors, pursuant to Section 71255 of the Water Code; and

WHEREAS, California Water Code Section 20202 provides that the Board of Directors may adopt an ordinance authorizing compensation for the Directors for a total of not more than ten (10) days in any calendar month and in an amount in excess of \$100 per day, as may be adjusted each year.

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* as follows:

Section 1. Compensation. Subject to the limitation of Section 2 of this Ordinance each member of the Board of Directors shall be compensated for attending:

- (a) Regular, special, emergency and adjourned meeting of the Board of Directors.
- (b) Regular, special, emergency and adjourned meeting of a committee of the Board of Directors, provided that attendance is as a member of that committee.
- (c) Regular special, emergency and adjourned meeting of a commission, Board, Joint Powers Authority, or committee, provided that membership on/in such body has been authorized by the Board of Directors. However, if such member receives compensation from the body, then the Agency shall compensate the member only the difference between the current Agency compensation rate and the compensation paid by the respective body.
- (d) A conference related to Agency business provided that such compensation shall not exceed three days.

(e) Regular, special, emergency and adjourned meetings of a Board or Committee of the Metropolitan Water District of Southern California provided that attendance is as a member of that committee.

(f) At City Council meetings, other water agency meetings and other community meetings where the member is requested to attend by the Board President or General Manager or is making a presentation on the Agency's behalf.

(g) Meetings with local, state or federal elected officials or staff members that are related to Agency business.

(h) Court hearings or other legal proceedings related to Agency business.

(i) Attendance at any meeting provided for under Sections 1.b, c, e, and f, shall also include payment to both the primary representative and the alternate representative to said body if they both attend said meeting.

U) Training sessions mandated by law including, but not limited to, ethics training and harassment training.

(k) Attendance at Agency sponsored events, which are not considered Board Meetings or committee meetings such as service awards luncheons, leadership breakfasts, and similar events.

(l) The Board of Directors may retroactively approve payment for attendance at any meeting/event attended by a member of the Board, the Agency representative to the Metropolitan Water District of Southern California, or a committee member appointed from outside of the Agency by the Board to an Agency committee.

Section 2. Compensation for attendance at a meeting and/or conference as specified in Section 1, shall not exceed, on a per day basis, that amount of compensation as established by the Board, regardless of the number of meetings and/or conferences that are attended on the same day; provided that the total compensable days in a calendar month shall not to exceed ten days. Attendance shall mean that the Director is present during not less than seventy five percent (75%) of the duration of the meeting or conference presentations.

Section 3. Members of the Board of Directors are eligible to enroll in Agency sponsored group insurance plans available to eligible employees for health, dental, vision, and life insurance. The benefits allowed to the members of the Board of Directors shall not be greater than the most generous schedule of benefits being received by any category of Agency employees.

Section 4. Representatives to the Metropolitan Water District of Southern California Board of Directors and committee members appointed from outside of the Agency by the Board to an Agency committee or to MWD shall be paid the current Agency compensation rate under the same terms and conditions as a Board member.

Section 5. All compensation/benefits provided to members of the Board of Directors shall be reviewed at a regular meeting of the Board of Directors within the first

quarter of every year and if changes are approved by a majority vote of the Board said changes shall become effective at the beginning of the next fiscal year. Currently the rate of compensation for members of the Board of Directors of the Agency shall be \$260.00 per day's service.

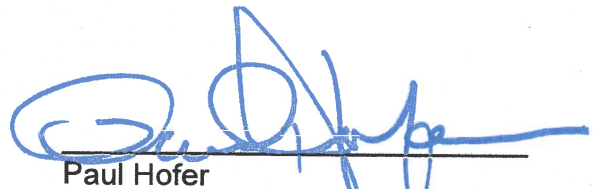
Section 6. Reimbursement of Expenses. Each member of the Board of Directors, Metropolitan Water District representatives and committee members appointed from outside of the Agency shall be reimbursed for reasonable out-of-pocket expenses incurred by such member in performing services rendered pursuant to Section 1, or in performing services otherwise authorized or ratified by the Board of Directors. Reimbursement for lodging, conferences and travel expenses shall be in accordance with Agency Policy A-37 and A-77 as may be amended from time to time.

Section 7. The Directors, Metropolitan Water District representatives and outside committee members shall be paid based upon a duly executed pay sheet/expense voucher submitted monthly by the Directors, Metropolitan Water District representatives and outside committee members to be approved by the President of the Board of Directors. Said documents shall then be submitted to the Agency's Executive Manager of Finance and Administration for review on a monthly basis. In order to receive payment, each director/representative must submit monthly pay sheets/expense vouchers within 30 calendar days of the end of the month payment is requested.

Section 8. Repeal of Prior Ordinances and Resolutions. Ordinance 105 is repealed as of the effective date of this ordinance and this ordinance shall supersede any and all other prior ordinances or resolutions in conflict with the provisions hereof.

Section 9. Effective Date: This ordinance shall become effective upon adoption.

ADOPTED, the 15th day of May, 2019.



Paul Hofer
President of the In n Empire
Utilities Agency* and of the Board
of Directors thereof

ATTEST:



Kati Parker
Secretary/Treasurer of the Inland Empire
Utilities Agency* and the Board of Directors
thereof

*A Municipal Water District

STATE OF CALIFORNIA)
COUNTY OF)SS
SAN BERNARDINO)

I, Kati Parker, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the forgoing Ordinance being No. 107, was adopted at a regular
meeting on May 15, 2019, of said Agency by the following vote:

AYES: Hall, Parker, Elie, Hofer

NOES: Camacho


ABSTAIN: None

ABSENT: None



Kati Parker
Secretary/Treasurer of the
Inland Empire Utilities Agency* and on
behalf of the Board of Directors thereof

(SEAL)

Doc Number: A-37		
Doc Name: Reimbursement for Attendance at a Conference, Seminar or Meeting		
Revision No: 1	Owner: Finance & Accounting	Page 1 of 5
Effective: 7/24/15		

EXECUTIVE SUMMARY


The purpose of this policy is to establish the guidelines for expense reimbursements for attendance at a conference, seminar or meeting. It is the policy of the Agency that, where budget allocations permit, authorized employees shall be reimbursed for reasonable and necessary expenses incurred in the performance of official Agency business when such expenditures are authorized in advance and the employee’s attendance is deemed to be directly beneficial to the Agency.

This policy is consistent with the Agency’s business goal of Business Practices commitment of applying ethical, fiscally responsible principals to all aspects of the business and organizational conduct.

REVISION AND APPROVAL HISTORY

<i>REVIEWER</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED</i>
<u>[First Last Name]</u>	<u>Entire Policy</u>	<i>XX</i>	<i>MM/DD/YYYY</i>	<i>MM/DD/YYYY</i>	<u>[First Last Name]</u>
Stephanie Riley	Entire Policy	01	7/24/15	7/24/15	Christina Valencia

*Draft and Archived/Obsolete revisions are not to be used.
Access AIM system to view current version.*

Doc Number: A-37		
Doc Name: Reimbursement for Attendance at a Conference, Seminar or Meeting		
Revision No: 1	Owner: Finance & Accounting	Page 2 of 5
Effective: 7/24/15		

1. POLICY

It is the policy of the Agency that, where budget allocations permit, authorized employees shall be reimbursed for reasonable and necessary expenses incurred in the performance of official Agency business when such expenditures are authorized in advance and the employee’s attendance is deemed to be directly beneficial to the Agency.

2. PURPOSE

The purpose of this policy is to establish the guidelines for expense reimbursements for attendance at a conference, seminar or meeting.

3. SCOPE

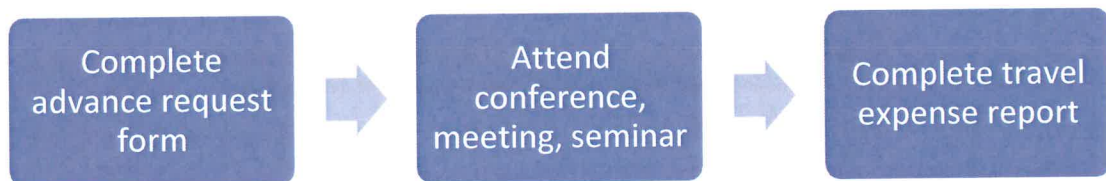
For the purposes of this policy, “authorized employees” shall include all regular employees and Board Members, and does not include intern, temporary, or limited-term staff.

4. DEFINITIONS

None.


5. PROCEDURES

5.1 Process Flow –



5.2 Authorization to Attend

- A. Agency employees shall secure the approval of their department manager and executive manager prior to attending a conference, seminar or meeting on an [Attendance and Advance Request form](#) (available on [AIM](#)).
- 1. If overnight accommodations are required, the General Manager [Attendance and Advance Request form](#) and approve the [Travel Expense Report](#) (available on [AIM](#)).
- B. Due to the limited appropriation of funds, approval for local conference, seminar and meeting attendance shall be given highest priority.
- C. When possible, the employee should submit the [Attendance and Advance Request form](#) as early as possible to assure that adequate funds are available in the Agency’s Annual Budget.

Doc Number: A-37		
Doc Name: Reimbursement for Attendance at a Conference, Seminar or Meeting		
Revision No: 1	Owner: Finance & Accounting	Page 3 of 5
Effective: 7/24/15		

- D. The employee should refrain from expending funds (i.e., registration, transportation, accommodations, etc.) prior to securing appropriate approval.
1. Any expenses incurred prior to securing approval may not be reimbursed by the Agency.

5.3 Expenses

A. Accommodations


1. Reimbursement for the cost of overnight accommodations for a conference, seminar or meeting shall be limited to the reasonable cost of adequate accommodations, as determined by the General Manager.
2. Costs which are deemed to be unnecessary, unrelated or excessive will not be reimbursed or paid by the Agency.

B. Transportation

1. An Agency vehicle shall be utilized when practical.
2. Other transportation to a conference, seminar or meeting shall be reimbursed or paid directly by the Agency.
3. To secure the most economical mode of transportation in keeping with availability, convenience and propriety of the Agency, all travel arrangements shall be made with the endorsement of the respective Executive Manager.
4. When air travel is the most appropriate method of transportation, coach class shall be utilized.
5. An Agency vehicle shall be used when appropriate. Employees paid an auto allowance should use their personal vehicles when attending a local event.
6. Employees may use an Agency vehicle if other Agency employees are attending and carpooling to the event.
7. A private automobile may be used when necessary. Reimbursement for such shall follow the guidelines in the Agency Vehicle Use Policy, and mileage reimbursement shall be paid at the IRS approved rate if the employee does not normally receive an automobile allowance.
8. A rental car may be used when appropriate public transportation is unavailable or more expensive.
9. Shuttle and metro services should be used when most appropriate in lieu of a taxi or car rental.

C. Expenses

1. A \$50 per diem rate guideline has been established for Agency employees. Employees shall receive attendance approval by the appropriate level of management as provided prior to receipt of an advance for travel and/or related expenses for attendance at a conference, seminar or meeting.
2. The advance is to be used for meals and other miscellaneous expenses, such as parking fees, not including major transportation or registration fees.
3. Advances should be requested two weeks prior to the conference, seminar or meeting so that payments can be made prior to the dates of the trip.

Doc Number: A-37		
Doc Name: Reimbursement for Attendance at a Conference, Seminar or Meeting		
Revision No: 1	Owner: Finance & Accounting	Page 4 of 5
Effective: 7/24/15		


4. If it is necessary to use an Agency credit card, it should be limited to registration and air travel.
5. Except as otherwise provided, the guidelines for meal reimbursements, including tax and tip, shall be a maximum of \$50 per day with suggested limits as follows: breakfast \$10; lunch \$15; dinner \$25.
6. If the indicated guidelines are exceeded, written justification must be attached to the [Travel Expense Report](#) or approval must be obtained in advance for locations where these amounts may not be practical.
7. Alcohol consumption and entertainment expenses will not be reimbursed.
8. Within fourteen (14) days following attendance, the employee shall submit the completed [Attendance and Advance Request form](#) and the [Travel Expense Report](#) (available on [AIM](#)).
9. Original receipts are required for all expenses including those for meals, taxi, bus fares, parking, etc.
10. An employee will be required to reimburse the Agency for the amount of an advance that cannot be justified with original receipts.
11. Expenses that cannot be justified and are deemed unreasonable will not be reimbursed.
12. All applicable receipts and/or invoices shall be attached to the [Travel Expense Report](#).
13. The employee shall forward this form to the respective Department Manager, Executive Manager and in the case of Executive Managers or when overnight accommodations are involved, to the General Manager, for approval.

5.4 Registration

- A. Registration and related fees shall normally be reimbursed or paid in advance by the Agency for all authorized attendance.
- B. An Agency credit card may be used for the payment of registration fees.

5.5 Employee Compensation

- A. An employee who attends a conference, seminar or meeting on his/her regularly scheduled workday shall receive his/her regular compensation for such attendance.
- B. If a non-exempt employee attends a non-voluntary conference, seminar or meeting on his/her scheduled day(s) off, such attendance shall be compensated and counted as hours worked.
- C. A non-exempt employee who travels during his/her normal working hours shall be compensated for travel time as hours worked.

Doc Number: A-37 Doc Name: Reimbursement for Attendance at a Conference, Seminar or Meeting		
Revision No: 1 Effective: 7/24/15	Owner: Finance & Accounting Page 5 of 5	

6. RESPONSIBILITIES

6.1 Manager of Finance and Accounting - Overall administration and periodic review of this policy.

7. REFERENCES

7.1 Attendance and Advance Request form (available on AIM)

7.2 Travel Expense Report (available on AIM)



ATTENDANCE and ADVANCE REQUEST

REQUEST IS HEREBY MADE TO ATTEND THE FOLLOWING CONFERENCE, SEMINAR or MEETING:

EMPLOYEE / COST CENTER:

CONFERENCE, SEMINAR or MEETING:

LOCATION:

DATE(S):

ACCOUNT CODING:

Estimated Expenses are anticipated to be:

JUSTIFICATION FOR ATTENDANCE:

EMPLOYEE SIGNATURE

DATE

CONFERENCE, SEMINAR or MEETING APPROVALS: Attendance must be approved in accordance with Agency Policy A-37. Authorization is hereby granted for attendance at the conference, seminar or meeting specified above.

DEPARTMENT / EXECUTIVE MANAGER

DATE

CEO / GENERAL MANAGER

DATE

ADVANCE AMOUNT REQUESTED:

\$ _____

Return Check To:

Location: _____

Mail Check

Hold Check

Instructions:

Complete this form for **Attendance Approval** and **Advance Request**. Submit to Department/ Executive Manager and General Manager for approval at least ten (10) days prior to the date of attendance. Upon approval, if no advance is requested, the form will be returned to you.
Advance requests must be forwarded to the Fiscal Management Department, attention Accounts Payable.



Travel Expense Report

A-37
Expense Report No.: _____
(numerical number, i.e. 00001)

Employee: _____ **Employee No.:** _____ **Cost Center:** _____ **Functional Area:** _____ **Date:** _____

Business Purpose: _____ **WBS:** _____ **Starting Date:** _____ **Return Date:** _____

ACCT NO.	EXPENSES	IEUA CREDIT CARD	COSTS PREPAID BY IEUA CHECK	SUN	MON	TUE	WED	THUR	FRI	SAT	TOTAL
511230	TRANSPORTATION <small>(SPECIFY): Parking</small>										-
511230	TAXI/CAR FARE										-
511250	LODGING										-
511290	TELEPHONE										-
511120	REGISTRATION -										-
511240	MEALS:										-
	BREAKFAST										-
	LUNCH										-
	DINNER										-
511220	MILEAGE REIMB.										-
511140	MISC. (SPECIFY)										-
	TOTALS.....	-	-	-	-	-	-	-	-	-	-
	LESS: PREPAID or CREDIT CHARGES										-
	LESS: CASH ADVANCE RECEIVED										-
	AMOUNT DUE EMPLOYEE /										-
	AMOUNT DUE < AGENCY >										-

Within fourteen (14) days of your conference / seminar / meeting, complete the above portion of this form (Part "B"), **attach all applicable receipts**, any used or unused transportation tickets, obtain Department / Division Manager/General Manager approval, and submit to Accounts Payable for processing. Meal Reimbursements are limited to \$50 per day. Reimbursement guidelines for meals are: Breakfast \$10.00; Lunch \$15.00; Dinner \$25.00. Mileage reimbursement is the IRS approved rate. Under the column headed "IEUA Credit Chg's/Prepaid By Check", list all other amounts charged by you directly to IEUA, and/or prepayments made on your behalf. If money is to be returned to IEUA, submit your Expense Report and personal check, or cash, to the Petty Cash Custodian at HQA. If money is due to you, Accounts Payable will send you a check.

I CERTIFY THAT THIS IS AN ACCURATE STATEMENT OF EXPENSES INCURRED ON BEHALF OF IEUA:

CONFERENCE / SEMINAR / MEETING EXPENSE, AND REIMBURSEMENT APPROVAL:


 Dept./Div. Manager

 Dated:

 Employee Signature: Dated:

 General Manager (if applicable)

 Dated:

Doc Number: A-77 Doc Name: Board of Directors Expense Reimbursement Policy		
Revision No: 1 Effective: 3/16/15	Owner: Agency Mgmt. Page 1 of 3	

EXECUTIVE SUMMARY


The Board of Directors (Directors) of the Inland Empire Utilities Agency (Agency) often are required to attend conferences, seminars and training events pertinent to Agency business. At times related costs are paid in advance, while other times the Directors pay out-of-pocket and need to be reimbursed.

This policy is in line with the Agency’s business goal, Business Practices key objective of cultivating a positive and transparent relationship with its stakeholders.

REVISION AND APPROVAL HISTORY

<i>REVIEWER</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED</i>
<u>[First Last Name]</u>	<u>Entire Policy</u>	XX	MM/DD/YYYY	MM/DD/YYYY	<u>[First Last Name]</u>
Stephanie Riley	Entire Policy	01	10/25/2014	3/16/2015	Christina Valencia

*Draft and Archived/Obsolete revisions are not to be used.
 Access AIM system to view current version.*

Doc Number: A-77		
Doc Name: Board of Directors Expense Reimbursement Policy		
Revision No: 1	Owner: Agency Mgmt.	Page 2 of 3
Effective: 3/16/15		

1. POLICY

The guiding principle of the policy is to provide the process of reimbursement for the Board of Directors of the Inland Empire Utilities Agency.

2. PURPOSE

The purpose of this policy is to comply with the provisions of Government Code Sections 53232; 53232.1, 53232.2 and 53232.3, as may be amended from time to time. This policy shall be applied in the implementation of the Board Compensation Ordinance of the Inland Empire Utilities Agency, as may be amended from time to time. Enacted Assembly Bill 1234 provides amendments to the California Government Code, which requires the enactment of policies by public agencies relative to director compensation, and reporting of reimbursement of expenses incurred by public officials in performing official duties.

3. SCOPE

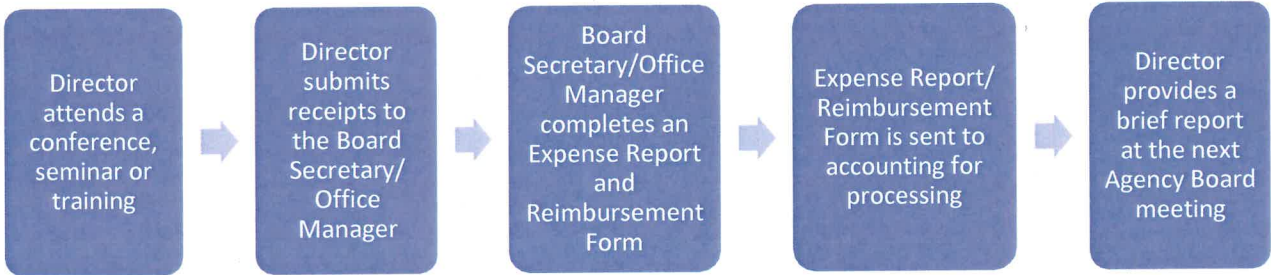
This policy applies to the Board of Directors and is designed to demonstrate the process of reimbursement for attending conferences, seminars and training that pertain to the Agency.

4. DEFINITIONS

- 4.1 Board of Directors (Directors) – shall mean the IEUA Board of Directors.
- 4.2 Agency- shall mean Inland Empire Utilities Agency.
- 4.3 Director- shall mean a member of the Board of Directors of the Agency or an appointed representative to the Metropolitan Water District of Southern California Board of Directors and outside Committee Members.


5. PROCEDURES

5.1 Process Flow –



5.2 Reimbursements associated with attendance of a conference, seminar or training by a Director-

- A. Whenever possible, registration fees for conferences, seminars, training sessions including training required under Government Code Section 53234 et seq., shall be paid

Doc Number: A-77		
Doc Name: Board of Directors Expense Reimbursement Policy		
Revision No: 1	Owner: Agency Mgmt.	Page 3 of 3
Effective: 3/16/15		

by the Agency in advance, otherwise, the Director shall be reimbursed for such expense by:

1. Submitting receipts for expenses to the Board Secretary/Office Manager within 10 days of incurring the expense.
 2. The Board Secretary/Office Manager completes an Expense Report and Reimbursement Form and submits it to Finance & Accounting for processing.
- B. All documents related to reimbursable expenditures, including expense reports are public records subject to disclosure under the California Public Records Act.
1. Personal information including credit card numbers may be redacted from any documents.
- C. The following expenses are not reimbursable: alcoholic beverages, parking or traffic violation fines, personal phone calls, auto repairs, auto insurance, the personal portion of any trip, personal losses incurred while performing Agency business.
- D. Director must provide a brief report of the conference, seminar or training during the next Agency Board of Director meeting.
1. If multiple Directors attend the same event, a joint report may be made.

5.3 Penalties for violations of the codes above are set forth in Government Code Section 53232.4

6. RESPONSIBILITIES

- 6.1 Board of Directors: Submit all receipts to the Board Secretary/Office Manager within 10 days of incurring an authorized expense.
- 6.2 Board Secretary/Office Manager: Generate expense report(s) for the Director(s) and submit to Finance and Accounting for payment.
- 6.3 Finance & Accounting Department: Process the expense report and issue payment reimbursement to the Director if necessary.

7. REFERENCES

- 7.1 [Expense Report](#)
- 7.2 [Board Compensation Ordinance](#)

INLAND EMPIRE UTILITIES AGENCY
Proposed Fiscal Year _____
Itemized Training/Conference Requests

Division _____

Department Name _____

Department Number _____

No. of Staff	Staff Position	Type of Training/Conference	*	Reason	Days	5321	6006	6061	6063	6064	6065	
						Training Registration Fees	Conference Registration Fees					
Totals						\$0	\$0	\$0	\$0	\$0	\$0	\$0

* For Reason Column, M=Mandatory

Requested By: _____ Date _____

Approved By: _____ Date _____
 Department Manager

Approved By: _____ Date _____
 Executive Division Manager

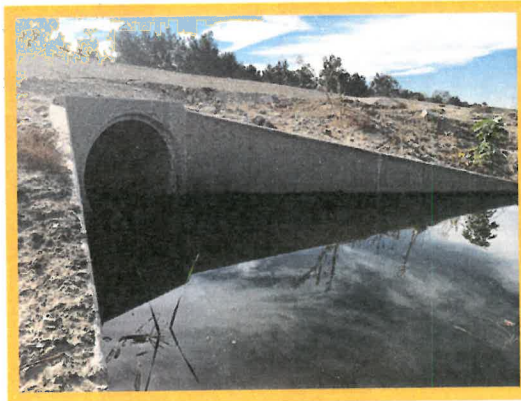
INFORMATION
ITEM.

4B

Engineering and Construction Management Project Updates



HQ Paving Safety Improvements



Wineville Outlet



San Bernardino Lift Station Valve
Connection

Agency-Wide Railing and Threshold Improvements

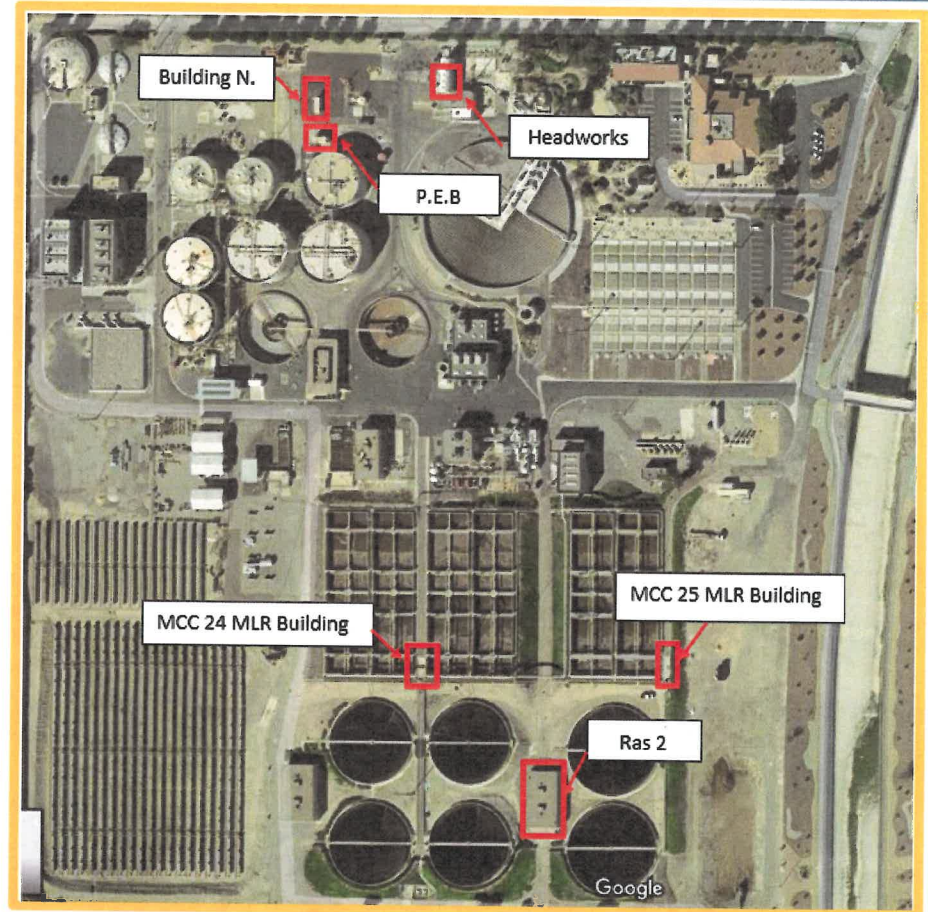
Project Goal: Provide a safe workplace for staff

Total Project Budget: \$500 K

Project Completion: June 2019

Construction Percent Complete: 65%

Phase	Consultant/ Contractor	Current Contract	Amendments/ Change Orders
Design	In-House	N/A	0%
Construction (Current)	AToM Engineering	\$232 K	2.6%



HQ Paving Safety Improvements

Project Goal: Provide a safe workplace for staff



Total Project Budget: \$70 K
Project Completion: February 2019
Construction Percent Complete: 100%

Phase	Consultant/ Contractor	Current Contract	Amendments/ Change Orders
Design	In-house	N/A	0%
Construction (Current)	NPG	\$50 K	0%

San Bernardino Lift Station Facility Improvements

Project Goal: Increase Reliability

Total Project Budget: \$200 K

Project Completion: December 2019

Design Percent Complete: 50%

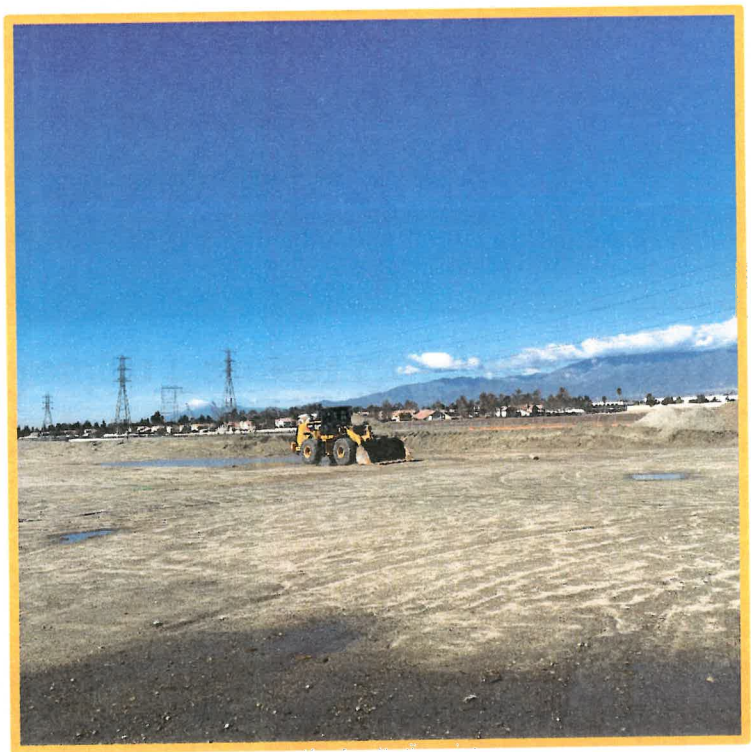
Phase	Consultant/ Contractor	Current Contract	Amendments/ Change Orders
Design (Current)	WSC	\$36 K	0%
Construction	TBD	\$0	0%



Lift Station Pumps

RP-3 Basin Improvements

Project Goal: Increase Storm and Recycled Water Recharge



Excavation Area

Total Project Budget: \$1.1 M
Project Completion: December 2019
Construction Percent Complete: 45%

Phase	Consultant/ Contractor	Current Contract	Amendments/ Change Orders
Design	Stantec/Carollo	\$148 K	19.31%
Construction (Current)	James McMin, Inc.	\$700 K	3.26%

Wineville/Jurupa/Force Main Improvements

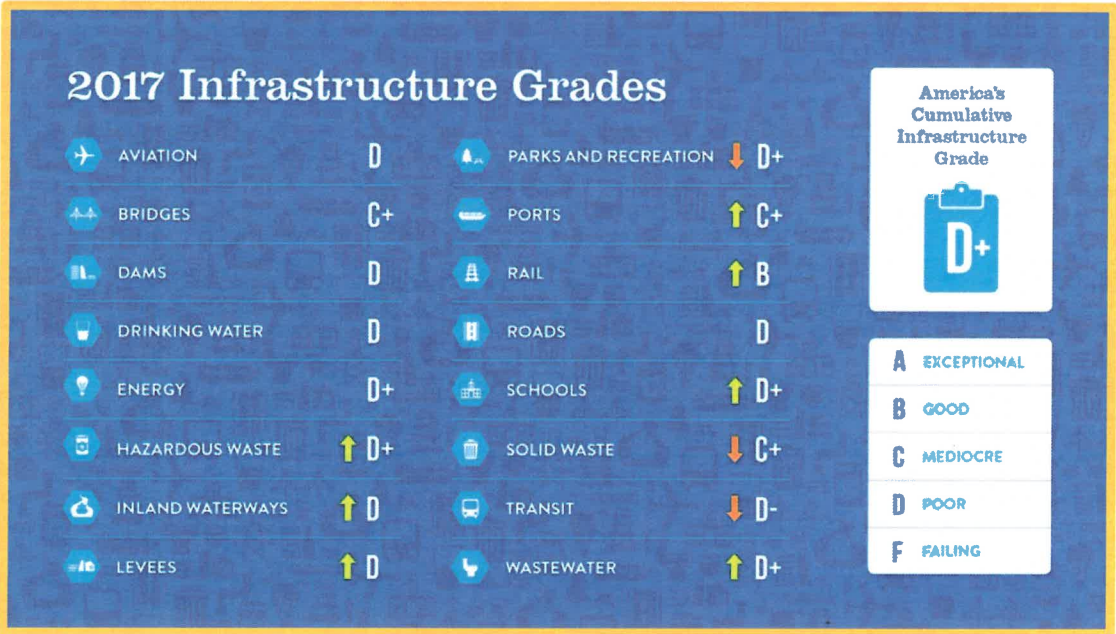
Project Goal: Increase Storm Water Recharge

Total Project Budget: \$14.9 M
Project Completion: January 2021
Design Percent Complete: 100%

Phase	Consultant/ Contractor	Current Contract	Amendments/ Change Orders
Design (Current)	Stantec/Carollo	\$894 K	1.02%
Construction	TBD	\$0	0%



ASCE Infrastructure Report Card



- 1988 First Report Card by Congress
- 1998 Congress Stopped Preparing Updates.
- Since 1998 ASCE Updates Report Card Every Four Years.

INFORMATION
ITEM

4C

Impact of De-energizing Power Grid to Agency Operations



Agenda

- Why is electrical provider de-energizing (shutting down) power?
- How is it going to impact IEUA?
- What are the challenges for IEUA?
- What is IEUA doing to overcome the challenges?

Why De-energize Power Grid During High Wind Conditions?

Prevent Wild Forest Fires



Trees Falling Onto Power Lines



Power Lines Falling Onto Trees

Fire Risk

Champion Newspapers
Chino Champion • Chino Hills Champion

Edison urges Chino Hills to prepare for power shutoffs in extreme weather

By Marianne Napoles May 4, 2019



DEEP DIVE

De-energize and DERs: The tough options wildfires pose for California utilities

Power shutoffs leave customers in the dark, and not shutting it off can spark deadly fires. But there is a third way.



SOUTHERN CALIFORNIA EDISON Public Safety Power Shutoffs (PSPS)

Energy for What's Ahead®

4-7 Days Ahead



3 Days Ahead



2 Days Ahead



1 Day Ahead



Power Shutoff



Power Restoration



IEUA's Exposure



- IEUA has many Southern California Edison (SCE) Accounts
 - 57
- SCE analyzed all IEUA's accounts and determined exposure
 - Victoria Basin
 - Regional Plan 2

RP-2 Location



IEUA's Emergency Generators



- Every water recycling plant and sewage lift station has emergency generator
 - Total of 30
- Every emergency generator is tested regularly to ensure reliability
 - Monthly startup test
 - Bimonthly loaded test
- Air district permit limitations
 - 200 hours/year, including testing, maintenance, and emergencies
- Enough emergency generators to maintain safety and permit compliance during an outage
 - Recycled water distribution not guaranteed during emergency
 - Generator refueling maybe necessary depending on duration



Pine Ave

Chino Creek

El Prado Road

2013





Pine Ave

Chino Creek

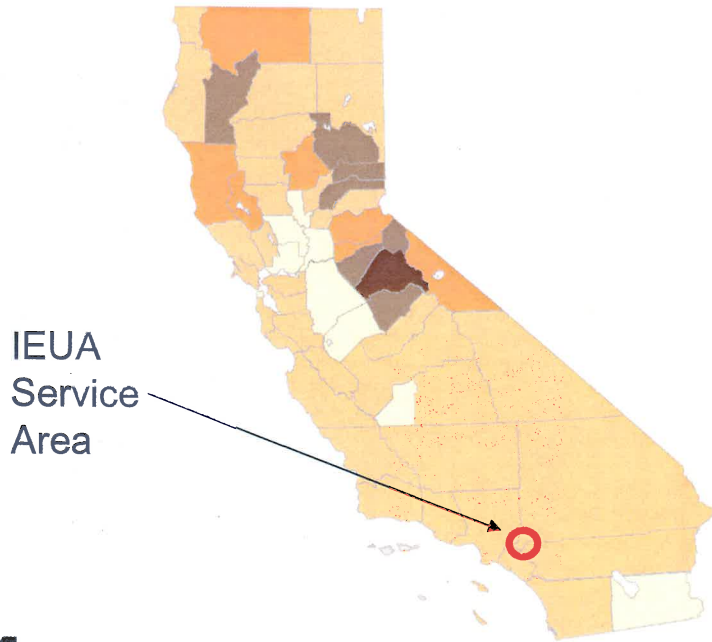
El Prado Road

2015

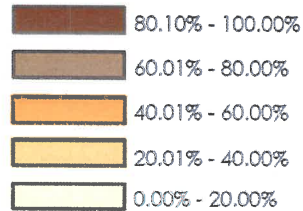


Fire Risk in California

Proportion of Dwelling Units with High/Very High Average Risk Scores*

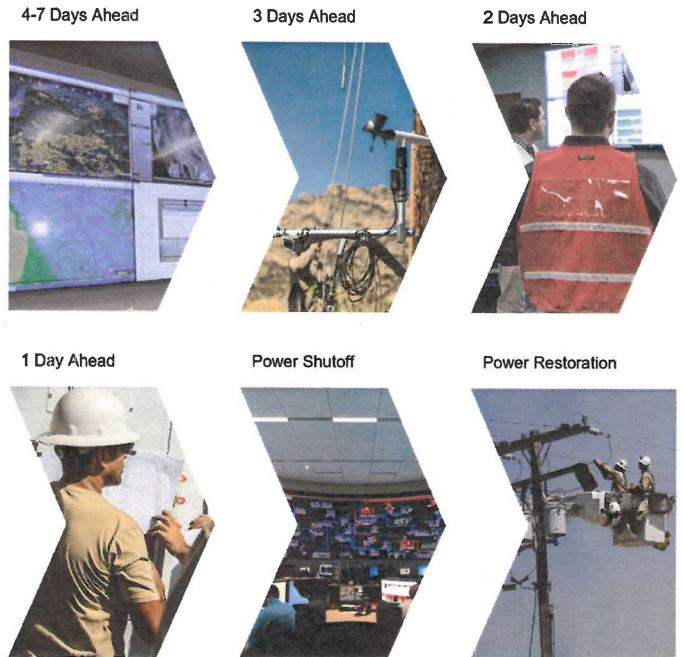


Proportion of Dwelling Units with High/Very High Avg. Risk Scores (%)



*Wildfires and Climate Change: California's Energy Future. April 12, 2019

Public Safety Power Shutoffs (PSPS)



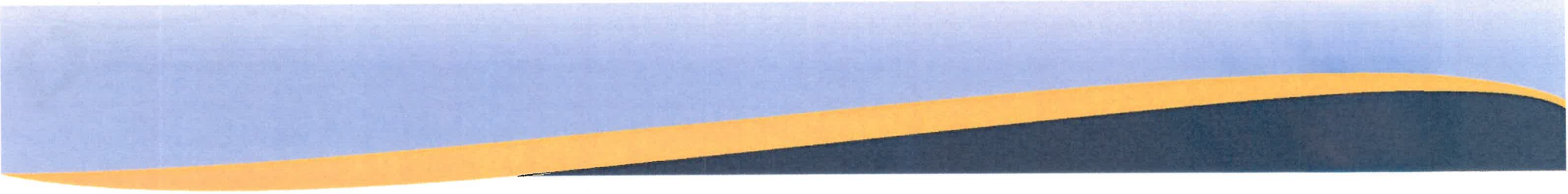


Champion Newspapers
Chino Champion • Chino Hills Champion

Edison urges Chino Hills to prepare for power shutoffs in extreme weather

By Marianne Napoles May 4, 2019  0

No exemption is provided to any entities including public agencies



2019

INFORMATION
ITEM

4H



Date: June 19, 2019

To: The Honorable Board of Directors

Committee: Finance & Administration

From: Shivaji Deshmukh, General Manager

AND

06/12/19

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

Subject: Treasurer's Report of Financial Affairs

Executive Summary:

The Treasurer's Report of Financial Affairs for the month ended April 30, 2019 is submitted in a format consistent with the State requirement.

For the month of April 2019, total cash, investments, and restricted deposits of \$245,180,505 reflects an increase of \$11,679,219 compared to the total of \$233,501,286 reported for March 2019. The increase was primarily due to property tax receipts of \$13.2 million. As a result, the average days cash on hand for the month ended April 30, 2019 increased from 239 days to 256 days.

The unrestricted Agency investment portfolio yield in April 2019 was 2.572 percent, an increase of 0.023 percent compared to the March 2019 yield of 2.549 percent. The increase in yield is mainly attributed to the increase in Local Agency Investment Fund (LAIF) yield.

Staff's Recommendation:

The Treasurer's Financial Affairs Report for the month ended April 30, 2019 is an information item for the Board of Director's review.

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.

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On May 15, 2019, the Board of Directors approved the Treasurer's Financial Affairs Report for the month ended March 31, 2019.

Environmental Determination:

Not Applicable

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.

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 April 30, 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 April 2019 was \$245.2 million, an increase of \$11.7 million from the \$233.5 million reported for the month ended March 31, 2019. The increase was primarily due to receipt of \$13.2 million of property taxes.

Table 1 represents the unrestricted Agency investment portfolio, by authorized investment and duration, with total portfolio amount of \$151.5 million. The Agency portfolio excludes cash and restricted deposits in the amount of \$93.7 million held by member agencies and with fiscal agents.

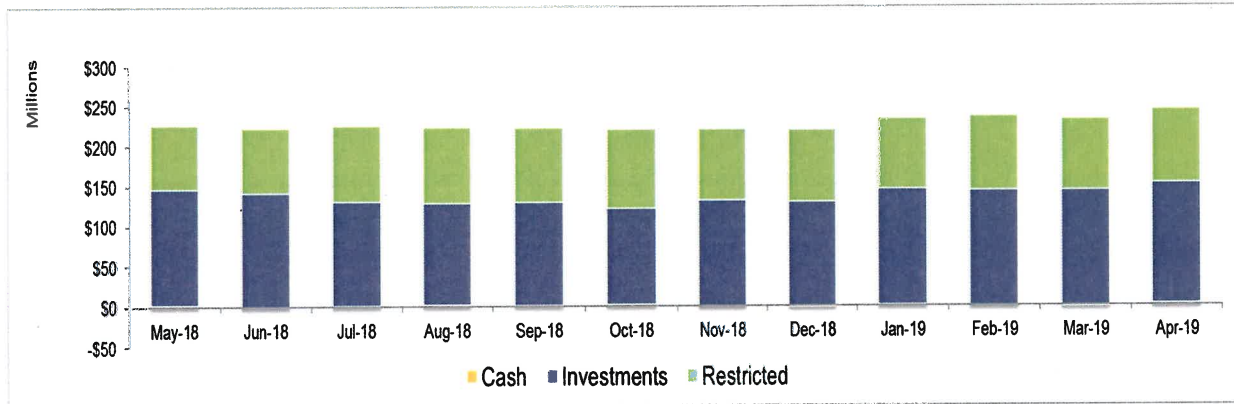
Table 1: Agency Portfolio

Authorized Investments	Allowable Threshold (\$ million or %)	Investment Value as of April 30, 2019 (\$ million)				Average Yield %	Portfolio% (Unrestricted)
		Under 1 Year	1-3 Years	Over 3 Years	Total		
LAIF*- Unrestricted	\$65	\$21.8	\$0	\$0	\$21.8	2.44%	14.4%
CAMP** – Unrestricted	n/a	33.6			33.6	2.55	22.0
Citizens Business Bank – Sweep	40%	4.8			4.8	1.10	3.2
Sub-Total Agency Managed		\$60.2	\$0	\$0	\$60.2	2.39%	39.6%
Brokered Certificates of Deposit	30%	\$0.0	\$3.9	\$0	\$3.9	3.12%	2.6%
Commercial Paper	25%	1.0			1.0	3.07	0.7
Medium Term Notes	30%		2.5	13.2	15.7	2.90	10.3
Municipal Bonds	10%		1.0		1.0	1.75	0.7
US Treasury Notes	n/a		9.0	35.0	44.0	2.63	29.1
US Gov't Securities	n/a		16.1	9.6	25.7	2.61	17.0
Sub-Total PFM Managed		\$1.0	\$32.5	\$57.8	\$91.3	2.69%	60.4%
Total		\$61.2	\$32.5	\$57.8	\$151.5	2.572%	100.0%

*LAIF – Local Agency Investment Fund

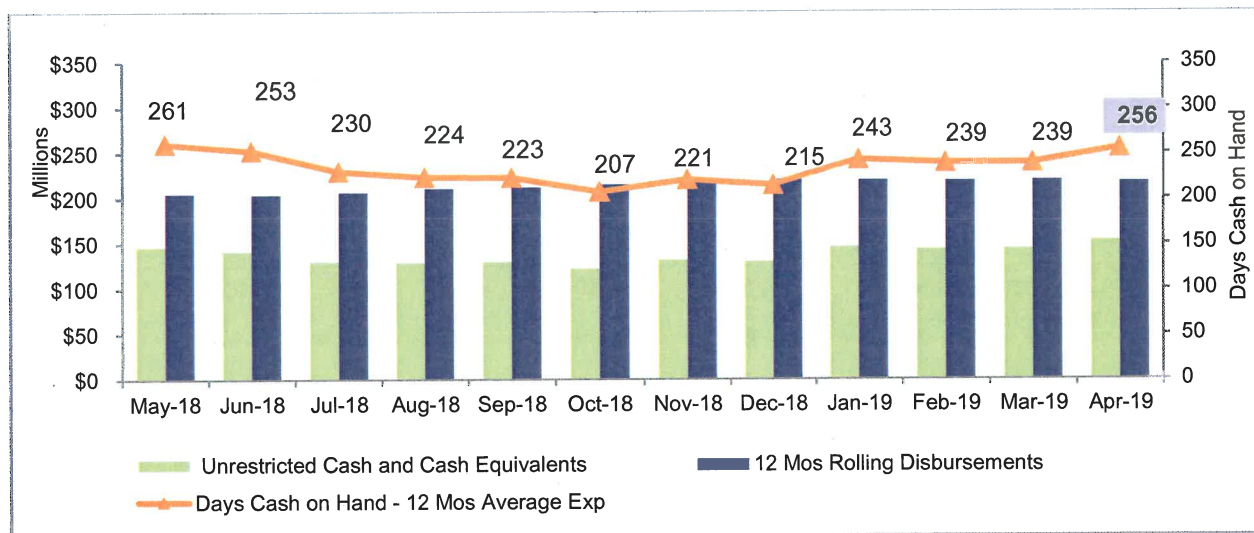
**CAMP – California Asset Management Program

Figure 1: Cash, Investments, and Restricted Deposits



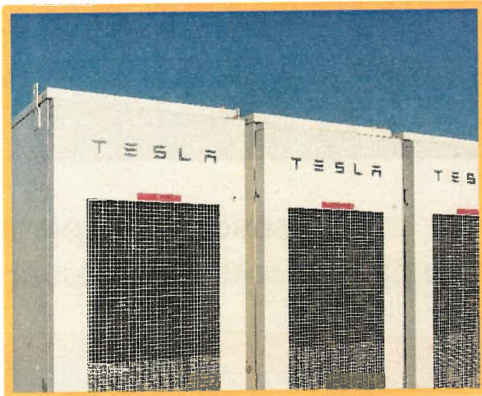
Average days cash on hand is calculated using the monthly ending balance of unrestricted cash and cash equivalents divided by disbursements associated with operating expenses, debt service, and capital expenditures as recorded in the Agency’s cash flow. The average days cash on hand for the month ended April 30, 2019 increased from 239 days to 256 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 www.ieua.org/fy-2018-19-cash-and-investment/.

Treasurer's Report of Financial Affairs for Month Ended April 30, 2019



Agency Liquidity

- ❖ Decrease in overall yield mainly attributed to transfer of funds to lower yielding overnight sweep account for liquidity purposes.

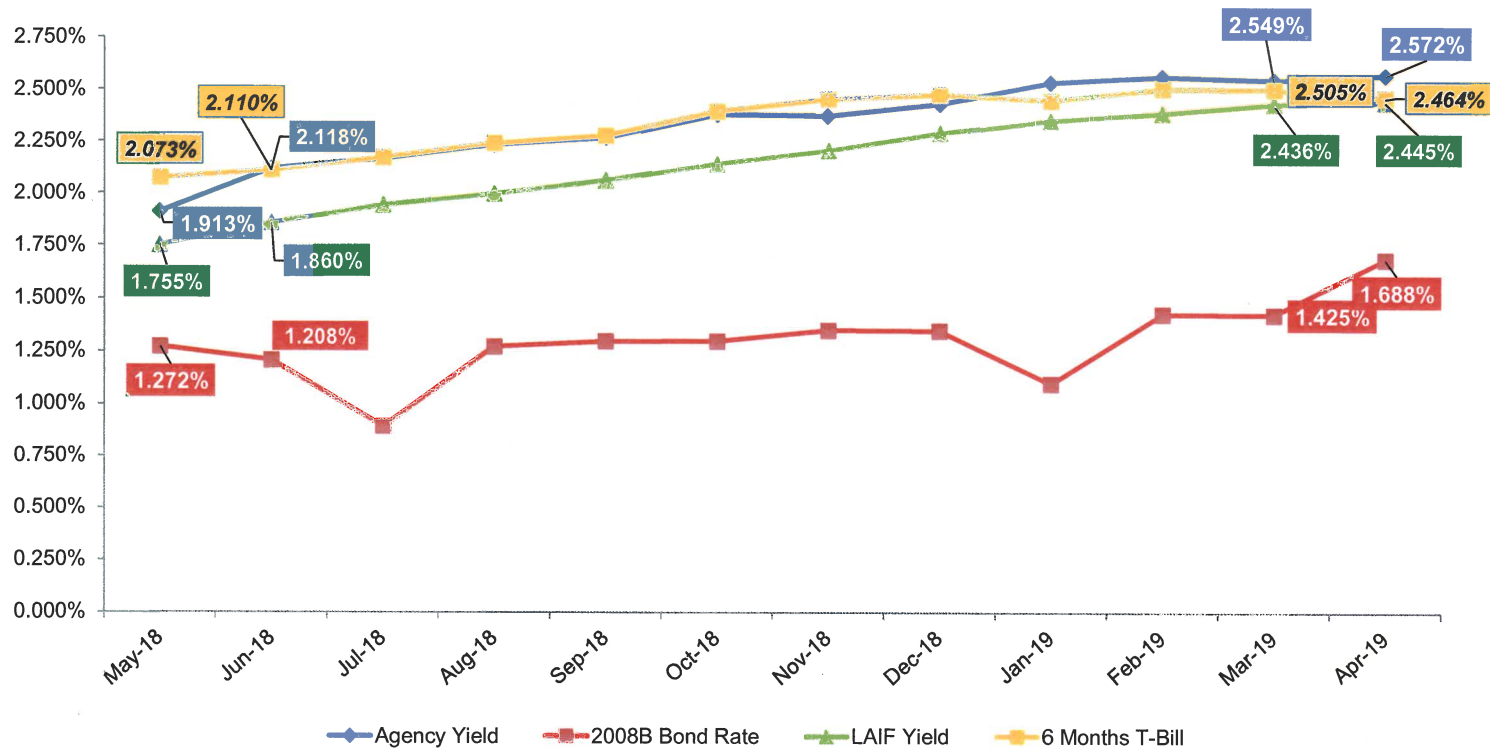
Description	April (\$ million)	March (\$ million)	Increase/ (Decrease) (\$ million)
Investment Portfolio	\$151.5	\$144.0	\$7.5
Cash and Restricted Deposits	\$93.7	\$89.5	\$4.2
Total Investments, Cash, and Restricted Deposits	\$245.2	\$233.5	\$11.7
Investment Portfolio Yield	2.572%	2.549%	0.023%
Weighted Average Duration (Years)	1.04	1.06	(0.02)
Average Cash on Hand (Days)	256	239	17

Monthly cash and investment summaries available at: <http://www.ieua.org/fy-2018-19-cash-and-investment/>

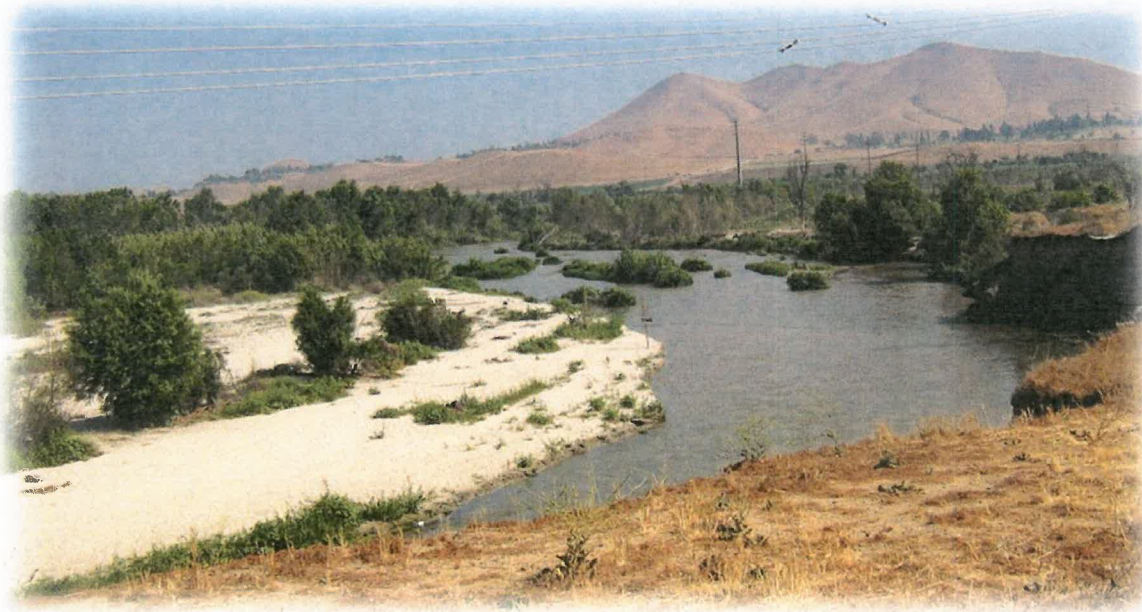
Agency Investment Position

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	\$21.8	\$0	\$0	\$21.8	2.44%	14.4%
California Asset Management Program	n/a	33.6			33.6	2.55	22.0
Citizens Business Bank – Sweep	40%	4.8			4.8	1.10	3.2
Sub-Total Agency Managed		\$60.2	\$0	\$0	\$60.2	2.39%	39.6%
Brokered Certificates of Deposit (CD)	30%	\$0.0	\$3.9	\$0	\$3.9	3.12%	2.6%
Commercial Paper	25%	1.0			1.0	3.07	0.7
Medium Term Notes	30%		2.5	13.2	15.7	2.90	10.3
Municipal Bonds	10%		1.0		1.0	1.75	0.7
US Treasury Notes	n/a		9.0	35.0	44.0	2.63	29.1
US Government Securities	n/a		16.1	9.6	25.7	2.61	17.0
Sub-Total PFM Managed		\$1.0	\$32.5	\$57.8	\$91.3	2.69%	60.4%
Total		\$61.2	\$32.5	\$57.8	\$151.5	2.572%	100.0%

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 April 30, 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
April 30, 2019

	April	March	Variance
<u>Cash, Bank Deposits, and Bank Investment Accounts</u>	\$1,433,799	(\$9,704)	\$1,443,503
<u>Investments</u>			
Agency Managed			
Citizens Business Bank (CBB) Repurchase (Sweep)	\$4,791,515	\$8,702,800	(\$3,911,285)
Local Agency Investment Fund (LAIF)	21,832,677	14,694,161	7,138,516
California Asset Management Program (CAMP)	33,577,422	29,514,170	4,063,252
Total Agency Managed Investments	60,201,614	52,911,131	7,290,483
PFM Managed			
Certificates of Deposit	\$3,864,701	\$3,864,679	\$22
Municipal Bonds	999,575	999,469	106
Commercial Paper	1,011,500	1,008,950	2,550
Medium Term Notes	15,651,813	13,452,199	2,199,614
U.S. Treasury Notes	44,026,111	44,915,397	(889,286)
U.S. Government Sponsored Entities	25,721,997	26,887,127	(1,165,130)
Total PFM Managed Investments	91,275,697	91,127,821	147,876
Total Investments	\$151,477,311	\$144,038,952	\$7,438,359
Total Cash and Investments Available to the Agency	\$152,911,110	\$144,029,248	\$8,881,862
<u>Restricted Deposits</u>			
CAMP Water Connection Reserve	\$13,557,709	\$13,016,081	\$541,628
LAIF Self Insurance Reserve	6,106,308	6,106,308	0
Debt Service Accounts	4,103,458	2,594,603	1,508,855
Capital Capacity Reimbursement Account (CCRA) Deposits Held by Member Agencies**	53,419,015	52,865,403	553,612
California Employers' Retirement Benefit Trust Account - CERBT (Other Post Employment Benefits - OPEB)	14,899,224	14,715,108	184,116
Escrow Deposits	183,681	174,535	9,146
Total Restricted Deposits	\$92,269,395	\$89,472,038	\$2,797,357
Total Cash, Investments, and Restricted Deposits	\$245,180,505	\$233,501,286	\$11,679,219

**Partial reported total as of February 2019 (excludes Ontario and Montclair) net of capital call receipts.

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

Cash, Bank Deposits, and Bank Investment Accounts

CBB Demand Account (Negative balance offset by CBB Sweep Balance)	\$938,297
CBB Payroll Account	-
CBB Workers' Compensation Account	57,558
Subtotal Demand Deposits	<u>\$995,855</u>

Other Cash and Bank Accounts

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

US Bank Pre-Investment Money Market Account

\$435,694

Total Cash and Bank Accounts

\$1,433,799

Unrestricted Investments

CBB Repurchase (Sweep) Investments

Freddie Home Loan Mortgage Corporation (Freddie Mac)	\$4,791,515
Subtotal CBB Repurchase (Sweep)	<u>\$4,791,515</u>

Local Agency Investment Fund (LAIF)

LAIF Fund	\$21,832,677
Subtotal Local Agency Investment Fund	<u>\$21,832,677</u>

California Asset Management Program (CAMP)

Short Term	\$33,577,422
Subtotal CAMP	<u>\$33,577,422</u>

Subtotal Agency Managed Investment Accounts

\$60,201,614

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

Unrestricted Investments Continued

Brokered Certificates of Deposit

Brokered Certificates of Deposit	\$3,864,701
Subtotal Brokered Certificates of Deposit	<u>\$3,864,701</u>

Commercial Paper

JP Morgan Securities	\$1,011,500
Subtotal Commercial Paper	<u>\$1,011,500</u>

Municipal Bonds

University of California Taxable Revenue Bonds	\$999,575
Subtotal State and Municipal Bonds	<u>\$999,575</u>

Medium Term Notes

Wells Fargo Bank	\$1,500,257
UPS of America Inc	761,668
Hershey Company	334,841
American Honda Finance	777,260
Boeing Co	767,790
Toyota Motor	1,184,254
Bank of NY Mellon	2,765,522
American Express	789,210
Walt Disney Company	802,880
Visa Inc	802,027
Bank of America	775,919
Oracle Corporation	1,395,293
Amazon Inc	926,097
Burlington North Santa Fe Corp	792,636
Pfizer Inc	1,276,161
Subtotal Medium Term Notes	<u>\$15,651,813</u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

Unrestricted Investments Continued

U.S. Treasury Notes

Treasury Note	\$44,026,111
Subtotal U.S. Treasury Notes	<u>\$44,026,111</u>

U.S. Government Sponsored Entities

Fannie Mae Bank	\$9,600,612
Freddie Mac Bank	7,991,780
Federal Home Loan Bank	8,129,605
Subtotal U.S. Government Sponsored Entities	<u>\$25,721,997</u>

Subtotal PFM Managed Investment Accounts	<u>\$91,275,697</u>
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<i>Total Investments</i>	<u>\$151,477,311</u>
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Restricted Deposits

Investment Pool Accounts

CAMP -Water Connection Reserves	\$13,557,709
LAIF - Self Insurance Fund Reserves	6,106,308
Subtotal Investment Pool Accounts	<u>\$19,664,017</u>

Debt Service

2008B Debt Service Accounts	\$2,597,804
2010A Debt Service Accounts	3
2017A Debt Service Accounts	1,505,651
Subtotal Debt Service	<u>\$4,103,458</u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

Restricted Deposits Continued

CCRA Deposits Held by Member Agencies

City of Chino	\$9,189,403
Cucamonga Valley Water District	9,033,404
City of Fontana	6,697,073
City of Montclair	2,490,353
City of Ontario	17,544,813
City of Chino Hills	6,054,873
City of Upland	2,409,096
Subtotal CCRA Deposits Held by Member Agencies**	\$53,419,015

***Partial reported total as of February 2019 (excludes Ontario and Montclair) net of capital call receipts.*

CalPERS

CERBT Account (OPEB)	\$14,899,224
Subtotal CalPERS Accounts	\$14,899,224

Escrow Deposits

Genesis Construction	\$156,175
Stanek Construction	27,506
Subtotal Escrow Deposits	\$183,681

Total Restricted Deposits \$92,269,395

Total Cash, Investments, and Restricted Deposits as of April 30, 2019 \$245,180,505

Total Cash, Investments, and Restricted Deposits as of 04/30/19	\$245,180,505
Less: Total Cash, Investments, and Restricted Deposits as of 03/31/19	233,501,286
<i>Total Monthly Increase (Decrease)</i>	\$11,679,219

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	April Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
Cash, Bank Deposits, and Bank Investment Accounts														
Citizens Business Bank (CBB)														
Demand Account							\$938,297	\$938,297	N/A	\$938,297		N/A	N/A	\$938,297
Payroll Checking							0	0	N/A	0		N/A	N/A	0
Workers' Compensation Account							57,558	57,558	N/A	57,558		N/A	N/A	57,558
Subtotal CBB Accounts							\$995,855	\$995,855		\$995,855				\$995,855
US Bank (USB)														
Custodial Money Market (Investment Mgmt.)							\$226,213	\$226,213	N/A	\$226,213		1.94%	N/A	\$226,213
Custodial Money Market (Debt Service)							209,481	209,481	N/A	209,481		1.94%	N/A	209,481
Subtotal USB Account							\$435,694	\$435,694		\$435,694		1.94%		\$435,694
Petty Cash							\$2,250	\$2,250	N/A	\$2,250		N/A	N/A	\$2,250
Total Cash, Bank Deposits and Bank Investment Accounts							\$1,433,799	\$1,433,799		\$1,433,799				\$1,433,799
Investments														
CBB Daily Repurchase (Sweep) Accounts														
Freddie Home Loan Mortgage Corporation (Freddie Mac)							\$4,791,515	\$4,791,515	N/A	\$4,791,515		1.10%	N/A	\$4,791,515
Subtotal CBB Repurchase Accounts							\$4,791,515	\$4,791,515		\$4,791,515		1.10%		\$4,791,515
LAIF Accounts														
Non-Restricted Funds							\$21,832,677	\$21,832,677	N/A	\$21,832,677		2.445%	N/A	\$21,832,677
Subtotal LAIF Accounts							\$21,832,677	\$21,832,677		\$21,832,677		2.445%		\$21,832,677
CAMP Accounts														
Non-Restricted Funds							\$33,577,422	\$33,577,422	N/A	\$33,577,422		2.55%	N/A	\$33,577,422
Subtotal CAMP Accounts							\$33,577,422	\$33,577,422		\$33,577,422		2.55%		\$33,577,422
Subtotal Agency Managed Investment Accounts							\$60,201,614	\$60,201,614		\$60,201,614		2.40%		\$60,201,614
Brokered Certificates of Deposit (CDs)														
Bank of Nova Scotia Houston	06/07/18	718	A+	Aa2			\$1,410,000	\$1,409,464	729	\$1,409,701	3.08%	3.10%	06/05/20	\$1,419,532
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	1,406,388
Synchrony Bank	10/02/15	1800	N/R	N/R			240,000	240,000	1827	240,000	2.25%	2.25%	10/02/20	239,265
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	827,563
Subtotal Brokered CDs							\$3,865,000	\$3,864,464		\$3,864,701		3.12%		\$3,892,748

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	April Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
Investments (continued)														
US Treasury Note														
US Treasury Note	04/18/18	807	AA+	Aaa			\$2,195,000	\$2,149,128	819	\$2,170,029	1.500%	2.46%	07/15/20	\$2,172,708
US Treasury Note	04/18/18	1003	AA+	Aaa			2,225,000	2,201,012	1019	2,209,761	2.125%	2.53%	01/31/21	2,217,960
US Treasury Note	01/24/19	741	AA+	Aaa			1,900,000	1,886,938	753	1,888,609	2.250%	2.59%	02/15/21	1,898,368
US Treasury Note	03/15/19	825	AA+	Aaa			2,781,000	2,761,120	838	2,762,234	2.125%	2.45%	06/30/21	2,772,852
US Treasury Note	04/17/18	1184	AA+	Aaa			2,615,000	2,588,543	1201	2,596,695	2.250%	2.57%	07/31/21	2,614,184
US Treasury Note	07/17/18	1184	AA+	Aaa			580,000	567,426	1202	570,357	2.000%	2.69%	10/31/21	576,488
US Treasury Note	04/17/18	1303	AA+	Aaa			2,555,000	2,480,346	1323	2,501,075	1.750%	2.60%	11/30/21	2,523,063
US Treasury Note	04/25/18	1416	AA+	Aaa			2,500,000	2,418,750	1436	2,438,948	1.875%	2.75%	03/31/22	2,475,195
US Treasury Note	08/03/18	1318	AA+	Aaa			3,070,000	2,969,266	1336	2,988,949	1.875%	2.82%	03/31/22	3,039,539
US Treasury Note	09/06/18	1285	AA+	Aaa			3,790,000	3,678,225	1302	3,697,844	1.875%	2.75%	03/31/22	3,752,396
US Treasury Note	04/17/18	1453	AA+	Aaa			2,550,000	2,476,090	1474	2,494,378	1.875%	2.75%	04/30/22	2,522,210
US Treasury Note	07/05/18	1435	AA+	Aaa			1,300,000	1,252,570	1456	1,261,931	1.750%	2.72%	06/30/22	1,280,855
US Treasury Note	06/06/18	1554	AA+	Aaa			2,065,000	1,980,706	1577	1,997,530	1.750%	2.76%	09/30/22	2,031,041
US Treasury Note	05/04/18	1617	AA+	Aaa			1,600,000	1,546,625	1641	1,557,854	2.000%	2.80%	10/31/22	1,586,312
US Treasury Note	10/04/18	1557	AA+	Aaa			1,040,000	990,356	1580	996,594	1.750%	2.93%	01/31/23	1,021,109
US Treasury Note	04/17/18	1751	AA+	Aaa			305,000	288,535	1778	291,872	1.500%	2.69%	02/28/23	296,493
US Treasury Note	07/05/18	1673	AA+	Aaa			1,275,000	1,206,269	1699	1,217,824	1.500%	2.74%	02/28/23	1,239,439
US Treasury Note	02/12/19	1489	AA+	Aaa			1,235,000	1,189,508	1508	1,191,768	1.500%	2.44%	03/31/23	1,199,783
US Treasury Note	01/24/19	1596	AA+	Aaa			2,000,000	1,899,453	1618	1,905,228	1.38%	2.58%	06/30/23	1,929,218
US Treasury Note	02/12/19	1609	AA+	Aaa			1,260,000	1,196,951	1630	1,199,848	1.25%	2.44%	07/31/23	1,208,025
US Treasury Note	03/08/19	1687	AA+	Aaa			3,450,000	3,484,904	1713	3,483,908	2.75%	2.52%	11/15/23	3,519,404
US Treasury Note	01/09/19	1761	AA+	Aaa			2,525,000	2,479,826	1786	2,482,532	2.13%	2.52%	11/30/23	2,508,231
US Treasury Note	01/31/19	1770	AA+	Aaa			120,000	120,356	1795	120,340	2.63%	2.56%	12/31/23	121,809
Subtotal US Treasuries							\$44,936,000	\$43,812,903		\$44,026,111		2.63%		\$44,506,682
U.S. Government Sponsored Entities														
Fannie Mae Bond	06/09/16	1157	AA+	Aaa			1,350,000	1,350,000	1173	1,350,000	1.250%	1.25%	08/26/19	1,344,766
Federal Home Loan Bank	04/25/18	646	AA+	Aaa			2,675,000	2,656,409	657	2,666,866	2.13%	2.52%	02/11/20	2,668,334
Federal Home Loan Bank	04/18/18	702	AA+	Aaa			2,500,000	2,495,600	712	2,497,920	2.38%	2.47%	03/30/20	2,499,843
Freddie Mac Bond	04/17/18	1019	AA+	Aaa			2,500,000	2,485,350	1036	2,490,635	2.38%	2.59%	02/16/21	2,501,350
Freddie Mac Bond	04/25/18	1011	AA+	Aaa			2,550,000	2,527,994	1028	2,535,807	2.38%	2.70%	02/16/21	2,551,377
Fannie Mae Bond	04/17/18	1076	AA+	Aaa			2,510,000	2,502,671	1092	2,505,158	2.50%	2.60%	04/13/21	2,518,569
Federal Home Loan Bank	01/24/19	987	AA+	Aaa			1,865,000	1,882,717	1001	1,881,055	3.00%	2.63%	10/21/21	1,896,229
Fannie Mae Bond	01/11/19	1080	AA+	Aaa			795,000	794,428	1096	794,484	2.63%	2.65%	01/11/22	801,387
Freddie Mac Bond	03/08/19	1070	AA+	Aaa			1,520,000	1,520,000	1088	1,520,000	2.85%	2.85%	02/28/22	1,520,216
Fannie Mae Bond	04/17/18	1608	AA+	Aaa			1,655,000	1,603,678	1632	1,615,074	2.00%	2.74%	10/05/22	1,639,289
Freddie Mac Bond	07/05/18	1784	AA+	Aaa			1,450,000	1,444,461	1810	1,445,338	2.75%	2.83%	06/19/23	1,474,419
Fannie Mae Bond	12/06/18	1716	AA+	Aaa			855,000	853,273	1741	853,429	2.88%	2.92%	09/12/23	874,487
Fannie Mae Bond	11/05/18	1747	AA+	Aaa			1,820,000	1,803,274	1772	1,804,886	2.88%	3.08%	09/12/23	1,861,481
Federal Home Loan Bank	01/31/19	1748	AA+	Aaa			870,000	895,642	1772	894,410	3.38%	2.72%	12/08/23	908,336
Fannie Mae Bond	02/08/19	1797	AA+	Aaa			680,000	677,470	1823	677,580	2.50%	2.58%	02/05/24	684,644
Federal Home Loan Bank	02/15/19	1798	AA+	Aaa			190,000	189,327	1824	189,354	2.50%	2.58%	02/13/24	191,349
Subtotal U.S. Gov't Sponsored Entities							25,785,000	25,682,295		\$25,721,997		2.61%		\$25,936,077

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	April Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
Investments (continued)														
Commercial Paper														
JP Morgan Securities	11/13/18		A-1	P-1			\$1,020,000	\$997,135	269	\$1,011,500		3.07%	08/09/19	\$1,012,511
Subtotal Commercial Paper							\$1,020,000	\$997,135		\$1,011,500		3.07%		\$1,012,511
Municipal Bonds														
University of California Taxable Revenue Bonds	02/09/17		AA	N/R			\$1,000,000	\$996,800	934	\$999,575	1.625%	1.75%	09/01/19	\$996,900
Subtotal State and Local Municipal Bonds							\$1,000,000	\$996,800		\$999,575		1.75%		\$996,900
Investments (continued)														
Medium Term Notes														
Wells Fargo Bank	06/13/16	1061	A+	Aa2			\$1,500,000	\$1,511,655	1075	\$1,500,257	1.750%	1.48%	05/24/19	\$1,499,220
UPS of America Inc	04/18/18	703	A+	A1			725,000	802,046	714	761,668	8.38%	2.75%	04/01/20	761,984
Toyota Motor	01/08/19	720	AA-	Aa3			200,000	199,880	731	199,898	3.05%	3.08%	01/08/21	201,674
Hershey Company	05/10/18	1085	A	A1			335,000	334,769	1101	334,841	3.10%	3.12%	05/15/21	338,889
American Honda Finance	04/18/18	1164	A+	A2			800,000	767,016	1181	777,260	1.65%	3.00%	07/12/21	783,639
Boeing Co	04/18/18	1197	A	A2			680,000	805,678	1215	767,790	8.75%	2.88%	08/15/21	768,696
Toyota Motor	04/27/18	1334	AA-	Aa3			1,000,000	978,790	1355	984,355	2.60%	3.21%	01/11/22	999,399
Bank of NY Mellon	04/18/18	1369	A	A1			1,400,000	1,371,048	1391	1,378,628	2.60%	3.18%	02/07/22	1,395,814
American Express	04/18/18	1395	A-	A2			800,000	785,488	1415	789,210	2.70%	3.20%	03/03/22	800,072
Walt Disney Company	04/18/18	1396	A+	A2			815,000	798,692	1416	802,880	2.45%	3.00%	03/04/22	812,049
Visa Inc	04/18/18	1587	A+	A1			825,000	795,407	1611	802,027	2.15%	3.03%	09/15/22	813,555
Bank of America	04/18/18	1623	A-	A3			800,000	769,264	1647	775,919	2.50%	3.43%	10/21/22	789,090
Oracle Corp	04/19/18	1736	AA-	A1			1,420,000	1,389,001	1763	1,395,293	2.63%	3.11%	02/15/23	1,415,097
Amazon Inc	04/15/19	1387	AA-	A3			935,000	925,996	1774	926,097	2.40%	2.66%	02/22/23	925,996
Burlington North Santa Fe Corp	04/18/18	1767	A+	A3			800,000	790,800	1792	792,636	3.00%	3.26%	03/15/23	808,096
Bank of NY Mellon	01/24/19	1534	A	A1			1,375,000	1,387,595	1555	1,386,895	3.50%	3.27%	04/28/23	1,409,906
Pfizer Inc	04/04/19	1781	AA	A1			1,260,000	1,276,393	1807	1,276,161	2.95%	2.67%	03/15/24	1,274,246
Subtotal Medium Term Notes							\$15,670,000	\$15,689,518		\$15,651,813		2.90%		\$15,797,420
Subtotal PFM Managed Investment Accounts							\$92,276,000	\$91,043,114		\$91,275,697		2.69%		\$92,142,338
Total Investments							\$152,477,614	\$151,244,728		\$151,477,311				\$152,343,952
<i>(Source of Investment Amortized Cost: PFM)</i>														
Restricted Deposits														
Investment Pool Accounts														
CAMP - Water Connection Reserves							\$13,557,709	\$13,557,709	N/A	\$13,557,709		2.55%	N/A	\$13,557,709
LAIF - Self Insurance Reserves							6,106,308	6,106,308	N/A	6,106,308		2.45%	N/A	6,106,308
Total Investment Pool Accounts							\$19,664,017	\$19,664,017		\$19,664,017		2.52%		\$19,664,017
Debt Service and Arbitrage Accounts														
2008B Debt Service Accounts							\$2,597,804	\$2,597,804	N/A	\$2,597,804		1.90%		\$2,597,804
2010A Debt Service Accounts							3	3	N/A	3		0.34%		3
2017A Debt Service Accounts							1,505,651	1,505,651	N/A	1,505,651		0.30%		1,505,651
Total Debt Service Accounts							\$4,103,458	\$4,103,458		\$4,103,458		1.31%		\$4,103,458

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 April 30, 2019

	Settlement Date	Security Length	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	April Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
			S&P	Moody's	S&P	Moody's								
Restricted Deposits (continued)														
CCRA Deposits Held by Member Agencies														
City of Chino							\$9,189,403	\$9,189,403	N/A	\$9,189,403		N/A	N/A	\$9,189,403
City of Chino Hills							6,054,873	6,054,873	N/A	6,054,873		N/A	N/A	6,054,873
Cucamonga Valley Water District							9,033,404	9,033,404	N/A	9,033,404		N/A	N/A	9,033,404
City of Fontana							6,697,073	6,697,073	N/A	6,697,073		N/A	N/A	6,697,073
City of Montclair							2,490,353	2,490,353	N/A	2,490,353		N/A	N/A	2,490,353
City of Ontario							17,544,813	17,544,813	N/A	17,544,813		N/A	N/A	17,544,813
City of Upland							2,409,096	2,409,096	N/A	2,409,096		N/A	N/A	2,409,096
<i>Subtotal CCRA Deposits Held by Member Agencies**</i>							\$53,419,015	\$53,419,015		\$53,419,015				\$53,419,015
<i>**Partial reported total as of February 2019 (excludes Ontario and Montclair) net of capital call receipts.</i>														
CalPERS Deposits														
CERBT Account (OPEB)							\$13,000,000	\$13,000,000	N/A	\$14,899,224		N/A	N/A	\$14,899,224
Subtotal CalPERS Deposits							\$13,000,000	\$13,000,000		\$14,899,224				\$14,899,224
<i>CERBT Strategy 2 Performance as of February 28, 2019 based on 1 Year Net Return was 2.30%.</i>														
Escrow Deposits														
Genesis Construction Escrow							\$156,175	\$156,175	N/A	\$156,175		N/A	N/A	\$156,175
Stanek Contractors Escrow							27,506	27,506	N/A	27,506		N/A	N/A	27,506
Subtotal Escrow Deposits							\$183,681	\$183,681		\$183,681				\$183,681
Total Restricted Deposits							\$90,370,171	\$90,370,171		\$92,269,395				\$92,269,395
Total Cash, Investments, and Restricted Deposits as of April 30, 2019							\$244,281,584	\$243,048,698		\$245,180,505				\$246,047,146

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended

April 30, 2019

April Purchases

No.	Date	Transaction	Investment Security	Type	Par Amount Purchased	Investment Yield to Maturity
1	04/04/19	Buy	Pfizer Inc.	MTN	\$1,260,000	2.95%
2	04/11/19	Buy	Amazon Com Inc.	MTN	935,000	2.40%
					<u>\$ 2,195,000</u>	

April Investment Maturities, Calls & Sales

No.	Date	Transaction	Investment Security	Type	Par Amount Matured/Sold	Investment Yield to Maturity
1	04/03/19	Matured	Federal Home Loan Bank	GSE	\$570,000	
2	04/04/19	Sell	FHLB	GSE	600,000	2.13%
3	04/15/19	Sell	US Treasury Notes	TB	955,000	1.50%
Total Maturities, Calls & Sales					<u>\$ 2,125,000</u>	

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 April 30, 2019

Directed Investment Category

	Amount Invested	Yield
CBB Repurchase (Sweep)	\$4,791,515	1.100%
LAIF - Unrestricted	21,832,677	2.445%
CAMP - Unrestricted	33,577,422	2.550%
Brokered Certificates of Deposit	3,864,701	3.124%
Medium Term Notes	15,651,813	2.905%
Municipal Bonds	999,575	1.753%
Commercial Paper	1,011,500	3.070%
US Treasury Notes	44,026,111	2.634%
U.S. Government Sponsored Entities	25,721,997	2.606%
<i>Total Investment Portfolio</i>	<i>\$151,477,311</i>	
<i>Investment Portfolio Rate of Return</i>		<i>2.572%</i>

Restricted/Transitory/Other Accounts

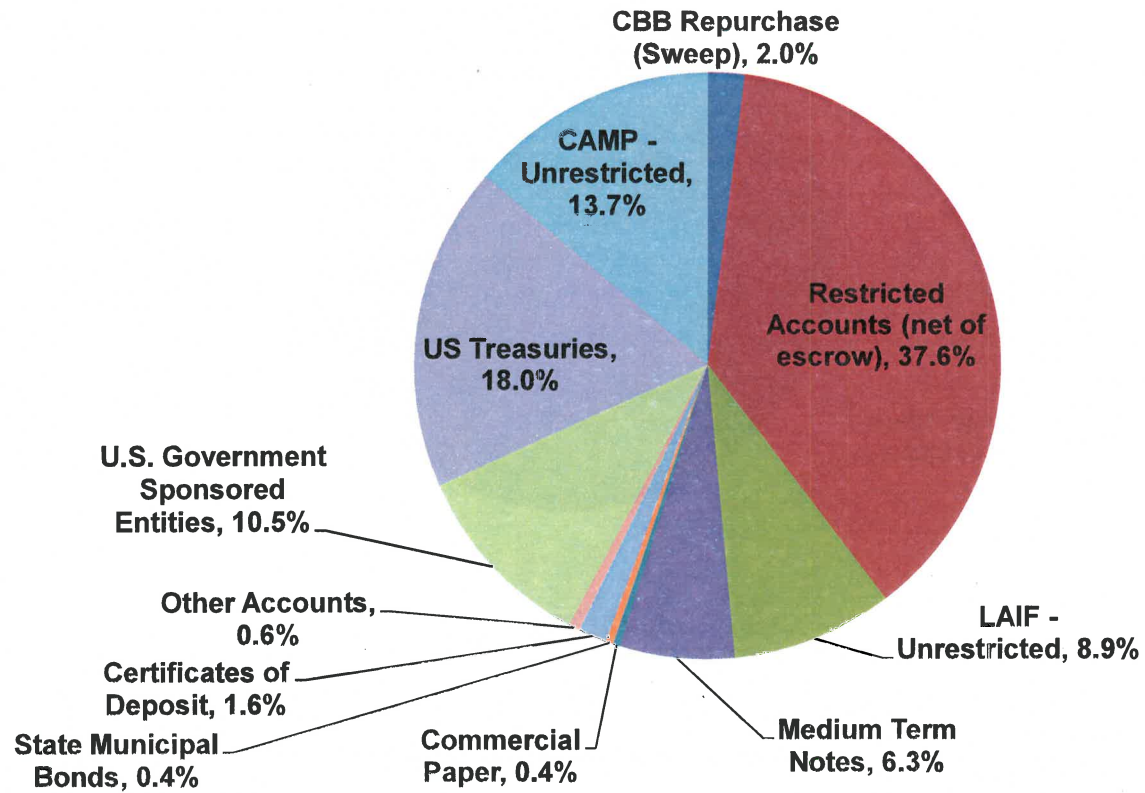
	Amount Invested	Yield
CCRA Deposits Held by Member Agencies	\$53,419,015	N/A
CalPERS OPEB (CERBT) Account	14,899,224	N/A
CAMP Restricted Water Connection Reserve	13,557,709	2.550%
LAIF Restricted Insurance Reserve	6,106,308	2.445%
US Bank - 2008B Debt Service Accounts	2,597,804	1.900%
US Bank - 2010A Debt Service Accounts	3	0.340%
US Bank - 2017A Debt Service Accounts	1,505,651	0.300%
US Bank - Pre-Investment Money Market Account	435,694	1.940%
Citizens Business Bank - Demand Account	938,297	N/A
Citizens Business Bank - Workers' Compensation Account	57,558	N/A
Other Accounts*	2,250	N/A
Escrow Account	183,681	N/A
<i>Total Restricted/Transitory/Other Accounts</i>	<i>\$93,703,194</i>	
<i>Average Yield of Other Accounts</i>		<i>2.456%</i>

Total Agency Directed Deposits

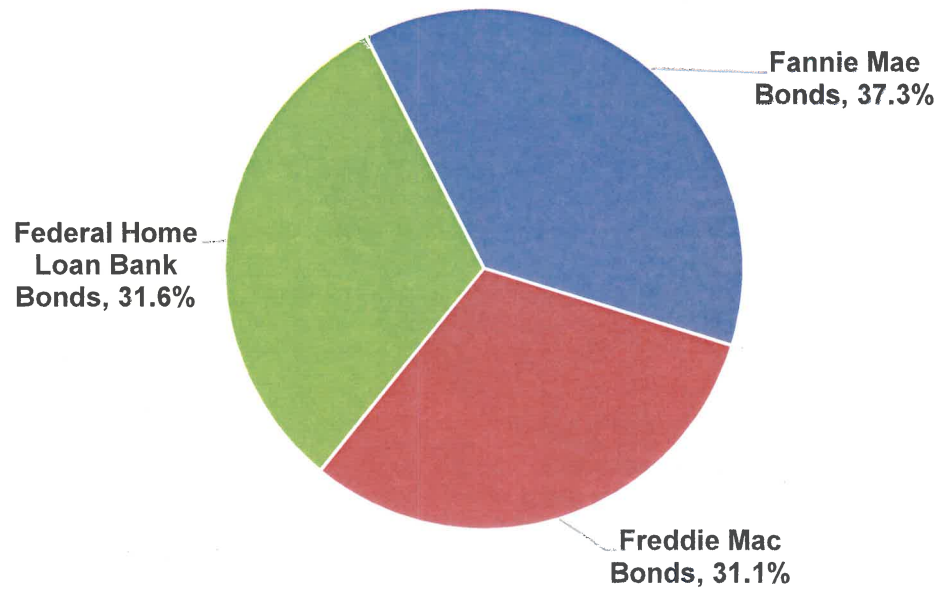
\$245,180,505

*Petty Cash

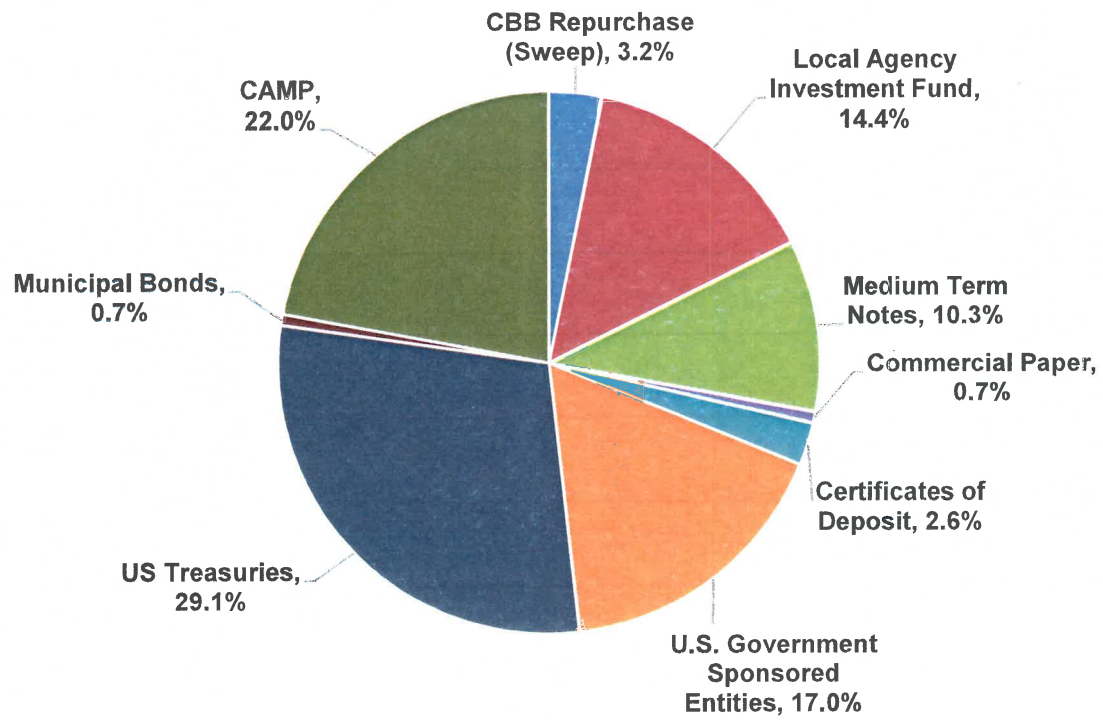
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 Month Ended April 30, 2019
 Agency Investment Portfolio (Net of Escrow Accounts)
\$244,996,824



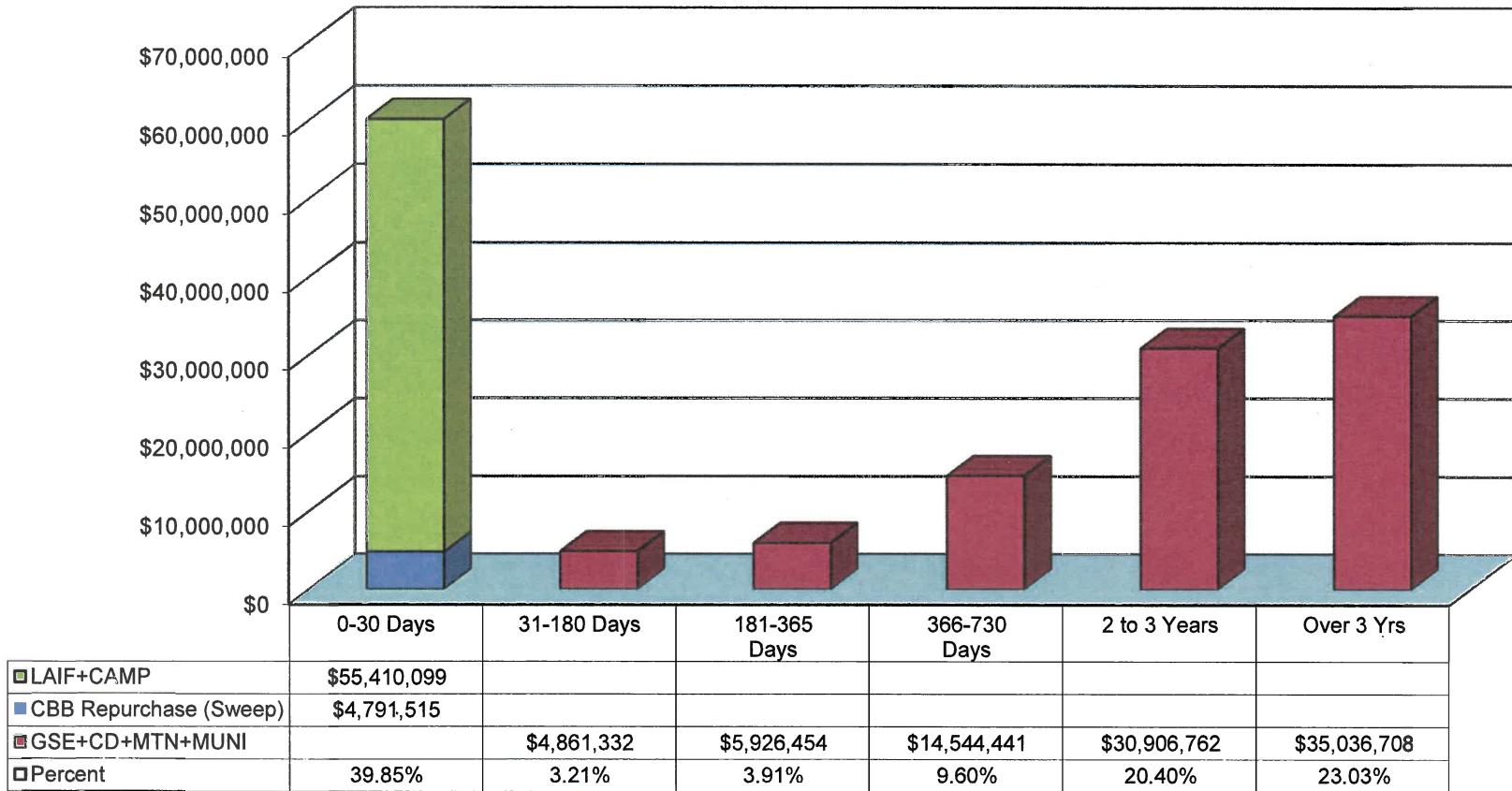
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
Month Ended April 30, 2019
U.S. Government Sponsored Entities Portfolio
\$25,721,997



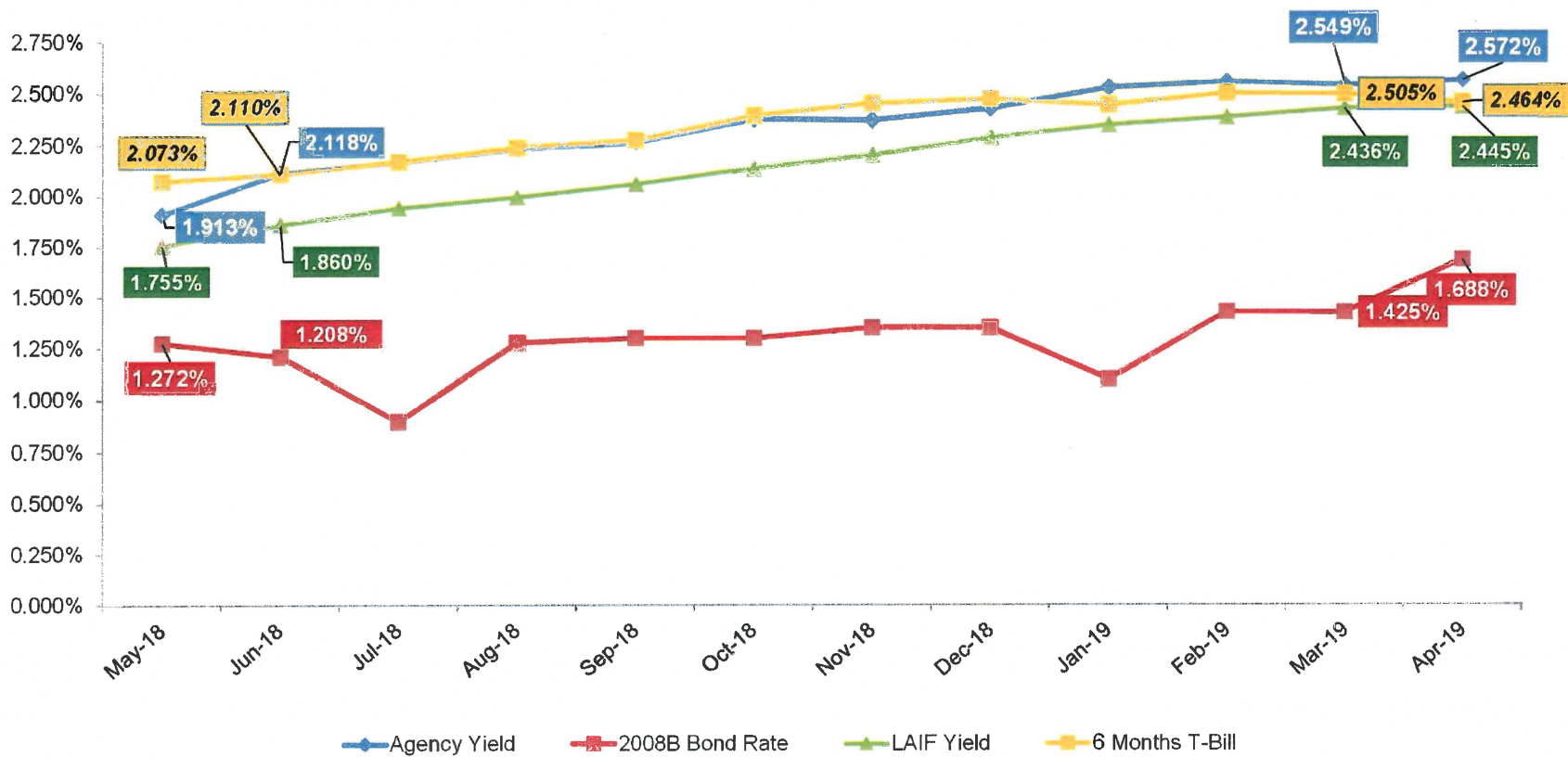
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
Month Ended April 30, 2019
Unrestricted Agency Investment Portfolio
\$151,477,311



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 Month Ended April 30, 2019
 Agency Investment Portfolio Maturity Distribution (Unrestricted)
\$151,477,311



**Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
Month Ended April 30, 2019
Agency Investment Portfolio Yield Comparison**



INFORMATION
ITEM

41



Date: June 19, 2019

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager SDM

Committee: Community & Legislative Affairs

06/12/19

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

Subject: Public Outreach and Communication

Executive Summary:

- June 19, IEUA Employee Appreciation Picnic, Behind HQA, 11:30 a.m. – 3:00 p.m.

MWD's Solar Cup competition was held on May 17-19. IEUA co-sponsored three high school teams: Los Osos High School (Rancho Cucamonga), Chino Hills High School (Chino Hills) and Upland High School (Upland). All three teams qualified and were recognized.

*Los Osos High School (Veteran)-1st place for Technical Reports – Inland Region; 1st place Endurance Race – Inland Region; 1st place Sprint Race – Inland Region; 1st place Public Service Message – Inland Region; 6th place overall – Veterans and Rookies.

*Upland High School (Veteran) - 2nd Place Sprint Race – Inland Region; 11th Place Overall – Veterans and Rookies.

*Chino Hills High School (Veteran) - 18th place overall - Veterans and Rookies.

Staff's Recommendation:

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

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

Environmental Determination:

Statutory Exemption

N/A

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.

Attachments:

Attachment 1 - Background

Background

Subject: Public Outreach and Communication

June

- June 19, IEUA Employee Appreciation Picnic, Behind HQA, 11:30 a.m. – 3:00 p.m.

July

- July, Smart Irrigation Month

August

- August 9, San Bernardino County Water Conference, 7:30 a.m. – 9:00 a.m. (Registration, Breakfast and Networking); 9:00 a.m. – 1:00 p.m. (Conference), DoubleTree Hotel-Ontario: 222 North Vineyard Avenue, Ontario

Media and Outreach

- Water Awareness Month was promoted through social media channels and messaging was implemented into the Water Discovery Program.
- International Compost Awareness Week was highlighted May 5-11 through social media. A targeted email blast was sent on May 7 highlighting the benefits of compost and the free giveaway that was facilitated on Saturday, May 11.
- Earth Day video shorts highlighting Student Day and Community Day are being finalized.
- A compost giveaway ad ran in the *Daily Bulletin* on May 6.
- A *Kick the Habit* ad ran in the *Champion's Kids of Summer* section on May 18.
- A *Kick the Habit* ad will run in the *Champion's Healthy Living* section on June 15.
- A *Kick the Habit* ad ran in the *Fontana Herald News Fontana Days* section on May 24.
- The *Kick the Habit* digital banner ad continues to run in the *Fontana Herald News*.
- May: 29 posts were published to the IEUA Facebook page, 29 posts were published to IEUA's Instagram and 29 tweets were sent on the @IEUAwater Twitter handle.
 - The top three Facebook posts, based on reach and engagement, in the month of May were:
 - 5/16: Southern California Edison Board Presentation
 - 5/2: Village of Heritage Groundbreaking
 - 5/1: State Water Resources Control Board Representatives
 - The top three tweets, based on reach and engagement, in the month of May were:
 - 5/13: Add a Splash of Color, Save a Splash of Water
 - 5/26: Friendly reminder! Remember to turn off your sprinklers!
 - 5/2: Village of Heritage Groundbreaking
 - The top three Instagram posts, based on reach and engagement, in the month of May were:
 - 5/20: Solar Cup Recap
 - 5/17: An awesome Day 1 at Solar Cup!
 - 5/22: It's raining, it's pouring... Remember to turn off your sprinklers!

For the month of April, there were 7,493 searches for a park in IEUA's service area on Yelp, where Chino Creek Wetlands and Education Park was viewed 633 times on a mobile device.

Education and Outreach Updates

- Staff has fully booked Water Discovery Field Trips for school year 18/19. To date, 95 schools are scheduled for the current school year.
- MWD's Solar Cup competition was held on May 17-19. IEUA co-sponsored three high school teams: Los Osos High School (Rancho Cucamonga), Chino Hills High School (Chino Hills) and Upland High School (Upland). All three teams qualified and were recognized.
 - Los Osos High School (Veteran)
 - 1st Place for Technical Reports – Inland Region
 - 1st Place Endurance Race – Inland Region
 - 1st Place Sprint Race – Inland Region
 - 1st Place Public Service Message – Inland Region
 - 6th Place Overall – Veterans and Rookies
 - Upland High School (Veteran)
 - 2nd Place Sprint Race – Inland Region
 - 11th Place Overall – Veterans and Rookies
 - Chino Hills High School (Veteran)
 - 18th Place Overall – Veterans and Rookies
- IEUA hosted a Project W.E.T. Workshop for facilitators on May 23. Over 15 educators took part in a full day of training on Next Generation Science Standards and water education. Participants received a certificate which allows them to facilitate future workshops.
- Staff is currently reviewing Garden in Every School® applications. Schools will be notified of their application status by mid-June.

INFORMATION
ITEM

4J



May 31, 2019

To: Inland Empire Utilities Agency

From: Michael Boccadoro
Beth Olhasso
Maddie Munson

RE: May Report

Overview:

The water supply situation is not only excellent, but improved thanks to some late May storms that brought more snow to the Sierras. Reservoirs are at capacity which is well above normal for this time of year.

The “root cause analysis” of the Aliso Canyon Natural Gas Storage Facility methane leak from 2015 was recently released. It found that SoCalGas was grossly negligent in their management of the facility. The facility is heavily relied upon to provide electric and gas stability throughout Southern California. While the facility has been operating at a significantly reduced capacity, the region has seen natural gas prices rise 24 percent impacting wholesale electricity prices as well. Environmentalists and local activists continue to advocate for the facility to immediately close.

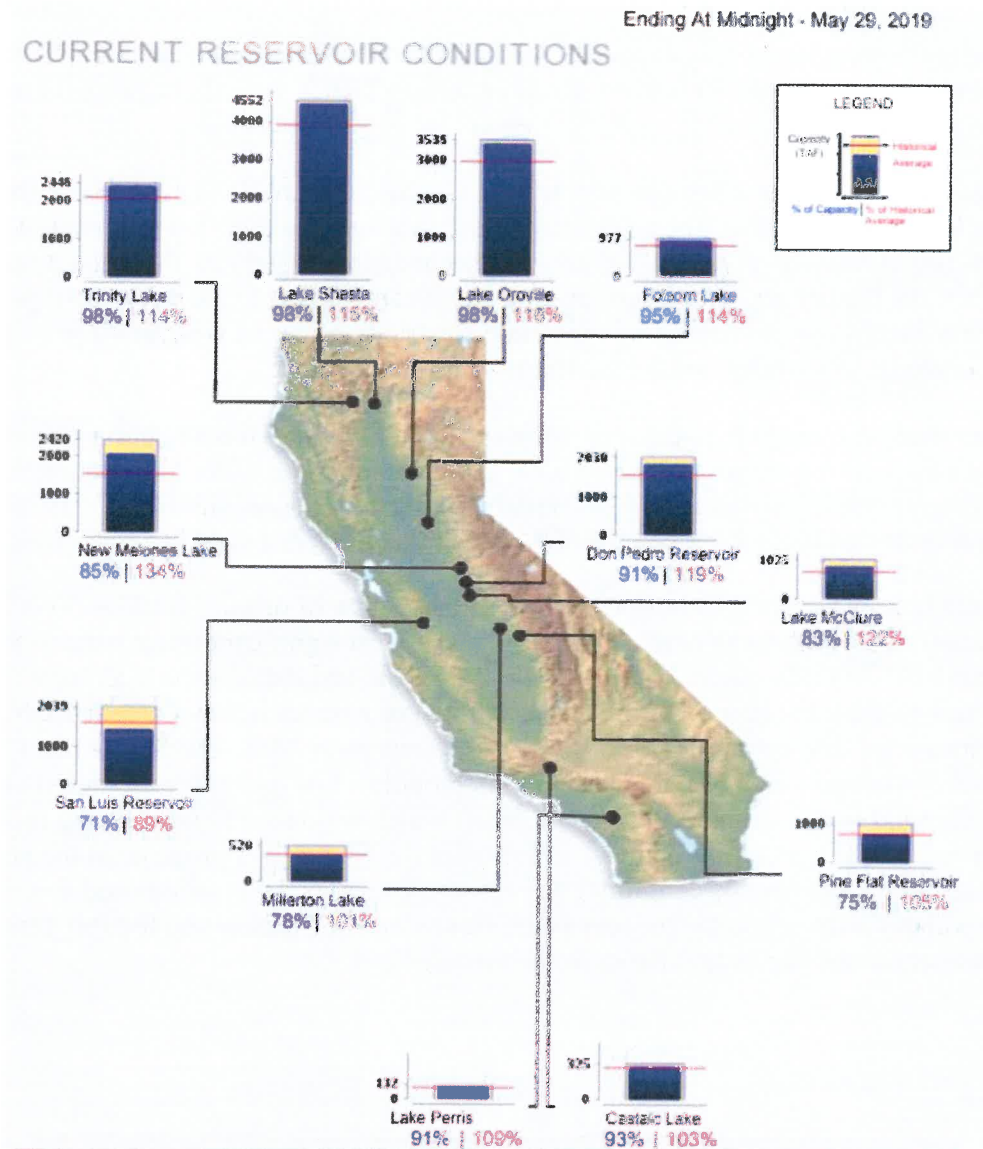
The Legislature worked through two major deadlines in May. On May 16 both appropriations committees took up their respective “suspense files.” Several important water bills were held in appropriations committees, including SB 332 (Hertzberg) regarding ocean discharge, AB 1672 (Bloom) regarding flushable products and SB 669 (Caballero) ACWA’s drinking water trust bill.

On May 30, both houses wrapped up business ahead of the “house of origin” deadline. Focus now turns to the budget, which has to be passed by June 15. The most significant water issue in the budget is safe and affordable drinking water. The Governor, the Senate and the Assembly all have different proposals for how to solve the issue. The Governor introduced a trailer bill that would establish the residential, commercial and agricultural fees similar to efforts from 2018. The Senate has a \$150 million per year continuous general fund appropriation proposal. The Assembly has deferred to the policy bill process and is supporting AB 217 (E. Garcia) which was recently amended to include a drinking water fee and an agricultural fee, but differs from the Governor’s proposal in the protections it offers to ag. The budget conference committee has commenced their deliberations and it is expected that this issue will come up late in the process as the Governor, the Speaker and the Pro Tem get together to hammer out the big budget issues in the coming days.

Inland Empire Utilities Agency Status Report – May 2019

Water Supply Conditions

Water conditions actually improved in May thanks to some late storms. The snowpack is at 196% of average for this time of year. With a fully operational spillway, regulators are keeping Lake Oroville at capacity. The other major Northern California Reservoirs are also being held at capacity. The State Water Project allocation still sits at 70 percent.



Aliso Canyon Update

The “root-cause” analysis report of the 2015-16 blowout and subsequent methane natural gas leak, has been released. The analysis finds fault with the maintenance and inspection activities of SoCalGas prior to the massive methane leak and highlights “gross negligence” by SoCalGas and the failure to conduct basic inspections. In the years following the leak, operations at the natural gas storage facility have been drastically reduced, which have caused reliability issues for natural gas users and some challenges on the electric side during heat events in addition to price increases due to low of supplies.

The report determined that SoCalGas “current practices and new state regulations address most, if not all, of the causes identified in the report.” SoCalGas is now calling for Aliso Canyon to be reopened. Environmentalists and local advocates are urging Governor Newsom to shut down the facility immediately.

While Governor Brown directed the California Energy Commission to formulate a plan to shut down the facility by 2027, the CPUC and the Department of Conservation Division of Oil, Gas and Geothermal Resources (DOGGR) allowed SoCalGas to increase supplies stored at the facility.

Operation of Aliso Canyon is important for electric reliability throughout Southern California. While there have been limited operations of the facility, electricity providers have narrowly avoided blackouts on hot days when demand is high. Reduced use of the facility has contributed to a 24 percent increase in natural gas prices in 2018 and an increase in wholesale energy prices. Future use of the facility will be closely followed because of the significant implications on reliability and cost implications in Southern California.

Legislative Update

May was full of legislative action with the Appropriations Committee Suspense Deadline May 17 and the House of Origin Deadline on May 31. At the same time, house budget committees concluded their business and a conference committee was named to work out the differences between the two house budgets. The budget must pass by June 15.

Clean, Safe and Affordable Drinking Water:

There is still no agreement between the Senate, Assembly and the Governor on how to tackle the safe and affordable drinking water issue. As reported in previous reports, the Governor released a trailer bill language that closely follow SB 623 (Monning, 2018). The trailer bill language, similar to SB 623, would impose a \$00.95 per month charge on residential water customers, with the charge increasing for commercial and industrial customers. The proposal also includes fees on agriculture and enforcement protection for ag. The trailer bill was debated in both budget sub committees but neither passed the bill out.

The Senate passed a majority-vote option that was expected to come from Pro Tem, Toni Atkins. This proposal is a \$150 million per year continuous appropriation from the General Fund. There are no enforcement protection provisions for ag. The Senate tied SB 200 (Monning) and SB 414 (Caballero) to the appropriation as well. SB 200 is the technical bill that would establish the fund and set rules for its use. SB 414 is Eastern MWD’s Small System Water Authority Act of 2019.

The Assembly deferred action to the legislative process. Their vehicle is AB 217 (E. Garcia, D-Coachella). AB 217 originally included several options for funding including a trust, a residential fee, and fees on agriculture. The current version of the bill includes a fee for residential and commercial water users and a fee on agriculture. The bill differs from the Governor’s proposal because it does not include enforcement protections for agriculture and in fact allows the Attorney General to access the

funds collected from ag to be used to prosecute individual dairy or ag operations for legacy contamination. The ag community has been supporting the Governor's proposal and is now in strong opposition to AB 217.

Negotiations over the issue now move to the "Big Three," the Governor, the Speaker and the Pro Tem as they work out the final major issues of the budget. The Pro Tem has remained committed to a majority-vote option, unwilling to make her members vote on a tax. It is unclear what sort of trading might occur as the top issues are negotiated in the coming days between the leaders.

SB 669 (Caballero): Safe Drinking Water Trust: Sponsored by ACWA and the California Municipal Utilities Association (CMUA), SB 669 would use a one-time infusion of general fund cash to establish a trust which revenue would be transferred to the Safe and Affordable Drinking Water Fund for administration by the State Water Resources Control Board. The bill has passed both the Senate Environmental Quality and Governance and Finance Committees without a single "no" vote. Members did raise concerns over conflicting amounts of "seed" money that would be needed to generate the necessary revenue. **The bill was held in Senate Appropriations Committee.**

Ocean Discharge:

Senator Bob Hertzberg's (D-Los Angeles) SB 322 to eliminate 95 percent of ocean discharges by 2040 was held in Senate Appropriations Committee. The bill is similar to a "gut-and-amend" the Senator attempted in 2017, SB 163, which ultimately failed. As an inland agency, IEUA isn't directly targeted in this legislation. However, there are significant concerns because the bill has no considerations for brine. SAWPA is responsible for six percent of Orange County Sanitation District's discharges currently and is planning to increase that to 25-30 percent in coming years. With brine being a byproduct of recycling water, the bill is at odds with itself. WCA staff have met with the Senator's staff and they are aware of the issue and claim they will work with stakeholders to address it. They did make it very clear they intentionally introduced this bill early to allow for a long stakeholder process.

The bill is dead for the year, but the conversations about eliminating ocean discharge will continue. It has been made clear that the Governor and his administration are considering ocean discharge as part of the Water Resiliency Portfolio Newsom directed his administration to draft in the coming months. Additionally, the bill could be re-introduced next year.

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 (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 WaterReuse California. The bill passed out of the Assembly without a single no vote and is expected to be taken up in the Senate Environmental Quality and Natural Resources and Water Committees in the beginning of June.

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 out of the Assembly without a single no vote and will be taken up in the Senate Environmental Quality Committee on June 5.

State Water Project:

SB 204 (Dodd): SB 204 originally sought to insert additional transparency and the sharing of information regarding future State Water Project Contract Amendments. If successful, this bill would have significantly delayed action on water conveyance and would be detrimental to any future SWP contract amendments. MWD and the State Water Contractors sought amendments to limit the timelines set in the bill so there wouldn't be an open-ended window in which the contracts could be delayed. The bill had an initial hearing in the Senate Natural Resources and Water Committee where it faced serious pushback, mostly from Southern California members. After the pushback the Senator agreed to work with stakeholders, something he was reluctant to do before the hearing, as the bill moves through the process. The Senator failed to address MWD and SWC concerns and they moved to a full oppose position. The author took significant amendments to get out of the Senate Appropriations Committee. The amendments remove the provisions requiring hearings by in the budget committee before contracts can be approved, among other amendments. These amendments satisfied concerns of MWD and the Contractors and they have removed their opposition. The bill passed the Senate and will now move to the Assembly. WCA will continue to track this bill very closely to ensure the unacceptable provisions aren't reinserted into the bill.

Wastewater Treatment:

AB 1672 (Bloom) addressing flushable wipes was held in Assembly Appropriations Committee. The bill, sponsored by CASA, establishes performance and labeling standards for flushable wipes and imposes civil penalties on parties failing to conform to those standards. The personal care product industry has been lobbying against the bill, though it managed to successfully pass out of Environmental Safety and Toxic Materials and Judiciary Committee.

IEUA BILL POSITIONS—May 17, 2019

Bill Number	Author/Sponsor	Title and/or Summary	Summary	IEUA Position
AB 292	Quirk WateReuse	Recycled water: raw water and groundwater augmentation	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.”	SUPPORT Sen EQ
AB 405	Rubio	<i>Sales and use taxes: exemption: water treatment</i>	<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>	SUPPORT Died in Approps
AB 533	Holden MWD	<i>Income taxes: exclusion: water conservation or efficiency programs: water runoff management improvement programs</i>	<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>	SUPPORT Died in Approps
AB 557	Wood	<i>Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program</i>	<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>	SUPPORT Died in Approps
AB 654	Rubio	Public records: utility customers: disclosure of personal information	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.	SUPPORT 2- year bill

AB 1180	Friedman WateReuse	Recycled Water	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.	SUPPORT Senate EQ 6/5
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.	2-year bill
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

SB 204	Dodd Delta Interests	State Water Project: Contracts	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.	OPPOSE In Assembly awaiting committee assignment
SB 307	Roth National Parks Conservation Association	Water conveyance: use of facility with unused capacity	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.	OPPOSE In Assembly awaiting committee assignment
SB 414	Caballero Eastern MWD/ CMUA	Small System Water Authority Act of 2019	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.	In Assembly awaiting committee assignment
SB 332	Hertzberg	<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</i>	<i>OPPOSE UNLESS AMENDED</i>

	NRDC		<i>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>Died in Approps</i>
SB 669	Caballero ACWA/CMUA	<i>Safe Drinking Water Trust</i>	<i>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.</i>	<i>Died in Approps</i>
AJR 8	Quirk	Invasive species: federal Nutria Eradication and Control Act of 2003	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.	SUPPORT Senate Natural Resources and Water

INFORMATION
ITEM

4K

INNOVATIVE FEDERAL STRATEGIES, LLC
Comprehensive Government Relations

MEMORANDUM

To: Kathy Besser
From: Letitia White, Jean Denton, Drew Tatum, Shavenor Winters
Date: June 3, 2019
Re: May Monthly Legislative Update

House Appropriators Continue to Make Progress on Fiscal Year 2020 Bills

Lawmakers are currently working through a one-week recess that coincides with Memorial Day. Both chambers will return the week of June 3. The House Appropriations Committee has made significant progress advancing the twelve annual appropriations bills. In total, they have advanced 10 of the 12 bills out of the subcommittee and 8 of the 12 out of the full committee.

While no floor schedule has been announced for the work period after the Memorial Day recess, we anticipate that the House will begin to bundle appropriations bills together in “minibus” appropriations packages to begin floor consideration, but likely not before the week of June 10. For the first appropriations package, we have heard that the House may bundle together the Defense, Labor-HHS, Legislative Branch, and Military Construction-VA Appropriations bills, though the final makeup and timing remains fluid. Majority Leader Steny Hoyer (D-MD) has indicated he would like to complete work in the House on appropriations measures by the July 4th recess.

The House Appropriations Committee released the draft fiscal year 2020 Transportation, Housing and Urban Development, and Related Agencies Appropriations bill. The legislation would provide \$137.1 billion in total budgetary resources for the fiscal year. The measure, which the Transportation and Housing and Urban Development Subcommittee approved by voice vote on May 23, would provide \$6 billion more than fiscal 2019 and \$17.3 billion more than the president’s budget request.

The measure would block the administration’s plans to roll back vehicle fuel economy standards and to exclude people living in the U.S. illegally from public housing. It would boost funding for aviation safety at the Federal Aviation Administration following two Boeing Co. 737 Max 8 crashes. It would also create a new automated systems safety office, fund development of a maglev train, and block the administration from clawing back funds provided for high speed rail in California.

The measure would also provide \$1 billion for Better Utilizing Investments to Leverage Development discretionary surface transportation grants, which would be \$100 million more than fiscal 2019. The measure would reserve \$20 million for planning and design of projects in areas of “persistent poverty.”

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The measure would also provide \$3.6 billion for Community Development Block Grants, \$300 million above the 2019 enacted level and blocking the President's budget request proposal to eliminate the program.

The Committee also released the Agriculture Appropriations bill. The Agriculture Department (USDA), Food and Drug Administration (FDA), and related agencies would receive \$24.3 billion in discretionary funding in fiscal 2020 under the House Appropriations Committee's draft spending bill. That amount would be \$1 billion more than the fiscal 2019 level, according to a news release from committee Democrats. The measure also includes mandatory funding for programs such as nutrition assistance and crop insurance, bringing the total to \$155.3 billion.

The measure, approved in subcommittee by voice vote on May 23, would block a USDA proposal to relocate two research agencies outside of the Washington, D.C., region and require the administration to restore an online database on animal welfare.

The legislation would provide \$680 million to expand broadband service in rural areas and \$655 million in grants for drinking water and sanitary waste disposal systems. It also would set a staffing floor of 4,566 full-time equivalents for rural development programs.

The Environmental Protection Agency (EPA), Interior Department, and other land management agencies would receive a combined \$37.3 billion in fiscal 2020 under the House Appropriations Committee's draft spending bill. The discretionary total would be \$1.73 billion more than the fiscal 2019 level and \$7.24 billion more than the president's budget request. The measure, which was approved in subcommittee by voice vote on May 15, would constrain the Interior Department's plans to increase oil and gas drilling on federal lands and waters.

The Interior bill would provide \$3.11 billion for the Clean Water (\$1.81 billion) and Drinking Water (\$1.3 billion) state revolving funds, \$1.13 billion more than requested. Appropriators omitted a rider from recent years blocking the Fish and Wildlife Service from finalizing rules related to the sage grouse. The agency announced in September 2015 that it wouldn't list the bird under the Endangered Species Act. Listing the sage grouse could block development within habitat areas or require companies to mitigate damage.

The Commerce and Justice departments, and major science programs, would receive \$73.9 billion in discretionary funding in fiscal 2020 under the House Appropriations Committee's draft spending bill, \$9.78 billion more than the fiscal year 2019 enacted spending level. The legislation would bar the Census Bureau from adding any question to the 2020 Census that wasn't included in the 2018 end-to-end test in Rhode Island, block the Executive Office for Immigration Review (EOIR) from imposing metric-based performance evaluations for judges, and reject the administration's request to eliminate funding for NASA's Office of Science, Technology, Engineering, and Mathematics (STEM) Engagement.

The bill would provide \$3.4 billion for state and local law enforcement activities, including:

- \$582.5 million for the Violence Against Women Act (VAWA) programs.
- \$375 million for opioid abuse reduction activities under the Comprehensive Addiction and Recovery Act (Public Law 114-198).

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- \$323 million for Community Oriented Policing Services (COPS) programs.
- \$191 million for several programs to address DNA evidence and sexual assault kit backlogs.
- \$125 million for STOP School Violence Act grants.
- \$80 million for grants to states to upgrade criminal and mental health records for the National Instant Criminal Background Check System (NICS).

While the House continues to make progress on these individual appropriations measures, a deal still has not been reached between the House and Senate on a topline number for the fiscal year 2020 measures to deal with the caps set in the Budget Control Act (BCA) of 2011. Legislation will be required to adjust the caps, as the BCA is current law.

Democrats are holding out for more domestic spending than Republicans are willing to provide, at least for now, as lawmakers have unsuccessfully tried to reach a deal on Tuesday, May 21. Talks stalled over how high to raise the nondefense discretionary spending cap. Exempting certain funds for the Census Bureau and Department of Veterans Affairs from those caps may also play a significant role in negotiations.

Budget Office Releases Deficit Report

The Congressional Budget Office regularly publishes reports that present budget projections under current law—that is, if existing laws governing taxes and spending generally remained unchanged. Earlier this month, the CBO published its latest report.

The new deficit figure for fiscal 2019 is \$896 billion, \$1 billion less than the previous projection. The cumulative deficit projection for fiscal 2020-2029 is \$249 billion, or 2 percent, lower than the previous projection.

Other key figures from the report:

Total revenue is projected to equal 16.5 percent of the gross domestic product in fiscal 2019. Outlays are projected to equal 20.7 percent. That means the debt would be 4.2 percent in fiscal 2019, and the figure would go as high as 4.7 percent in fiscal 2022 and 2028.

Mandatory spending is projected to rise from 12.7 percent of GDP in fiscal 2019 to 14.9 percent in 2029. Over that time period, discretionary spending is projected to drop from 6.3 percent of GDP to 5 percent. And payments on interest are projected to rise from 1.8 percent to 3 percent. Debt held by the public is projected to rise from 78.2 percent of GDP in fiscal 2019 to 91.8 percent in 2029.

Senate Passes Disaster Supplemental -Border Bill, Effort Blocked in House

Lawmakers had hoped to pass an appropriations measure through both chambers during the week before the Memorial Day recess to fund recovery efforts in areas affected by hurricanes, wildfires and floods since 2017.

Negotiators worked out the major issues, including aid for Puerto Rico, which had previously held up the disaster aid package for about five months. Additionally, lawmakers agreed to strip

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provisions that would have provided additional resources at the Southwestern U.S. border with Mexico.

Lawmakers were positive about their ability to move the legislation through both chambers, especially after President Trump promised to sign the legislation. Additionally, Senate Majority Leader Mitch McConnell (R-KY) told Senators that the chamber would not recess until after the legislation passed.

After the Senate passed the legislation with a broad bipartisan majority on Thursday, May 23, the House was scheduled to bring it up under unanimous consent during their pro forma session the following day. As passing the legislation requires consent of all lawmakers present, it only took the objection of one lawmaker, Chip Roy (R-TX), to temporarily stall the legislation.

The legislation will likely be brought up on the suspension calendar the week the after Memorial Day break.

Successful passage would end a months-long stalemate over the bill, which would provide funds for areas affected by hurricanes dating back to 2017, as well as western wildfires and Midwestern floods. It would also extend the authorization for the National Flood Insurance Program through September 30.

Infrastructure Remains on Bumpy Road

The country's infrastructure needs are so great and costs are increasing with delay, making it "stupid" not to make an investment now, said House Transportation and Infrastructure Chairman Peter DeFazio (D-OR). The Highway Trust Fund faces shortfalls beginning in 2021, the Congressional Budget Office (CBO) reports. The transit account won't be able to meet outlays beginning in 2021. The highway account will fall short slightly sooner than the last estimate, but still in fiscal 2022, according to the updated CBO estimate released in May.

Defazio criticized Republican leaders who balked at the \$2 trillion infrastructure proposal Democrats and the White House agreed to pursue during a meeting Tuesday, April 30.

However, after an initial burst of optimism, lawmakers in general have grown a bit skeptical of the \$2 trillion infrastructure framework that President Trump and congressional Democrats proposed last week. Complications over negotiations and the scope of the bill has led to renewed consideration and discussion around earmarks.

In addition, the top four congressional leaders of both parties are expected to meet with White House officials during the week of May 20th to discuss a two-year budget deal and the need to raise the debt ceiling.

Speaker Nancy Pelosi (D-CA), House Minority Leader Kevin McCarthy (R-CA), Senate Majority Leader Mitch McConnell (R-KY) and Senate Minority Leader Chuck Schumer (D-NY) will kick off talks as deadlines to avoid another government shutdown and raise the debt ceiling loom this fall.

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However, following meetings on both budget discussions and infrastructure, late this month President Donald Trump held an impromptu news conference to say he had told Democratic leaders he can't work with them on an infrastructure plan while they're investigating his administration.

“Get these phony investigations over with,” Trump said he told House Speaker Nancy Pelosi (D-CA) and Senate Minority Leader Chuck Schumer (D-NY). President Trump led off his statement by complaining that House Speaker Nancy Pelosi had accused him of conducting a “cover-up.”

“Instead of walking in happily into a meeting, I walk in to people who just said I was doing a cover-up,” Trump said. “I don't do cover-ups.” Several congressional Democrats including Pelosi and Schumer had arrived at the White House for the meeting. But reporters were abruptly summoned to the Rose Garden, where a podium had been set up for Trump to speak.

The front of the podium was a sign titled “Mueller Investigation By the Numbers,” declaring that Special Counsel Robert Mueller had found “NO collusion” and “NO obstruction.”

He continued to say he had told Pelosi and Schumer he wanted to work on an infrastructure plan, “but you know what, you can't do it under these circumstances.”

Senate GOP Readies Climate Bills in Bid to Court Wary Democrats

Senate Republicans are readying a response to populist climate initiatives such as Representative Alexandria Ocasio-Cortez's (D-NY) “Green New Deal” with measures that they say adhere to their free-market principles and stand a better chance of becoming law.

The emerging proposals to fight climate change would avoid imposing dramatic cuts to carbon dioxide emissions. Instead, they seek to promote clean energy technology such as energy storage, renewable power and carbon-capture technologies. One measure would create an investment fund to pay for the research.

“What we're doing is trying to come up with on something that actually has a path to getting bi-partisan support,” said Thom Tillis (R-NC), who is crafting legislation aimed at promoting renewable energy. “We're serious about trying to make a difference and not just making a point.”

The first of the Senate Republican bills seeks to reduce the cost of grid-scale energy storage—a technology that could transform the wind and solar industries by allowing the resources to produce power around the clock. Most of the power they provide today is limited to when the sun is shining or the wind is blowing.

Some Democrats backing the effort say it represents an opportunity even if they believe stronger legislation is needed. “We have to be articulating the big picture solutions that are actually going to meet the scale of the climate crisis, but at the same time recognize that we are not in charge of the Senate floor right now,” said Senator Martin Heinrich (D-NM), who is partnering with Senator Susan Collins (R-ME) on the energy storage bill. “When you can build bi-partisan

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consensus around something that truly matters,” he added, “we need to every opportunity to do that.”

Senate Bill Would Reinstate Opportunity Zone Data Mandates

Four senators, including the two who created the opportunity zone tax incentives that were folded into the 2017 tax law, introduced a bill to reinstate data and transparency requirements for the perk.

The bill (S. 1344)—introduced May 8 by Sens. Cory Booker (D-NJ), Tim Scott (R-SC), Todd Young (R-IN), and Maggie Hassan (D-NH)—would require the Treasury Department to report on the progress of the tax breaks for investors in designated distressed zones—or the lack thereof. Lawmakers stripped reporting requirements out of the tax overhaul legislation in order to pass it without a Senate filibuster.

The bill, a victory for transparency advocates, would mandate that Treasury collect data on the number of opportunity funds created, their asset classes, their holdings, and their economic ripple effects in the census tracts in which they invest. Most of the designated census tracts are low-income.

“This legislation will restore and strengthen transparency measures to ensure Opportunity Zones lives up to its original promise and delivers real impact to those who need it most,” Booker said in a news release announcing the bill.

Under tax code Section 1400Z-2, investors can defer and even reduce tax on profits from stocks and other investments by using the money to fund development in 8,764 census tracts throughout the U.S.

As the administration continues implementing Opportunity Zones, both the IRS and Department of the Treasury have indicated they have no plans for a third round of proposed regulations on the 2017 law. Officials indicated that they are instead leaning toward issuing sub-regulatory guidance to address remaining uncertainties and are figuring out how to address the fact that the second batch of proposed rules altered the first.

Immigration and Border Discussions Take Center Stage

Early this month, the Homeland Security Department asked Congress for supplemental funding to deal with the surge of migrants at the border. The request would cover more detention space and “address critical humanitarian requirements” to “ensure the crisis is managed in an operationally effective, humane, and safe manner”. This was ultimately included in the recently passed Senate bill which combined both this border initiative with supplemental disaster appropriations to address wildfires, hurricanes, and flooding.

House Democrats will want to rein in Immigration and Customs Enforcement spending and ensure that Border Patrol officials aren’t reassigned to do paperwork, if they agree to provide billions in extra funding to handle migrants crossing the southern border.

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As the surge at the border swells, Senate Judiciary Chairman Lindsey Graham says legislation to address the migrant surge at the U.S. Southwest border will be unveiled next week, “with or without the White House.” He said his bill would address “everything that’s a magnet for Central America,” including allowing for longer detention times for migrant children traveling in families, which is now capped at 20 days.

SCOTUS Returns to Session with Packed Agenda

The Supreme Court returned to session on Monday, May 13 to begin issuing some of its biggest decisions of the year.

The Trump administration’s efforts to add a question about citizenship landed in front of the justices last month, just weeks before the deadline to get the query added to the census.

Opponents argue that asking about citizenship will cause noncitizens and other immigrants to skip the question or the census altogether, leading to an inaccurate count of the population. Census data is used to determine congressional representation as well as federal funding.

But the Trump administration argues that it needs to collect the data in order to assist the Justice Department in its enforcement of the Voting Rights Act.

The justices will also hear arguments on gerrymandering. The justices appear to be divided in their approach to a pair of partisan gerrymandering cases, pointing back to their past struggles to address the issue.

Democrats in North Carolina argued before the court that Republicans constructed the state’s congressional district in favor of the GOP. And Republicans in Maryland alleged that Democrats in the state redrew a district in such a way that it eliminated a GOP congressional seat.

The high court has previously noted that state legislature’s drawing of congressional districts is an inherently political process and that it can be difficult to tell exactly when those maps have become too partisan.

Some of the court’s conservative justices questioned during oral arguments whether they were even the right body to call the shots, suggesting that the states should handle it themselves.

Other high- priority cases include the role race plays in jury selection for a death penalty case, separation of church-state, and the legality of Apple’s alleged monopoly over iPhone apps.

National Emergency Declaration in California Court

President Trump’s declaration of a national emergency to build a wall along the southern border faced its first legal challenge in a California courtroom on Friday, May 17.

Attorneys for the House of U.S Representatives, U.S. states, and the American Civil Liberties Union (ACLU) all appeared before a federal judge in Oakland on Friday to make their first arguments against the national emergency declaration, which will divert military funds toward the creation of the wall. All three groups have filed lawsuits challenging the order.

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Trump issued the directive earlier this year after Congress refused to include his requested amount of border security funds in a government funding bill. The standoff resulted in a record 35-day-long government shutdown. The group of the 20 states, led by California, and the coalition of immigration and environmental groups headed up by the ACLU have individually asked District Judge Haywood Gilliam to issue a preliminary injunction to halt construction of the wall.

All three groups have argued that the president is violating the Constitution by tapping military funds for border wall construction, arguing that only Congress is permitted to appropriate funding. The states have also claimed that the directive is hurting their ability to assist their citizens, as officials have proposed tapping into funds for programs they benefit from.

The Trump Administration reprogrammed about \$3.6 billion in military construction funds for the wall with his emergency declaration, and officials have transferred an additional \$1 billion in counter-drug funding.

Bill Number (linked to the legislation on Congress.gov)	Sponsor/ Cosponsor	Title and/or Summary	Summary/Status	Latest Action
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.	Introduced on March 15 and then referred to the Subcommittee on Water Resources and Environment.
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.	Introduced on March 5 and then referred to the House Committee on Ways and Means.
H.R. 2960 / S. ____	Rep. Marcy Kaptur (D-OH) / Sen. Lamar Alexander (R-TN)	Energy and Water Development Appropriations Act, 2020	The House and Senate will soon begin writing their FY20 Energy and Water Appropriations bill, which includes funding for the Department of Energy, Bureau of Reclamation (Interior), Army Corps of Engineers, and other federal agencies.	The House marked up and reported their version of the Energy and Water bill on May 23. It was placed on the Union Calendar. The Senate is likely to follow suit within the next several weeks. Consideration of the legislation on the House and Senate floors likely will not occur until later this summer.

<p>H.R. ____ / S. ____</p>	<p>Rep. Betty McCollum (D-MN) / Sen. Lisa Murkowski (R-AK)</p>	<p>Interior, Environment, and Related Agencies Appropriations Act, 2020</p>	<p>The House and Senate will soon begin writing their FY20 Energy and Water Appropriations bill, which includes funding for the Department of the Interior (except the Bureau), Bureau of Land Management, Land and Water Conservation Fund, National Park Service, U.S. Fish and Wildlife Service, and the U.S. Forest Service.</p>	<p>The Appropriations Committee staff in the House are conferring with Committee Members and drafting the bill. The House will likely mark up the Interior Appropriations bill during May, with the Senate likely following suit several weeks later. Consideration of the legislation on the House and Senate floors likely will not occur until later this summer.</p>
<p>H.R. ____ / S. ____</p>	<p>Rep. David Price (D-NC) / Sen. Susan Collins</p>	<p>Transportation, Housing, and Urban Development, and Related Agencies Appropriations Act, 2020</p>	<p>The House and Senate will soon begin writing their FY20 Transportation-HUD Appropriations bill, which includes funding for the Departments of Transportation, Housing and Urban Development, and various other federal agencies.</p>	<p>The Appropriations Committee staff in the House are reviewing requests submitted by Member offices. The House will likely mark up the Transportation-HUD bill during May (subcommittee) and June (full committee), with the Senate likely following suit several weeks later. Consideration of the legislation on the House and Senate floors likely will not occur until later this summer.</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 the referred to the Committee on Energy and Commerce, and in addition to the Committee on Science, Space, and Technology.
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).	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 fending 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.	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.

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:</p> <p>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>
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H.R. 268	Rep. Nita Lowey (D- NY)	Supplemental Appropriations Act, 2019	<p>This bill provides \$12.1 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>Passed the House on January 16th.</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.</p> <p>The House is scheduled to consider a new supplemental appropriations bill during the week of May 6.</p>
S.572	Sen. David Perdue (R-GA)	Additional Supplemental Appropriations for Disaster Relief, 2019	<p>This bill provides \$13.6 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>This bill was crafted as a compromise between the Senate and the White House to resolve issues related to disaster aid to Puerto Rico.</p>	<p>Introduced in the Senate on February 26. This was expected to be the supplemental appropriations package that moved in the House and Senate, but a subsequent amendment was released to H.R.268 that will now likely move in the Senate.</p> <p>No further activity is expected on this bill.</p>

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.	Introduced in the House on February 13. Has been referred to the Water, Oceans, and Wildlife Subcommittee of the House Natural Resources Committee on 3/4/2019.
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.

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 on February 7th.
S. 361/HR 807	Sen. Cory Gardner (R-CO)/ Rep. Ken Buck (R-CO-04)	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 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 n January 8th
S.420 /H.R. 1120	Sen. Ron Wyden (D-OR)/ Rep. Earl Blumenauer (D-OR-3)	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 14th and was referred to the Subcommittee on Conservation and Forestry. Introduced in the House on February 14th and was referred to the Subcommittee on Conservation and Forestry.

**INFORMATION
ITEM**

4L



CALIFORNIA STRATEGIES, LLC

Date: May 30, 2019
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: May Activity Report

1. This month Jim Brulte and John Withers held their first monthly senior staff meeting which was attended by the new IEUA General Manager.
2. Senator Brulte and John Withers provided an extensive overview of California Strategies and the role that the company plays supporting the staff and board of IEUA
 - Reviewed the local and state background of Senator Brulte
 - Reviewed the background of John Withers including his service on the Irvine Ranch Water District, Orange County Sanitation District and Orange County LAFCO
 - Discussed briefly the regional offices of California Strategies and specific principals' practice areas.
 - Reviewed certain past activities of California Strategies for IEUA and how past General Managers conducted interactions.
3. Regional Contract
 - Reviewed the activities to date regarding the regional contract.
 - Discussed the various stakeholders and the concerns by stakeholder
 - Discussed the allocation of property taxes and the effects this could have on continuing discussions
 - Discussed the upcoming potential board actions related to the contracts being presented
4. Chino Basin Project
 - Discussed the Approved MOU
 - Reviewed decisions of SAWCO and how the CPB could be of assistance
5. Rate Study
 - Discussed second workshop
6. Member Questions and Answers
 - Answered questions from IEUA Board members and the GM since the meeting

**INFORMATION
ITEM**

4M



Date: June 19, 2019

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager SDP

Committee: Finance & Administration

06/12/19

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

Subject: Fiscal Year 2018/19 Third Quarter Budget Variance, Performance Goal Updates, and Budget Transfers

Executive Summary:

The Budget Variance report presents the Agency's financial performance through the third quarter ended March 31, 2019 and various related analyses are provided in the attachments.

The Agency's total revenue and other funding sources were \$169 million, or 80 percent of the year to date budget of \$211 million. Unfavorable variance is due to lower than anticipated connection fees, grants and loan receipts, which are dependent upon capital project expenditures.

The Agency's total expenses and uses of funds were \$157 million, or 75 percent of the \$210 million year to date budget. Timing of capital project execution and certain professional service primarily accounts for the positive variance.

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 \$12 million.

Staff's Recommendation:

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

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 \$12 million for the quarter ended March 31, 2019.

Full account coding (internal AP purposes only): - - - Project No.:

Prior Board Action:

None.

Environmental Determination:

Not Applicable

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.

Attachments:

Attachment 1 - Background

Exhibit A- Q3 Budget Variance Summary Report

Exhibit A- Q3 Budget Variance Detail Report

Exhibit B- Business Goals and Objectives Report by Initiatives

Exhibit C-1 Summary of Annual Budget Transfers in the third 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

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

The Budget Variance report presents the Agency's financial performance through the third quarter ending March 31, 2019, includes the following highlights:

TOTAL REVENUES AND OTHER FUNDING SOURCES

Overall, the Agency's total revenue and other funding sources were \$168.8 million, or 80 percent of the year to date budget of \$210.5 million for the quarter ended March 31, 2019 (Exhibit A detail). The following section highlights key variances:

- **Recycled Water Sales** – Total recycled water direct sales were \$5.8 million for 12,733 acre feet (AF) and groundwater recharge sales were \$4.0 million for 7,726 acre feet (AF), a combined total of \$9.0 million or 20,459 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. Current wet winter condition may impact future deliveries due to less demand for recycled water and reduced recharged deliveries to the groundwater basins.
- **MWD Imported Water Sales** – Total Metropolitan Water District (MWD) pass-through imported water revenue was \$34.6 million or 107.3 percent of year to date budget. Imported water deliveries at 54,067 AF compared to the annual budgeted quantity of 50,000 AF. The high demand was mainly due to some member agencies shift to imported water away from local supplies due to water quality issues.
- **Cost Reimbursement from JPA** – Total cost reimbursements were \$4.8 million, or 102.4 percent of the year to date budget. Actuals include reimbursements of \$3.0 million from the Inland Empire Regional Composting Authority (IERCA) and \$0.8 million from Chino Basin Desalter Authority (CDA) for the Agency's operation & maintenance of the IERCA Composter and CDA Desalter facilities. Reimbursement of \$1.0 million from Chino Basin Wastewater (CBWM) 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 is also included.
- **Property Taxes** – Tax receipts at the end of the third quarter were \$32.3 million or 89.9% of the amended budget. General ad-valorem property tax receipts from the San Bernardino County Tax Assessor were \$22.9 million and "pass through" incremental Redevelopment Agencies (RDA) taxes were \$9.4 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 of \$16.9 million or 68.4 percent of the year to date budget. Receipts include \$13.0 million for new regional system connections (EDU), and \$3.9 million for new water connections (MEU). The number of new EDU connections reported through the third quarter were 1,960 EDUs compared to the annual budget of 4,000 EDUs and the total new water connections were 1,357 MEUs compared to the 4,000 budgeted MEU.
- **Grants & Loans** – Total grant and loan receipts were \$1.8 million, or 5.7 percent of the year to date budget. Included is \$0.4 million of grant receipts and \$1.4 million of State Revolving Fund (SRF) loan for the regional water quality laboratory. Loan proceeds budgeted in the Recharge Water and Regional Wastewater Operations and Maintenance programs are anticipated in the remainder of the fiscal year. Grants and loan receipts are primarily reimbursable in nature and as such are dependent upon related capital project expenditures.
- **Project Reimbursements and Other Revenues** – Total other revenues and project reimbursements were \$2.2 million, or 121.2 percent of the year to date budget. Actual receipts include \$1.1 million from CBWM for their share of the 2008B Rate Variable bond debt service and fixed project costs, \$0.5 million in lease revenues, \$0.2 million gain on investments, and \$0.2 million on project reimbursements.

TOTAL EXPENSES AND USES OF FUNDS

The Agency's total expenses and uses of funds were \$157.2 million, or 75 percent of the \$209.9 million year to date 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 March 31, 2019 includes:

Administrative Expenses

- **Professional Fees & Services** – Total expenses were \$5.3 million, or 60.8 percent of the year to date budget. The positive variance can be attributed to the timing of contract services deferred or anticipated to be utilized in the final quarter of the fiscal year 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.
- **O&M (Non-capital) Projects** – O&M and reimbursable project costs were \$7.8 million or 35.5 percent of their year to date budget. The favorable balance is mainly due to lower spending for water and drought related projects such as the CBWM Pomona Extensometer, Collection System Asset Management and Agency-Wide Aeration Panel Replacement projects, and Santa Ana River Conservation & Conjunctive Use Program (SARCCUP). Currently, IEUA's participation in SARCCUP is limited to primarily conservation efforts. As a result, 3rd and 4th quarter expenditures are anticipated to be much lower than the FY 2018/19 budget.

Operating Expenses

- ***Biosolids Recycling*** – Total biosolids expenses were \$3.1 million or 89.4 percent of the year to date 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 49,074 tons with a blended rate of \$56.00 per ton.
- ***Utilities*** – Total utilities expenses were \$6.3 million of the \$6.6 million year to date 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. Through the third quarter, the average rate for imported electricity ranged between \$0.11/kWh - \$0.12/kWh compared to budgeted rate of \$0.125/kWh.
- ***MWD Water Purchases*** – Total Metropolitan Water District of Southern California (MWD) pass-through imported water purchases was \$34.6 million or 107.3 percent of year to date budget. Imported water deliveries at 54,067 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.

Non-Operating Expenses

- ***Capital Projects*** – Total capital project expenditures through the end of the third quarter were \$38.0 million or 57.6 percent of the year to date budget of 66.0 million. Favorable variance in capital spending is largely driven by changes in the project scope and schedule, construction bid results, regulatory issues and external resources associated with such undertaking. The amended annual budget is \$88.0 million which includes \$4.4 million of capital budget carried forward (net of return) from FY 2017/18. The lower than anticipated expenditures are caused 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 third quarter were \$31.9 million, or 61 percent of the \$52.3 million annual program budget. Recycled water capital projects accounted for \$3.7 million, or 23 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 \$11.6 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 March 31, 2019**

Operating	FY 2018/19 Amended Budget	Budget YTD	Actual YTD	% Budget Used YTD
Operating Revenue	\$154.1	\$115.6	\$115.5	99.9%
Operating Expense	(\$168.6)	(\$126.5)	(\$104.8)	82.8%
Net Operating Increase/(Decrease)	(\$14.5)	(\$10.9)	\$10.7	
Non- Operating				
Non-Operating Revenue	\$126.6	\$95.0	\$53.3	56.1%
Non-Operating Expense	(\$111.1)	(\$83.4)	(\$52.4)	62.8%
Net Non-Operating Incr./ (Decrease)	\$15.5	\$11.6	\$0.9	
Total Sources of Funds	\$280.7	\$210.6	\$168.8	80.2%
Total Uses of Funds	(\$279.7)	(\$209.9)	(\$157.2)	74.8%
Total Net Increase/(Decrease)	\$1.0	\$0.7	\$11.6	

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 third quarter accounted for \$0.7 million as detailed in Exhibit C-1.

Intra-fund Capital and O&M projects budget transfers accounted for approximately \$2.8 million as listed in Exhibit D.

The *General Manager (GM) Contingency Account* adopted budget of \$300,000 in the Administrative Services Fund, utilized \$163,000 through the third quarter to support unplanned but necessary expenses as listed in Exhibit C-2.

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.

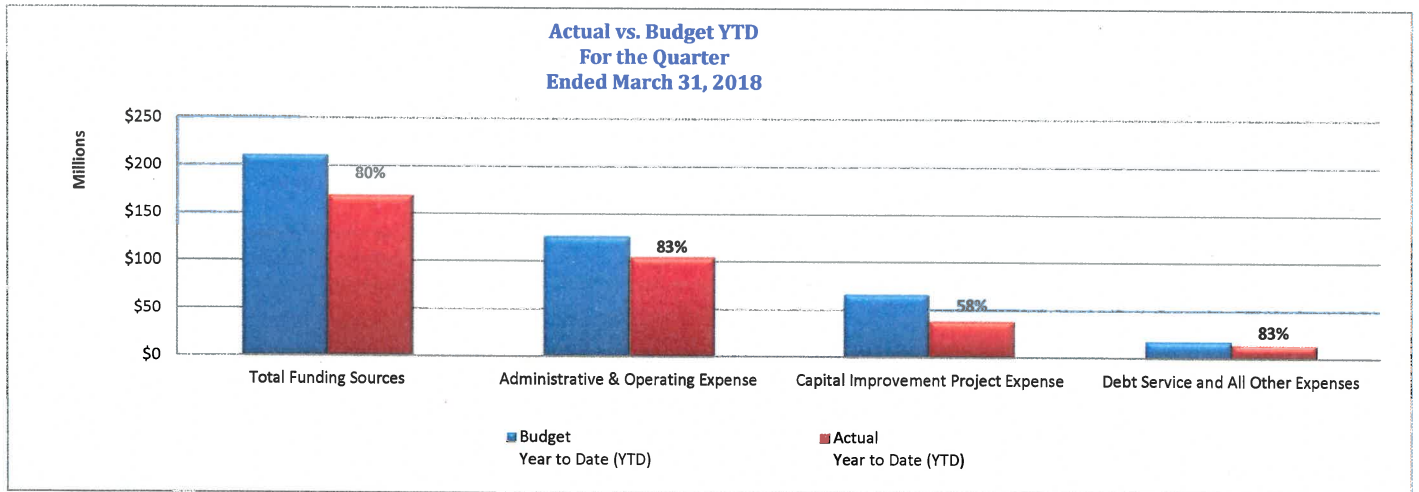
IMPACT ON BUDGET

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 \$11.6 million.

I. Actual vs. Budget Summary:

Quarter Ended March 31, 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	\$115,580,683	\$115,539,543	(\$41,140)	100.0%
Non-Operating (Other Sources of Fund)	126,618,589	94,963,943	53,274,331	(41,689,612)	56.1%
TOTAL FUNDING SOURCES	280,726,165	210,544,626	168,813,874	(41,730,752)	80.2%
Administrative & Operating Expense	(168,614,983)	(126,461,238)	(104,752,321)	21,708,917	82.8%
Capital Improvement Project Expense	(88,010,928)	(66,008,196)	(38,030,335)	27,977,861	57.6%
Debt Service and All Other Expenses	(23,067,036)	(17,381,625)	(14,397,575)	2,984,050	82.8%
TOTAL USES OF FUNDS	(279,692,947)	(209,851,059)	(157,180,231)	52,670,828	74.9%
Surplus/(Deficit)	\$1,033,218	\$693,567	\$11,633,643	\$10,940,076	



2. Actual Revenue vs. Budget:

Quarter Ended March 31, 2019

\$235,668.15

	Amended Budget	Budget Year to Date (YTD)	Actual Year to Date (YTD)	Budget YTD vs. Actual	% of Budget Used YTD
Operating Revenues:					
User Charges	\$84,243,779	\$63,182,835	\$63,545,085	\$362,250	100.6%
Recycled Water Sales	18,188,000	13,641,000	9,835,762	(\$3,805,238)	72.1%
MWD Water Sales	42,996,000	32,247,000	34,584,912	\$2,337,912	107.3%
Cost Reimbursement	6,083,947	4,562,960	4,671,718	\$108,758	102.4%
Interest	2,595,850	1,946,888	2,902,067	\$955,179	149.1%
OPERATING REVENUES	154,107,576	115,580,683	115,539,544	(41,139)	100.0%
Non-Operating Revenues:					
Property Tax - Debt, Capital, Reserves	\$47,887,800	\$35,915,850	\$32,306,148	(\$3,609,702)	89.9%
Connection Fees	32,911,999	24,684,000	16,892,749	(\$7,791,251)	68.4%
Grants & Loans	43,367,567	32,525,675	1,847,438	(\$30,678,237)	5.7%
Other Revenue	2,451,224	1,838,418	2,227,995	\$389,577	121.2%
NON-OPERATING REVENUES	126,618,590	94,963,943	53,274,330	(41,689,613)	56.1%
Total Revenues	\$280,726,166	\$210,544,626	\$168,813,874	(\$41,730,752)	80.2%

- User Charges, 100.6%** User charges were \$63.5 million, or 100.6 percent of the year to date budget. The category includes \$50.1 million monthly sewer charges based on equivalent dwelling units (EDU), \$8.7 million non-reclaimable wastewater fees paid by industrial and commercial users connected to the brine line system, and \$4.7 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, 89.9%** Tax receipts at the end of the quarter were \$32.3 million or 89.9% of the amended budget. General ad-valorem property tax receipts from the San Bernardino County Tax Assessor were \$22.9 million and "pass through" incremental Redevelopment Agencies (RDA) taxes were \$9.4 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, 72.1%** Recycled water direct sales were \$5.8 million for 12,733 acre feet (AF) and groundwater recharge sales were \$4.0 million for 7,726 acre feet (AF), for a combined total of \$9.0 million or 20,459 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. Current wet winter condition may impact future deliveries due to less demand for recycled water and reduced recharged deliveries to the groundwater basins.
- Interest Income, 149.1%** Interest Income is \$2.6 million or 149.1 percent of the year to date budget. The Agency earns interest income by investing funds not immediately required for daily operations. The Agency's average portfolio yield as of March 2019 was 2.5% and continues to increase as a result of rising market rates and more active management of the Agency's investment portfolio. Budgeted interest rate assumption at 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, 107.3%** Total Metropolitan Water District of Southern California (MWD) pass-through imported water revenue was \$34.6 million or 107.3 percent of year to date budget. Imported water deliveries at 54,067 AF compared to the annual budgeted quantity of 50,000 AF. The high demand was mainly due to some member agencies shift to imported water away from local supplies due to water quality issues.

- Connection Fees, 68.4%** Total connection fee receipts of \$16.9 million or 68.4 percent of the year to date budget. Receipts include \$13.0 million for new regional system connections (EDU), and \$3.9 million for new water connections (MEU). The number of new EDU connections reported through the third quarter were 1,960 EDUs compared to the annual budget of 4,000 EDUs and the total new water connections were 1,357 MEUs compared to the 4,000 budgeted MEU.
- Grants and Loans, 5.7%** Grant and loan receipts were \$1.8 million, or 5.7 percent of the year to date budget. Included is \$0.4 million of grant receipts and \$1.4 million of State Revolving Fund (SRF) loan for the regional water quality laboratory. Loan proceeds budgeted in the Recharge Water and Regional Wastewater Operations and Maintenance programs are anticipated in the remainder of the fiscal year. 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 includes, \$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 includes \$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 Regional Wastewater Capital fund, and \$4.0 million for the new water quality laboratory Regional Wastewater Operations and Maintenance fund.
- Cost Reimbursements JPA, 102.4%** Total cost reimbursements were \$4.8 million, or 102.4 percent of the year to date budget. Actuals include reimbursements of \$3.0 million from the Inland Empire Regional Composting Authority (IERCA) and \$0.8 million from Chino Basin Desalter Authority (CDA) for the Agency's operation & maintenance of the IERCA Composter and CDA Desalter facilities. Also included \$1.0 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, 121.2%** Total other revenues and project reimbursements were \$2.2 million, or 121.2 percent of the year to date budget. Actual receipts include \$1.1 million from Chino Basin Waster Master(CBWM) for their share of the 2008B Rate Variable bond debt service and fixed project costs, \$0.5 million in lease revenues, \$0.2 million gain on investments, and 0.2 million on project reimbursements.

3. Actual Operating and Capital Expense vs. Budget:

Quarter Ended March 31, 2019

	Amended Budget	Budget Year to Date (YTD)	Actual Year to Date (YTD)	Budget YTD vs. Actual	% of Budget Used YTD
Operating Expenses:					
Employment	\$45,938,596	\$34,453,948	\$30,988,629	\$3,465,319	89.9%
Admin & Operating	79,680,387	59,760,290	39,178,778	\$20,581,512	65.6%
MWD Water Purchases	42,996,000	32,247,000	34,584,912	(\$2,337,912)	107.3%
OPERATING EXPENSES	\$168,614,983	\$126,461,238	\$104,752,319	\$21,708,919	82.8%
Non-Operating Expenses:					
Capital	88,010,928	66,008,196	38,030,335	\$27,977,861	57.6%
Debt Service and All Other Expenses	23,067,036	17,381,625	14,397,577	\$2,984,048	82.8%
NON-OPERATING EXPENSES	\$111,077,964	\$83,389,821	\$52,427,912	\$30,961,909	62.9%
Total Expenses	\$279,692,947	\$209,851,059	\$157,180,231	\$52,670,828	74.9%

Employment Expenses net of allocation to projects **Employment, 89.9%**
 Employment expenses were \$31.0 million or 89.9 percent of the year to date budget. At the end of the third quarter, total filled regular positions were 261 compared to the 290 authorized positions and 13 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 includes \$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, 53%**
 Office and administrative for the fiscal year was \$1.1 million, the favorable variance was in part due to the inclusion of \$137 thousand for the GM contingency budget which represents 6 percent of the overall category budget. This contingency serves as a funding source for unexpected operating expenses. Also contributing to the positive variance is the \$150 thousand election fees not expended, lower advertising, and department training expense. A portion of the department training budget is reserved for specific conferences and events that will occur in the fourth quarter. However, the category is expected to remain under budget for the remainder of the fiscal year.

Professional Fees & Services, 60.8%
 Total expenses were \$5.3 million, or 60.8 percent of the year to date budget. The positive variance can be attributed to the timing of contract services deferred or anticipated to be utilized in the final quarter of the fiscal year 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.

Materials & Supplies/Leases/Contribution, 74.5%
 Expenses through the end of third quarter were \$2.1 million or 74.5 percent of the year to date 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. However, additional expense will be incurred in the fourth quarter for items such as SCADA/DCS system repairs and personal protective equipments.

Biosolids Recycling, 89.4%
 Biosolids expenses were \$3.1 million or 89.4 percent of the year to date 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 49,074 tons with a blended rate of \$56.00 per ton.

Chemicals, 92.2%
 Chemical expenses were \$3.4 million, or 92.2 percent of the year to date 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. The largest chemical purchase is polymer which is added to the primary clarifier to enhance solids settling and to the sludge to enhance the thickening and dewatering process.

Administrative & Operating Expenses continued	Operating Fees, 97.7%
	Spending in this category was \$9.8 million, or 97.7 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 \$2.2 million of readiness-to-serve (RTS) obligation pass-through to MWD, budgeted at \$2.9 million.
	MWD Water Purchases, 107.3%
	Total Metropolitan Water District of Southern California (MWD) pass-through imported water revenue was \$34.6 million or 107.3 percent of year to date budget. Imported water deliveries at 54,067 AF compared to the annual budgeted quantity of 50,000 AF. The high demand was mainly due to some member agencies shift to imported water away from local supplies due to water quality issues.
	Utilities, 94.4%
	Total utilities expenses were \$6.3 million of the \$6.6 million year to date 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. Through the third quarter, the average rate for imported electricity ranged between \$0.11/kWh - \$0.12/kWh compared to budgeted rate of \$0.125/kWh.
	O&M and Reimbursable Projects, 31.7% and 71.8%
	The combined O&M and reimbursable project costs were \$7.8 million or 35.5 percent of their combined year to date budget. The favorable balance is mainly due to lower spending for water and drought related projects such as the CBWM Pomona Extensometer, Collection System Asset Management and Agency-Wide Aeration Panel Replacement projects, and Santa Ana River Conservation & Conjunctive Use Program (SARCCUP). Currently, IEUA's participation in SARCCUP is limited to primarily conservation efforts as a result, 3rd and 4th quarter expenditures are anticipated to be much lower than the current FY2018/19 budget.
Financial Expenses	Financial Expense, 82.3%
	Total financial expenses were \$14.0 million through the end of the third quarter. Actual costs included \$9.7 million paid towards principal for the 2010A Revenue Bond, 2017A Revenue Bond, and State Revolving Fund (SRF) notes. Total interest payments were \$4.1 million and \$0.2 million for financial administration fees.
Other Expenses	Other Expenses, 111.6%
	Total other expenses were \$0.3 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, 57.6%
	Total capital project expenditures year to date were \$38.0 million or 57.6 percent of the year to date budget of 66.0 million. Favorable variance in capital spending is largely driven by changes in the project scope and schedule, construction bid results, regulatory issues and external resources associated with such undertaking. The amended annual budget is \$88.0 million which includes \$4.4 million of capital budget carried forward (net of return) from FY 2017/18. The lower than anticipated expenditures are 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 third quarter were \$31.9 million, or 61 percent of the \$52.3 million annual program budget. Recycled water capital projects accounted for \$3.7 million, or 23 percent of the \$16.2 million annual program budget.

Summary of major capital and non-capital project expenses and status as of March 31, 2019

Capital Projects		Annual Budget	Actual YTD	% of Budget Used YTD
EN14042	RP-1 1158 RWPS Upgrade Construction preliminary schedule showed a delay of 3-6 months past the contract completion date due to long lead times for equipment. Cost projections adjusted to when large equipment land onsite. Staff has projected to spend approximately \$1.7M through June 30th.	3,000,000	739,836	24.7%
EN14019	RP-1 Headworks Gate Replacement Staff have projected to spend \$5.9M through the end of the fiscal year. The primary reason for the unfavorable variance is due to additional bypass pumping needed during construction to mitigate leaking gates at the headworks. The project cost is still within the total project budget and will be completed in June 2019.	3,450,000	4,941,937	143.2%
EN13001	San Sevaine Basin Improvements Additional scope was added for the construction of the SCE electrical conduit and other items which were not accounted for in the current fiscal year budget but the project cost is still within the total project budget.	547,574	1,185,108	216.4%
EN15012	RP-1 East Primary Effluent Conveyance Improven Phase 2 of the project was added. This increased the amount of spending for the fiscal year. Staff have projected to spend \$5.3M by the end of June 2019.	4,500,000	4,680,541	104.0%

O&M & Reimbursable Projects		Annual Budget	Actual YTD	% of Budget Used YTD
PA17006	Agency-Wide Aeration Panel Replacements 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.	1,929,402	1,923,515	99.7%
RW19002	CBWM Pomona Extensometer This project is currently ongoing, IEUA has an agreement to perform contract administration services.	1,463,581	1,056,680	72.2%
WR16024	Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) The Santa Ana River Conservation & 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. 3rd and 4th quarter expenditures are anticipated to be much lower than the current FY2018/19 budget.	3,581,604	197,117	5.5%

INLAND EMPIRE UTILITIES AGENCY
Fiscal Year 2018/19
CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT
Quarter Ended March 31, 2019

	Amended Budget	Budget YTD	Actual YTD	Variance YTD	% Budget Used YTD
<u>OPERATING REVENUES</u>					
User Charges	\$84,243,779	\$63,182,835	\$63,545,085	\$362,250	100.6%
Recycled Water	18,188,000	13,641,000	9,835,762	(3,805,238)	72.1%
MWD Water Sales	42,996,000	32,247,000	34,584,912	2,337,912	107.3%
Cost Reimbursement from JPA	6,083,947	4,562,960	4,671,718	108,757	102.4%
Interest Revenue	2,595,850	1,946,888	2,902,067	955,179	149.1%
TOTAL OPERATING REVENUES	\$154,107,576	\$115,580,683	\$115,539,543	(\$41,140)	100.0%
<u>NON-OPERATING REVENUES</u>					
Property Tax	\$47,887,800	\$35,915,850	\$32,306,148	(\$3,609,702)	89.9%
Connection Fees	32,911,999	24,684,000	16,892,749	(7,791,251)	68.4%
Grants	14,781,667	11,086,250	391,612	(10,694,639)	3.5%
SRF Loan Proceeds	28,585,900	21,439,425	1,455,826	(19,983,599)	6.8%
Project Reimbursements	1,522,918	1,142,189	1,276,958	134,769	111.8%
Other Revenue	928,305	696,229	951,038	254,809	136.6%
TOTAL NON OPERATING REVENUES	\$126,618,589	\$94,963,943	\$53,274,331	(\$41,689,613)	56.1%
TOTAL REVENUES	\$280,726,166	\$210,544,626	\$168,813,874	(\$41,730,753)	80.2%
<u>ADMINISTRATIVE and OPERATING EXPENSES</u>					
EMPLOYMENT EXPENSES					
Wages	\$22,137,889	\$16,603,417	\$20,558,987	(\$3,955,570)	123.8%
Benefits	23,800,708	17,850,531	10,429,642	7,420,890	58.4%
TOTAL EMPLOYMENT EXPENSES	\$45,938,596	\$34,453,948	\$30,988,629	\$3,465,320	89.9%
ADMINISTRATIVE EXPENSES					
Office & Administrative	\$2,738,593	\$2,053,944	\$1,088,255	\$965,691	53.0%
Insurance Expenses	874,300	655,725	521,138	134,588	79.5%
Professional Fees & Services	11,586,147	8,689,610	5,287,307	3,402,303	60.8%
O&M Projects	26,557,709	19,918,282	6,317,665	13,600,617	31.7%
Reimbursable Projects	2,366,192	1,774,644	1,273,478	501,166	71.8%
TOTAL ADMINISTRATIVE EXPENSES	\$44,122,939	\$33,092,205	\$14,487,842	\$18,604,365	43.8%

INLAND EMPIRE UTILITIES AGENCY
Fiscal Year 2018/19
CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT
Quarter Ended March 31, 2019

	Amended Budget	Budget YTD	Actual YTD	Variance YTD	% Budget Used YTD
OPERATING EXPENSES					
Material & Supplies/Leases	\$3,752,749	\$2,814,562	\$2,098,085	\$716,477	74.5%
Biosolids Recycling	4,631,789	3,473,842	3,105,129	368,712	89.4%
Chemicals	4,918,940	3,689,205	3,401,042	288,164	92.2%
MWD Water Purchases	42,996,000	32,247,000	34,584,912	(2,337,912)	107.3%
Operating Fees/RTS Fees/Exp. Alloc.	13,395,045	10,046,284	9,817,277	229,007	97.7%
Utilities	8,858,925	6,644,193	6,269,404	374,790	94.4%
TOTAL OPERATING EXPENSES	\$78,553,448	\$58,915,085	\$59,275,848	(\$360,762)	100.6%
TOTAL ADMINISTRATIVE and OPERATING EXPENSES	\$168,614,983	\$126,461,238	\$104,752,321	\$21,708,923	82.8%
<u>NON-OPERATING EXPENSES</u>					
CAPITAL OUTLAY	\$88,010,928	\$66,008,196	\$38,030,335	\$27,977,860	57.6%
FINANCIAL EXPENSES					
Principal, Interest and Financial Expenditures	22,741,648	17,056,236	14,034,545	3,021,691	82.3%
OTHER NON OPERATING EXPENSES	325,388	325,388	363,030	(37,642)	111.6%
TOTAL NON-OPERATING EXPENSES	\$111,077,964	\$83,389,821	\$52,427,910	\$30,961,909	62.9%
TOTAL EXPENSES	\$279,692,947	\$209,851,059	\$157,180,231	\$52,670,832	74.9%
REVENUES IN EXCESS/ (UNDER) EXPENSES	\$1,033,219	\$693,567	\$11,633,644	\$10,940,076	

Totals may not add up due to rounding

Business Goals Status Updates – FY 2018/19 3rd Quarter

INITIATIVES DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
AGENCY MANAGEMENT			<p>One staff member is currently enrolled in the Career Management Program. Another staff member will start the next program in September 2019. 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 3rd Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
<p>DIVISION</p> <p>EXTERNAL AFFAIRS</p>		<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>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, which is a component of the CBP.</p> <p><u>RP-5 Expansion:</u> Applications have been submitted to both federal (Water Infrastructure and Innovation Act - WIFIA) and state (SRF) funding agencies to support the \$325M cost of this project. The Project has been Included in the SWRCB SRF loan Fundable List (State</p>	<p>The Records Management staff continue to pursue Laserfiche certifications and have completed several Laserfiche certificates. Staff attended Laserfiche Empower training. Staff continues records management development by attending ARMA training both on the national and local levels as well as 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. The two departments are also working together to integrate a new grants management database software, eCivis, into SAP to facilitate data exchange that will improve workflow and increase efficiencies.</p> <p>The Records Management Group has continued collaborative efforts with the Business Information Systems (BIS) Department to migrate SAP attachments (records) into the Laserfiche system. This interface is important as it will allow</p>

Business Goals Status Updates – FY 2018/19 3rd Quarter

Exhibit B

INITIATIVES DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
		<p>FY2020/19 SRF loan funding budget) for \$101 million. The balance of the project costs will be pursued in future fiscal years.</p>			<p>the management of these electronic records for proper disposition within the Laserfiche system and free up space within SAP. Records Management and BIS as also collaborating on the implementation of a Training Application for Safety and Engineering and Maintenance. Safety includes safety tailgates and is applicable Agency-wide. Engineering and Maintenance will begin with a South Maintenance pilot program of the training module.</p>

Business Goals Status Updates – FY 2018/19 3rd Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION ENGINEERING, PLANNING & SCIENCE		The Chino Basin Program (CBP) held a stakeholder workshop #3 in Feb. 2019 to discuss source supply and benefit analysis. The PDR consultant contract was awarded in March to Brown & Caldwell. IEUA Board Ad Hoc Committee was created in March to advise of CBP development.			

Business Goals Status Updates – FY 2018/19 3rd Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
<p>DIVISION</p> <p>FINANCE & ADMINISTRATION</p>	<p>Continue to support the Engineering and Operations Division in the Asset Management Plan Phase II development</p>	<p>Finance and Accounting, in collaboration with the Grants Department, continued to work in the completion of the application for the WIFIA financial loan for the RP-5 expansion. During the third quarter Finance and Accounting completed the financial model that will be submitted along with the WIFIA application and was under review by the Agency financial advisor. Finance and Accounting held the kick-off meeting for the rate study in March 2019. The rate study includes evaluation of the wastewater and water connection fees that support execution of capital projects.</p>		<p>Completed security assessments with the Security Consultants from the Department of Homeland Security. The assessments identified areas of improvement regarding landscaping, fencing, perimeter controls including gate security and camera system upgrades. Staff will be presenting information in October at a Board workshop.</p>	<p>Business Information services (BIS) department enhances the vendor information in SAP to include additional information for insurance coverage and validity. This enhancement eliminates the need for Contract and Procurement (CAP) staff from tracking this type of information on a spreadsheet. Additionally, the enhancement also allows the insurance data to flow to the newly created contract. The integration provides a more complete start for each new contract.</p> <p>CAP department proposed a report that can provide users with forecast of contracts that are approaching expiration. The goal is to collaboratively and proactively work with contract owners to address these expiring</p>

Business Goals Status Updates – FY 2018/19 3rd Quarter

INITIATIVES DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
					<p>contracts ahead of time. This approach allows the Agency to have stronger stance on contract negotiation as well as minimizing any potential service disruption. CAP engaged BIS to develop this report, which is scheduled to be sent to management on a monthly basis, prior to the monthly Managers Meeting. The report has been in use for a few months and the feedback has been very positive.</p> <p>BIS department launched the new training site in late March. The site contains series of training videos covering topics such as Employee Self-Service (ESS), Manager Self-Service (MSS), procurement, plant maintenance, reporting as well as how-to videos for other software like GIS and Laserfiche. The videos</p>

Business Goals Status Updates – FY 2018/19 3rd Quarter

Exhibit B

INITIATIVES DIVISION	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
					are hosted using Agency’s existing tools (i.e., no additional costs) available with the current Microsoft Office365 subscriptions.

Business Goals Status Updates – FY 2018/19 3rd Quarter

Exhibit B

INITIATIVES	ASSET MANAGEMENT – CMMS	CAPITAL PROJECTS	CAREER DEVELOPMENT	AGENCY SECURITY	SAP TRAINING AND ENHANCEMENTS
DIVISION OPERATIONS	Continue to work with Engineering to develop an Asset Management Plan.			Implemented the Department of Homeland Security's recommendations and will be presenting updates at the October Board Workshop.	

Inland Empire Utilities Agency

Inter-Departmental / Division O&M Transfers FY 2018/19

Budget Transfer

Sender Fund	Fund Name	Date	O&M Transfer From	Category	Amount Transfer Out	O&M Transfer To	Category	Amount Transfer In	Description	Qtr
10200	Administrative Services	1/15/2019	502120	Reg Wages - Exempt	\$75,000	505010	Temp Services	\$75,000	Transfer to cover costs for temp services of Interim GM and two Admin Assistants	3
10200	Administrative Services	1/15/2019	502110	Reg Wages - NE	\$36,000	505010	Temp Services	\$36,000	Transfer to cover costs for temp services of Interim GM and two Admin Assistants	3
10200	Administrative Services	1/15/2019	512170	O & M Supplies	\$25,000	512010	Contract Labor	\$25,000	Transfer to complete consolidation of funds for special projects for consulting services and procedure development	3
10200	Administrative Services	1/15/2019	512660	Equip-Tools	\$10,500	512010	Contract Labor	\$10,500	Transfer to complete consolidation of funds for special projects for consulting services and procedure development	3
10800	Regional Wastewater O&M	2/4/2019	545210	Natural Gas	\$47,000	520980	Professional Services - Other	\$47,000	To cover the costs from Advanced Microgrid Solutions for their service of the energy storage.	3
10800	Regional Wastewater O&M	1/31/2019	521010	Contract Labor	\$125,000	512170	O&M Supplies	\$125,000	Currently about year end average spending rate in the South Mechanical Materials and Supplies (68%) and below in Professional Fees and Services (30%)	3
10800	Regional Wastewater O&M	1/31/2019	521050	Contract Materials	\$125,000	512170	O&M Supplies	\$125,000	Currently about year end average spending rate in the South Mechanical Materials and Supplies (68%) and below in Professional Fees and Services (30%)	3
10500	Non-Reclaimable Wastewater	1/31/2019	512170	O&M Supplies	\$5,000	512170	O&M Supplies	\$5,000	Funds are no longer needed within the South Mechanical Maintenance NRW fund. Transferring these funds to Sewer Collections will cover the deficient funds in O&M Supplies.	3
10200	Administrative Services	2/7/2019	512170	O&M Supplies	\$10,000	512110	General Supplies	\$10,000	Transfer to cover deficiency of funds for various laboratory supplies.	3
10200	Administrative Services	2/7/2019	512170	O&M Supplies	\$5,000	512110	General Supplies	\$5,000	Transfer to cover deficiency of funds for various laboratory supplies.	3
10200	Administrative Services	2/7/2019	545110	Electricity	\$10,000	512110	General Supplies	\$10,000	Transfer to cover deficiency of funds for various laboratory supplies.	3
10200	Administrative Services	2/7/2019	521010	Contract Labor	\$15,000	512110	General Supplies	\$15,000	Transfer to cover deficiency of funds for various laboratory supplies.	3
10200	Administrative Services	2/7/2019	511120	Training-Dept	\$10,000	512110	General Supplies	\$10,000	Transfer to cover deficiency of funds for various laboratory supplies.	3
10800	Regional Wastewater O&M	3/18/2019	545110	Electricity	\$120,000	530016	Sodium Hypochlorite	\$120,000	Contract for Sodium Hypochlorite saw a 30% increase in costs.	3
10800	Regional Wastewater O&M	3/18/2019	545110	Electricity	\$90,000	530016	Sodium Hypochlorite	\$90,000	Contract for Sodium Hypochlorite saw a 30% increase in costs.	3
10200	Administrative Services	3/26/2019	565340	Network Comm Svcs	\$12,000	512520	Comp Lic	\$12,000	More requests for hardware and software than in previous years	3
10200	Administrative Services	3/26/2019	565340	Network Comm Svcs	\$10,000	512620	Equip-Comp.	\$10,000	More requests for hardware and software than in previous years	3
Total O&M Transfer Out					\$730,500	Total O&M Transfer In		\$730,500		

**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
Beginning Balance, July 1, 2018									\$300,000	
9/27/2018	GM Contingency	\$50,000	10200	100000	139100	520950	Prof Svcs - Train Consultants	\$50,000		Career management program
Balance, September 30, 2018									\$50,000	\$250,000
11/1/2018	GM Contingency	\$38,000	10200	100000	118100	520980	Prof Svcs - Other	\$38,000		To cover fixed-cost SAP support service contract.
12/27/2018	GM Contingency	\$75,000	10200	100000	118100	520980	Prof Svcs - Other	\$75,000		Consultant letter agreement with interim general manager
Balance, December 31, 2018									\$163,000	\$137,000

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

Exhibit D

Exhibit D

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

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
Capital Projects												
	1/28/19	EN16012	CPO Enhancements	\$165,000	(\$37,000)	(\$20,000)	\$108,000	\$127,000	(\$20,000)	\$107,000	EN16049	Transfer to purchase the software for video recording and storing IEUA Board meetings.
		EN16049	Conference Rooms Audio Visual Upgrades	\$1,391,477	\$0	\$20,000	\$1,411,477	\$15,000	\$20,000	\$35,000	(EN16012)	
	3/25/19	IS16021	SAP Roadmap & Strategies	\$2,407,766	\$0	(\$13,500)	\$2,394,266	\$300,000	(\$13,500)	\$286,500	IS19012	Transfer to create new project IS19012 to purchase Visual Studio licenses.
		IS19012	BIZ Visual Studio Licenses	\$0	\$0	\$13,500	\$13,500	\$0	\$13,500	\$13,500	(IS16021)	
Subtotal Administration (GG):				\$3,964,243			\$3,927,243	\$442,000		\$442,000		
10600	1/30/19	EN15043	SBCFCD Recycled Water Easement	\$1,210,000	\$0	(\$549,103)	\$660,897	\$560,000	(\$549,103)	\$10,897	EN17049	Transfer to cover the construction phase of EN17049 which will be awarded by the Board in February 2019.
		EN15002	1158 Reservoir Site Cleanup	\$1,300,000	\$0	(\$85,000)	\$1,215,000	\$200,000	(\$85,000)	\$115,000	EN17049	
		EN17049	Baseline Recycled Water Pipeline Extension	\$6,067,897	\$0	\$634,103	\$6,702,000	\$600,000	\$634,103	\$1,234,103	(EN15043/ EN15002)	
	3/21/19	WR15021	Napa Lateral	\$7,247,717	\$0	(\$280,000)	\$6,967,717	\$5,191,626	(\$280,000)	\$4,911,626	EN19029	Transfer to EN19029 because construction bids received were higher than the engineer's estimate.
		EN19029	RP-4 Outfall Pipeline Air Relief/ Blow-Off Replacements	\$665,000	\$0	\$280,000	\$945,000	\$665,000	\$280,000	\$945,000	(WR15021)	
Subtotal Recycled Water (WC):				\$16,490,614			\$16,490,614	\$7,216,626		\$7,216,626		
10800	1/24/19	EP19002	North Major Facilities Repair/Replacement	\$600,000	\$0	(\$240,000)	\$360,000	\$600,000	(\$240,000)	\$360,000	EN17045	Transfer to advance the filter valve replacement timeline to address costly leaks due to the age of the valves and to add urgent coating efforts.
		EN17045	RP-1 Filter Valve Replacement	\$650,000	\$0	\$240,000	\$890,000	\$0	\$240,000	\$240,000	(EP19002)	
	1/28/19	EN18025	RP-1 Secondary System Rehabilitation	\$5,200,000	(\$500,000)	(\$210,000)	\$4,490,000	\$388,010	(\$210,000)	\$178,010	EN18042	Transfer to cover the construction phase of EN18042 because the bids came in higher than the engineer's estimate.
		EN18042	RP-1 Civil Restoration and Upgrades	\$600,000	\$0	\$210,000	\$810,000	\$245,000	\$210,000	\$455,000	(EN18025)	
Subtotal Regional Operations (RO):				\$7,050,000			\$6,550,000	\$1,233,010		\$1,233,010		
10900	1/22/19	EN19026	CCWRF 12kV Switchgear	\$2,360,000	(\$2,500)	(\$250,000)	\$2,107,500	\$817,500	(\$250,000)	\$567,500	EN19015	Transfer to cover the construction phase of the project because the scope of EN18015 was combined with EN19015 but the budget was not carried forward into the current fiscal year.
		EN19015	Collection System Upgrades	\$500,000	\$0	\$250,000	\$750,000	\$500,000	\$250,000	\$750,000	(EN19026)	
	3/6/19	EN16011	Whispering Lakes Pump Station	\$5,000,000	(\$95,000)	(\$200,000)	\$4,705,000	\$405,000	(\$200,000)	\$205,000	EN19041	Transfer to create new project, EN19041, which was originally set up in the NRW fund but should have been created in the RC fund.
		EN19041	San Bernardino Lift Station Facility Improvements	\$0	\$0	\$200,000	\$200,000	\$0	\$200,000	\$200,000	(EN16011)	
Subtotal Regional Capital (RC):				\$7,860,000			\$7,562,500	\$1,722,500		\$1,522,500		
				Capital Total Project Budget				Total Annual Capital Budget				
				Adopted	Amended	Adopted	Amended	Adopted	Amended	Adopted	Amended	
				\$35,364,857	\$34,730,357	\$10,614,136	\$10,614,136					

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

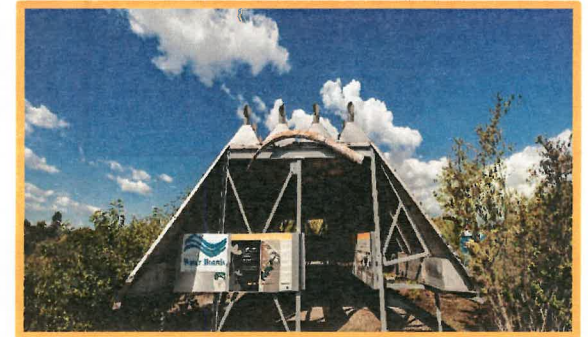
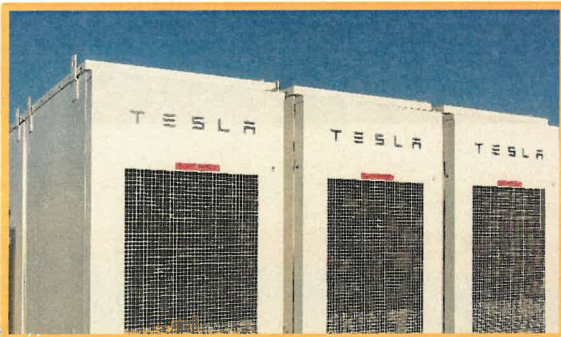
Exhibit D

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
O&M Projects												
10200	3/21/19	EN19042	HQ-B 2" Potable Water Leak	\$0	\$0	\$10,000	\$10,000	\$0	\$10,000	\$10,000	(O&M: 521080)	Transfer from O&M to fund new project, EN19042, to fix a level three emergency project to repair an underground pipe break located outside of the HQB building.
Subtotal Administration (GG):				\$0			\$10,000	\$0		\$10,000		
10600	3/21/19	EN17039	8th St Basin RW Turnout Discharge Retrofit	\$562,844	\$0	(\$15,000)	\$547,844	\$465,000	(\$15,000)	\$450,000	EN19039	Transfer to cover additional scope items in EN19039 added to the Engineer's contract to develop the cost model with different escalation factors to account for future costs.
		EN19039	RW Cost Benefit Analysis	\$50,000	\$0	\$15,000	\$65,000	\$50,000	\$15,000	\$65,000	(EN17039)	
Subtotal Recycled Water (WC):				\$612,844			\$612,844	\$515,000		\$515,000		
10800	3/14/19	EN19019	RO Emergency O&M Projects	\$150,000	\$500,000	\$250,000	\$900,000	\$650,000	\$250,000	\$900,000	(RO Reserves)	Board approved amendment to augment the RO Fund emergency, safety, and on-call project budgets due to exhaustion of budgets by 13 previous qualifying expenses in the current fiscal year.
		EN19022	RO On-Call Operations & Maintenance	\$250,000	\$0	\$250,000	\$500,000	\$250,000	\$250,000	\$500,000	(RO Reserves)	
		EN19032	RO Safety Operations & Maintenance	\$250,000	\$0	\$250,000	\$500,000	\$250,000	\$250,000	\$500,000	(RO Reserves)	
1/22/19	EN17040	RP-1 Aeration Panel Replacement	\$3,226,269	(\$420,000)	(\$74,000)	\$2,732,269	\$80,000	(\$74,000)	\$6,000	PA17006	Transfer to cover under budgeting in PA17006 due to unforeseen conditions requiring the replacement of 20 additional aeration panels at RP-5.	
	PA17006	Agency-Wide Aeration Panel	\$8,240,000	\$420,000	\$74,000	\$8,734,000	\$1,859,760	\$74,000	\$1,933,760	(EN17040)		
3/14/19	EN19032	RO Safety Operations & Maintenance	\$250,000	\$250,000	(\$130,000)	\$370,000	\$500,000	(\$130,000)	\$370,000	EN19019	Transfer to level three emergency projects in March 2019: RP-1 Digester Gas Leak Repair, and TP-1 Bleach Distribution System Replacement.	
	EN19019	RO Emergency O&M Projects	\$150,000	\$750,000	\$130,000	\$1,030,000	\$900,000	\$130,000	\$1,030,000	(EN19032)		
Subtotal Regional Operations (RO):				\$12,516,269			\$14,766,269	\$4,489,760		\$5,239,760		
				O&M Total Project Budget			Total Annual O&M Project Budget					
				Adopted			Amended	Adopted		Amended		
				\$13,129,113			\$15,389,113	\$5,004,760		\$5,764,760		

Total Capital and O&M Project Transfers:	\$2,826,603
Total Project Budget Change - Capital:	-\$634,500
Total Project Budget Change - O&M Proj:	\$2,260,000
Total Project Budget - Net Change:	<u>\$1,625,500</u>

FY 2018/19 Budget Variance Report

3rd Quarter Ended March 31, 2019



FY 2018/19 3rd Quarter Ending March 31, 2019

(\$ Millions)

	Amended Budget	Budget YTD*	Actual YTD*	% Budget Used YTD
Total Sources of Funds	\$280.7	\$210.5	\$168.8	80.2%
Total Uses of Funds	279.7	209.9	157.2	74.9%
Net Increase/(Decrease)	\$1.0	\$0.7	\$11.6	

*YTD – Year to Date

Highlights

- Total Sources of Funds were below the year to date budget by ~20%
- Total Uses of Funds were below YTD budget by ~25%
- Net increase of \$11.6 million to fund balance

FY 2018/19 3rd Quarter Ending March 31, 2019

(\$ Millions)

Sources of Funds	Amended Budget	Budget YTD*	Actual YTD*	% Budget Used YTD
Operating Revenue				
User Charges	\$84.3	\$63.2	\$63.5	100.5%
Recycled Water Sales	18.2	13.6	9.8	72.1%
MWD Imported Water Sales	43.0	32.2	34.6	107.5%
Other Operating Revenues*	8.6	6.5	7.6	116.9%
Total Operating Revenues	\$154.1	\$115.6	\$115.5	99.9%

* 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.
- Recycled water sales demand for direct use and groundwater recharge varies depending on weather patterns, water use conservation efforts, and basin availability.

FY 2018/19 3rd Quarter Ending March 31, 2019

(\$ Millions)

Sources of Funds	Amended Budget	Budget YTD*	Actual YTD*	% Budget Used YTD
Non-Operating Revenue				
Property Tax	\$47.9	\$35.9	\$32.3	90.0%
Connection Fees	32.9	24.7	16.9	68.4%
Grants & Loans	43.4	32.5	1.9	5.8%
Other Non-Operating Revenues*	2.4	1.8	2.2	122.2%
Total Non-Operating Revenues	\$126.6	\$94.9	\$53.3	56.1%
Total Operating Revenues	154.1	115.6	115.5	99.9%
Total Sources of Funds	\$280.7	\$210.5	\$168.8	80.2%

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

Highlights

- New connections reported YTD:
 - * 1,960 Equivalent Dwelling Units
 - * 1,351 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 3rd Quarter Ending March 31, 2019

(\$ Millions)

Uses of Funds	Amended Budget	Budget YTD*	Actual YTD*	% Budget Used YTD
Operating Expense				
Employment Expense (net of allocation to projects)	\$45.9	\$34.5	\$31.0	89.9%
Professional Fees & Services	11.6	8.7	5.3	60.9%
Utilities	8.9	6.6	6.3	95.5%
MWD Water Purchases	43.0	32.2	34.6	107.5%
O&M and Reimb. Project Exp.	28.9	21.7	7.6	35.0%
Other Operating Expenses*	30.3	22.8	20.0	87.7%
Total Operating Expense	\$168.6	\$126.5	\$104.8	82.8%

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

Highlights

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

FY 2018/19 3rd Quarter Ending March 31, 2019

(\$ Millions)

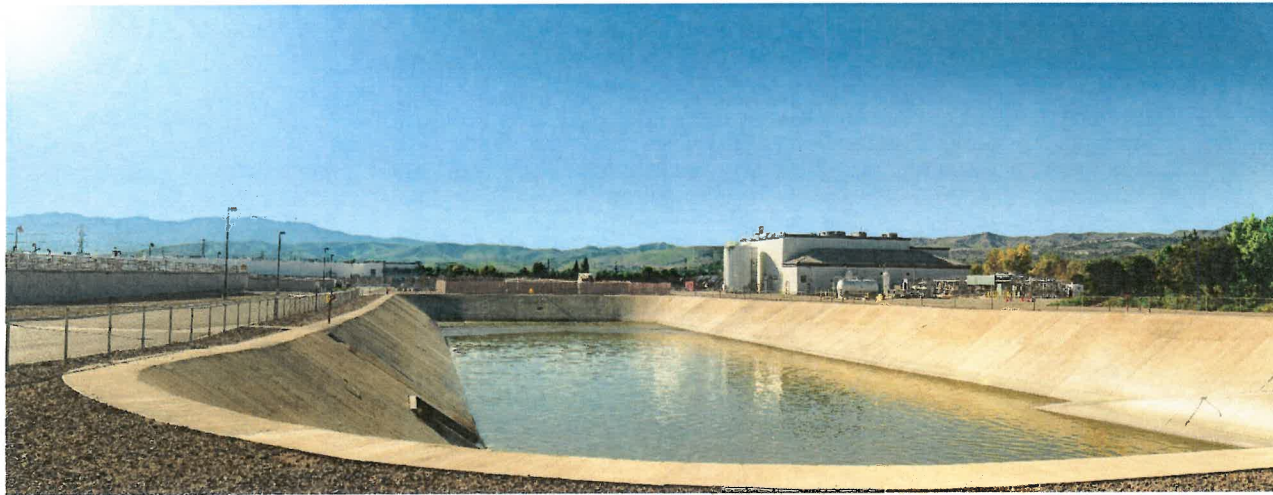
Uses of Funds	Amended Budget	Budget YTD*	Actual YTD*	% Budget Used YTD
Non-Operating Expense				
Capital Projects	\$88.0	\$66.0	\$38.0	57.6%
Financial Expense	22.7	17.1	14.1	82.5%
Other Non-Operating Expense*	0.4	0.3	0.3	100.0%
Total Non-Operating Expense	\$111.1	\$83.4	\$52.4	62.8%
Total Operating Expense	168.6	126.5	104.8	82.8%
Total Uses of Funds	\$279.7	\$209.9	\$157.2	74.9%

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

Highlights

- Total capital project expenditures below budget due to delay in contractor work and design recommendation reviews
- Financial expense higher than YTD budget due to timing of debt service payments

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

4N



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Internal Audit Department Quarterly Status Report for June 2019

Executive Summary:

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The Internal Audit Department 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 Annual Audit Plan, the Voyager Fuel Card Audit, and performed a follow-up review of the nine recommendations from the Accounts Payable Follow-Up Audit and one recommendation from the Payroll Follow-Up Audit. IA also worked on the review of the Board of Directors Travel and Conference Expenses as requested by the Board. 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 information and highlights of the audit projects.

Staff's Recommendation:

This is an information item.

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

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On June 20, 2018, the Board of Directors approved the Fiscal Year 2018/19 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.

Environmental Determination:

Not Applicable

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.

Attachments:

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

Internal Audit Department Status Report for June 2019

Future Audit Committee Meetings:

- Monday, September 9, 2019 – Regularly Scheduled Audit Committee Meeting
- Monday, December 9, 2019 – Regularly Scheduled Audit Committee Meeting
- Monday, March 9, 2020 – Regularly Scheduled Audit Committee Meeting

Projects Completed This Period

Project: **Accounts Payable Follow-up audit**

Scope:

IA completed a follow-up evaluation to determine the status of 7 of the 9 outstanding recommendations from the Accounts Payable Audit Report completed on August 29, 2013. The Finance and Accounting Department (FAD) is responsible for the implementation of these recommendations. The 2 recommendations that have been deferred pertain to Agency policies that are not the responsibility of FAD.

Status: **Complete**

IA performed follow-up procedures to verify whether the recommendations had been implemented and/or alternative controls had been established to address the original risks. Of the seven recommendations, three have been addressed and are considered implemented. Additionally, one recommendation is in process, and three have not been implemented.

Additional alternate controls have been established to reduce the risks of potential conflicts of duties and unauthorized Vendor Master Files changes. The mitigating control is a regular review for changes to Vendor Master Files and General Ledger Account Numbers in SAP by a supervisory staff member in FAD.

IA has one new recommendation and four revised and restated recommendations for a total of five outstanding recommendations:

- Business Information Systems (BIS) should work with the Finance and Accounting Department (FAD) and the Human Resources Department (HR) to implement additional controls to regularly evaluate and monitor employees' SAP roles and authorizations to prevent the risk of conflicts of duties (new).
- FAD should take the lead and work with BIS to implement efficiencies by fully utilizing SAP workflows to process and approve invoices to migrate to a paperless environment.
- FAD should complete a comprehensive review of all existing Vendor Master File records and ensure all vendor information is complete and up-to-date and includes a verified physical address.
- FAD should complete a comprehensive review of the Vendor Master File to ensure only active vendors remain active. Vendors created through the conversion process and never used should be deleted.
- FAD should update SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system

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

Project: **Fuel Card Program Audit (Voyager)**

Scope:

To evaluate the internal controls over the Voyager Fuel Card program to ensure safeguards are in place to protect the Agency from loss, theft, and misuse and to evaluate whether the program meets the requirements of the Agency's policies. In addition, to determine whether the program meets the Agency's business goals and identify opportunities to improve the effectiveness and efficiency of operations.

Status: **Completed**

IA worked with various representatives during this audit, including: Operations & Maintenance Department (North), Facilities management, and US Bank. IA reviewed the controls and processes in place over the Fuel Card program and identified areas that could be strengthened to improve overall effectiveness of the program.

Internal Audit Department Status Report for June 2019

Using the data obtained from the US Bank Fleet Commander® Online system, IA reviewed the fuel card activity from January 2017 to March 2019 (27 months) and approximately 4,000 transactions were processed totaling over \$270,000 during the two-year period to procure fuel to operate the Agency's Vehicle Fleet. IA provided four recommendations, 1 soft recommendation, and referenced a recommendation provided in another IA audit report from November 2018. The bullet points below provide a summary of the audit:

- Develop of goals and objectives for the Agency's Fleet Operations, including fuel, vehicle, and maintenance costs.
- Perform data analysis on the Agency's fuel expenses and utilize the reporting tools that are available through the card issuer (US Bank).
- Enhance the role of the Fuel Card Administrator.
- Periodic review of the number of fuel cards being used, and cards with minimal or no activity be closed or deactivated if they are no longer needed.
- Ensure Cardholder Agreements for fuel card users are on file with the Human Resources Department
- Multiple documents exist related to the refueling procedures and use of the Voyager Fuel Card, a recommendation has already been provided in a prior audit report (November 2018).

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

Project: **Payroll Follow-Up Review: Ethics Resolution & Confidentiality Agreement**

Scope:

IA completed a follow-up evaluation of the one outstanding recommendation provided in the Payroll Audit, dated August 26, 2010.

Status: **Complete**

From the 2010 Payroll audit, the one open recommendation has been closed. The original recommendation addressed two items: Agency Resolution 2005-2-9 (Agency's Ethics Policy) and Confidentiality Agreement. In January 2018, IEUA adopted the Administrative Handbook, and Chapter 7 of this document is applicable to the Board of Directors and all Agency employees. This chapter addresses Conflicts of Interest and Ethics, and replaced the Agency's Resolution 2005-2-9, which was rescinded.

After the Administrative Handbook became effective, HR now requires only new and/or promoted employees with access to confidential information to sign a one-time Confidentiality Agreement. Employees with a Confidentiality Agreement previously on file, are no longer required to renew their agreement. The scope of the review was not expanded, and future audits are scheduled through the Board-approved Annual Audit Plan. No new findings or recommendations were noted. The report is provided under separate cover.

Project: **FY 2019/20 Annual Audit Plan**

Status: **Completed**

Scope: According to the Board-approved Internal Audit Department Charter, IA must submit a documented plan of proposed audit projects annually. The Annual Audit Plan is prepared in accordance with recommendations and best practices provided by the Institute of Internal Auditors. The Plan allows the Manager of IA to carry out the responsibilities of the Internal Audit function by prioritizing projects and allocating necessary resources. The projects proposed are scheduled based on a risk assessment to target the areas of highest risk in terms of impact and likelihood. The audits, and resulting recommendations are intended to assist Agency management and the Board in achieving organizational goals and objectives.

For the FY 2019/20 Annual Audit Plan, IA proposes the following audit projects: Human Resources Operations Audit, Recycled Water Program Revenues, Personal Computer Loan Program/Policy compliance, Travel Expenses & policy compliance along with follow-up evaluations to determine the status of outstanding recommendations. These projects are proposed, in addition to on-going and required projects. The Annual Audit Plan is considered a flexible plan and projects can change or other projects with higher risks can take greater priority. Any changes or amendments to the Plan are communicated to the Audit Committee through the status report or other amendment document. The annual audit plan is provided under separate cover.

Internal Audit Department Status Report for June 2019

Project: Report on Outstanding Recommendations as of June 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 Board-approved Annual Audit Plan. Executive Management supports the implementation efforts of the recommendations previously provided and/or the development of alternative controls to address the original risks identified.

Status: Complete - Status of outstanding recommendations as of March 2019.

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 in June each year. This summary provides an update on the status of follow up audits and the related outstanding recommendations. It includes new recommendations provided during this fiscal year as well as considers any recommendations cleared during the year. Follow up reviews are part of the on-going monitoring activities IA performs according to the requirements of the IAD Charter. A follow up review is typically scheduled between 12 – 18 months from the date of the original audit, to allow time for full implementation. If a recommendation is deemed not to be 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
Payroll Audit	August 24, 2010	1	Annually
Accounts Payable Follow-Up	August 29, 2013	9	FY 2019
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
Total Outstanding Audit Recommendations		85	
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

*Table above does not include the status of and/or any new recommendations resulting from the projects completed during this quarter (as noted in this Status Report). The status of those recommendations will be added to this table once all items have been received by the Audit Committee and the Board of Directors.

Internal Audit Department Status Report for June 2019

Projects in Process

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 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. With the conclusion of the Voyager fuel card Audit and the Accounts Payable follow-up Audit, IA will focus on this review. Anticipated for completion by September 2019.

Planned/Future/Additional Projects

Project: Human Resources Operational Audit

Scope: To evaluate all processes and operations of the Human Resources Department. IA will evaluate whether department standard operating procedures, policies and guidelines are 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 met effectively and efficiently. IA will evaluate key functions and compare with other similar agencies and follow up on any outstanding recommendations previously provided through other audit reports. The Human Resources Department and the Finance and Accounting Department will be the primary contact departments.

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 each 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":

- Continued to assist with policy language interpretation and review of Agency policies.
- Participated in Safety Committee and IT Security Committee
- Two staff members participated in the Career Management Program, one as a group leader and one as a participant

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 Status Report for June 2019

Special Project: Board Travel and Conference Expenses

Scope:

IA performed this review in response to a March 2019 Board of Directors' request for a review of Director's Travel and Conference Expenses and related guidelines and policies as well as to gather comparable information about "best practices" at other public agencies.

Status: Complete

The review included reviewing and summarizing Board spending for all Board travel and conferences for the five-year period from 2014 through 2018. IA also conducted a survey of other comparable Agencies and received 11 responses. IA developed suggestions for the Board to consider.

Internal Audit Department Staffing

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 should continue to 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 periodicals and participation in free IIA sponsored, on-line webinars. One staff member attended the annual accounting and auditing update presented by Lance, Soll, Lunghard LLP, the Agency's external auditors. Additionally, the Manager of IA attended the 2019 Government Finance Officers Association (GFOA) Annual Conference, a multi-day training seminar that had several recognized key note speakers and training sessions that covered a wide range of topics, including: Accounting & Auditing, Strategic Planning and Budgeting, P-Cards, Cybersecurity, etc.

The Internal Audit Manager is a member of the governing board of the Inland Empire Chapter of the Institute of Internal Auditors (IIA). The governing board sets direction for the chapter. One Senior Internal Auditor will be serving as an officer of the same Chapter beginning in July.

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.

In December 2018, One Senior Internal Auditor passed the third part of the Certified Internal Auditor (CIA) examination and has been awarded the CIA certification.

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).

**INFORMATION
ITEM**

40



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: FY 2019/20 Financial Audit - Communications Required by SAS 114

Executive Summary:

Statement on Auditing Standards No. 114 (SAS 114) requires the financial statement auditors to communicate the planned scope and timing of the financial audit. SAS 114 also describes the auditor's responsibility to inquire of the Audit Committee information that should be considered in the auditor's risk assessment in planning the financial audit. The Agency's external auditors are Lance, Soll & Lunghard, LLP (LSL), independent Certified Public Accountants (CPA), based in Brea, CA. This year will be LSL's fourth year performing the financial audit and Single Audit of the Agency, as well as the financial statements of the Chino Basin Regional Financing Authority for the fiscal year ending June 30, 2019. It is their responsibility to provide an opinion as to whether the financial statements are presented fairly.

Attached is the required communication letter under SAS 114. During the Audit Committee meeting, Ms. Deborah Harper, a CPA and partner with LSL will provide a presentation about the audit scope and approach, as well as the required communications. Additional one-on-one meetings may be scheduled separately to discuss the scope and approach of the audit.

Staff's Recommendation:

This is an information item.

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):

N/A

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On March 16, 2016, the Board approved Contract Numbers 4600002079, in the amount of \$100,820, and 4600002081, in the amount of \$12,450 with Lance, Soll and Lunghard, LLP, to provide Annual Financial and Single Audit Services for the Inland Empire Utilities Agency and the Chino Basin Regional Financing Authority for the three fiscal years ending June 30, 2016, 2017 and 2018 with options for an additional two fiscal years. The first option for an additional year was exercised on November 5, 2018.

Environmental Determination:

Not Applicable

Business Goal:

The annual financial statement audit of the Agency is a requirement per the Agency's approved Fiscal Ordinance and other regulatory requirements and is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by ensuring that the financial audit evaluate and promote a strong control environment and assist management in achieving organizational goals.

Attachments:

Attachment 1 - Communication Letter - LSL



May 21, 2019

To the Honorable Chair and Members of the Board
Inland Empire Utilities Agency, California

We are engaged to audit the financial statements of each major fund, and the aggregate remaining fund information of the Inland Empire Utilities Agency (Agency), the financial statements of the Chino Basin Regional Financing Authority (Authority) and the Single Audit for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we will consider the internal control of the Agency. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with Uniform Guidance, we will examine, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the City's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.





CPAs AND ADVISORS

To the Honorable Chair and Members of the Board
Inland Empire Utilities Agency, California

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, the schedule of changes in net pension liability and related ratio, the schedule of employer contributions related to pensions, schedule of change in net OPEB liability and related ratios which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the combining and individual fund statements which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory and statistical sections which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to issue our report on approximately December 15, 2019.

This information is intended solely for the use of the governing board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Loughard, LLP

INFORMATION
ITEM

4P



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Report of Open Audit Recommendations

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. A recommendation is considered "outstanding" when management agreed with the original recommendation at the time of the audit but the area audited has not yet addressed the recommendation or requires IA's verification. Responses to the recommendations, including any action plans were discussed and incorporated in the original audit report when provided.

As of June 2019, a total of 116 recommendations remain outstanding, 31 of which resulted from the Regional Contract Review. Attached is a report showing the recommendations and the current status of each. In most cases, IA must perform a follow-up review to verify the implementation efforts and the corrective actions taken. 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.

Staff's Recommendation:

This is an information item.

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 20, 2018, the Report of Open Audit Recommendations (as of June 2018) was provided to the Board of Directors as an information item.

Environmental Determination:

Not Applicable

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.

Attachments:

Attachment 1 - Report of Open Audit Recommendations

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

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Payroll Audit August 24, 2010	4	HR and FMD should work together to revise and update the Agency's Resolution No. 2005-2-9 and clarify which employees are required to sign a Confidentiality Agreement, based on their job duties and responsibilities, specifically those whose roles involve handling sensitive and confidential information. Having employees sign a Confidentiality Agreement reinforces that confidential and sensitive information is being handled, the Confidentiality Agreement also provides the expectations and consequences for sharing or	IA to provide results during Audit Committee meeting scheduled for June 2019. Per review completed in May 2019, this recommendation is now closed. The original Ethics Resolution was rescinded and a new Administrative Handbook was approved in February 2018.
Accounts Payable Follow-Up Audit August 29, 2013	1	AFM and BIS need to work together to ensure users have appropriate access within SAP based on job responsibilities and remove/modify access privileges that are not necessary to reduce the risk of unauthorized transactions and SOD conflicts. All user access should be immediately removed when an employee resigns his/her position with the Agency.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
Accounts Payable Follow-Up Audit August 29, 2013	2	Access to the Vendor Master File (VMF) should only be granted to one Manager/Supervisor for AFM and CAP department with only one back up employee, if necessary, due to Segregation of Duties conflict. This is a standard best practice across many industries. Furthermore, we recommend access be removed from all other current and past employees.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
Accounts Payable Follow-Up Audit August 29, 2013	3	AFM department should institute controls to ensure payment of invoices by the due date.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
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 to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
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 to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
Accounts Payable Follow-Up Audit August 29, 2013	6	AFM department should strengthen Vendor Master File procedures to establish uniformity in entering, altering and deleting vendors, and to provide guidelines for the maintenance of vendors, to ensure vendors are authorized, including the requirement that a supervisor or manager in FMD CAP approve additions, deletions, or changes to vendors.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
Accounts Payable Follow-Up Audit August 29, 2013	7	AFM department should ensure all new vendors provide a current, physical business address for the Vendor Master File. Additionally, AFM should establish a plan to update the master file for all active vendors that do not currently have a physical address on file.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
Accounts Payable Follow-Up Audit August 29, 2013	8	AFM department should work with BIS to test the features of SAP related to purging inactive vendors. Upon successful completion of the testing, AFM should identify vendors with no activity in the previous three to five years and deactivate or delete from the Vendor Master File as appropriate.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
Accounts Payable Follow-Up Audit August 29, 2013	9	AFM department should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system.	IA to provide results during Audit Committee meeting scheduled for June 2019. Defer the results of this recommendation to the report dated June 2019.
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.

**Outstanding Audit Recommendations
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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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.
Regional Contract Review - Final Report December 16, 2015	6	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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	Connection Fees: 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.

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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Regional Contract Review - Final Report December 16, 2015	1	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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	Monthly Sewerage: 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.
Regional Contract Review - Final Report December 16, 2015	1	Public Service Facility: 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	Public Service Facility: 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	Public Service Facility: 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	Public Service Facility: 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	Public Service Facility: 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	Public Service Facility: 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.

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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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.
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.

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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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.
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.

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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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>Turf Removal Programs 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"> • Developing a cross-departmental team including representatives from Engineering, Operations and FAD to approve items in advance for capitalization in WIP. • 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. • Engaging an outside consultant, accounting firm or additional temporary resources to make a thorough examination of WIP to: <ul style="list-style-type: none"> o Ensure only capital projects are included o Recommend policies and procedures for establishing projects to ensure only capital projects are capitalized o Develop written examples and guidelines of what constitutes a capital project and what constitutes an O & M project. 	IA to verify during a future follow-up evaluation.
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. regionwide 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.

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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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	IA recommends that HR consider evaluating alternatives to the manual files used to maintain employee information, for example: --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. --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.	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.
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.

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Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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.
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.

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

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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"> • The program's goals and objectives and how those align with Agency goals • How the program addressed and met those goals • Funding, costs/expenses, and resources • Participating school information • Schools selection process • Number of students who potentially benefit and/or participate in the program • Updated pictures of garden conditions • Program participant survey results • Program assessment and recommendations 	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"> • 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, • providing school administrators with additional, well-defined guidelines, requirements and expectations, • ensuring gardens are used as intended and students participate in hands-on learning activities. 	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"> • Ensuring adequate professional staffing for this function, • Obtaining up-to-date contact information each fall for each school that has participated in the GIES program, 	
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.
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.

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

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
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.
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.

INFORMATION
ITEM

4Q



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Accounts Payable Follow-Up Audit

Executive Summary:

IA performed follow-up procedures to verify whether prior recommendations had been implemented related to Accounts Payable (AP) functions. Additional alternate controls have been established to reduce the risks of potential conflicts of duties and unauthorized changes to the Vendor Master Data (VMD) to improve controls over adding/changing vendors and the related payments approved and issued.

As a result of this audit, IA has one new recommendation and four restated recommendations:

- Business Information Systems (BIS) should work with Finance & 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.
- FAD should take the lead and work with BIS to implement efficiencies by fully utilizing SAP work-flows to process and approve invoices to migrate to a paperless environment.
- FAD should perform a review of all existing VMD records and ensure all vendor information is complete and up-to-date and includes a verified physical address.
- FAD should perform a review of VMD records to ensure only active vendors remain active. Vendors no longer used should be blocked and those never used should be deleted or blocked.
- FAD should update SOPs to reflect business process.

Staff's Recommendation:

This is an information item for the Board of Directors to receive and file and to provide direction to Agency staff to implement/resolve the audit recommendations that have been provided.

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

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On June 20, 2018, the Board approved the IA Annual Audit Plan. The Accounts Payable Follow-Up Audit was scheduled in the Annual Audit Plan. The Board has previously received Accounts Payable audit and follow-up reports dated May 12, 2010, October 25, 2011 and August 29, 2013.

Environmental Determination:

Not Applicable

Business Goal:

The Accounts Payable 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.

Attachments:

Attachment 1 - Accounts Payable Follow-Up Audit Report
Attachment 2 - PowerPoint



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DATE: May 30, 2019
TO: Shivaji Deshmukh
General Manager
Teresa V. Velarde
FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: ACCOUNTS PAYABLE FOLLOW-UP AUDIT

Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a follow-up audit of Accounts Payable operations. The audit 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 to determine the progress made by the Finance and Accounting Department (FAD) to implement 9 outstanding recommendations made in the prior audit and follow-up reports dated May 12, 2010, October 25, 2011 and August 29, 2013. IA refers readers to those audit reports for a comprehensive understanding of all the details of the original audit and subsequent follow up reviews. Reports can be obtained from the Agency intranet website or by contacting IA. This report provides an evaluation of the status of the open recommendations and considered controls related to those recommendations.

Audit Techniques Applied

Audit techniques applied during the audit included:

- Interviews of Accounts Payable and other Agency staff
- Analysis of financial transactions
- Review of supporting documents
- Review of policies and procedures
- Review of vendor master data (VMD)
- Review of vendor disbursements and controls
- Analysis of accounts payable aging
- Analysis of access and roles within SAP

Water Smart - Thinking in Terms of Tomorrow

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President

Jasmin A. Hall
Vice President

Kati Parker
Secretary/Treasurer

Michael Camacho
Director

Steven J. Elie
Director

Shivaji Deshmukh
General Manager

Audit Results - Executive Summary

The follow up audit found that, overall, the Agency has effective controls in place over accounts payable transactions. IA found opportunities to tighten controls and improve efficiencies in addressing the original recommendations. Of the nine outstanding recommendations from the prior audits, IA deferred two recommendations about updating Agency policies and will follow up with the respective departments at a later time. Of the remaining seven recommendations, three have been addressed and are considered implemented. IA identified one new recommendation related to these implemented recommendations. Additionally, one recommendation is in process, and three have not been implemented. IA has restated those four outstanding recommendations (the one in process and the three not implemented). As a result of this review, there are a total of five outstanding recommendations. The details of the observations and recommendations are included in the attached report, the following list provides a summary of the follow up review:

- Additional alternate controls have been established to reduce the risks from potential conflicts of duties and unauthorized changes to Vendor Master Data (VMD); changes to vendors established in the accounting system. The mitigating control that has been implemented extends beyond just Accounts Payable activity, which is considered a positive step. The control requires accounting supervisory staff to regularly review changes to Vendor Master Data and General Ledger (GL) Account Numbers in SAP. IA recommends that the reviews be documented and communicated on a regular basis to the department manager, to ensure there is an additional verification and ensure agreement with any changes made. Additionally, IA suggests the department consider establishing a checklist to document results and findings from the review and document what steps were performed to address.
- In evaluating access controls over all IEUA staff that have Accounts Payable (AP) authorizations in SAP (the Agency's accounting system), IA noted that some staff members, with AP authorizations, have transferred to other departments or to different functions within FAD and no longer require the AP authorizations but continue to have the same authorizations. 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 FAD and Human Resources (HR) to regularly evaluate and monitor employees' SAP roles and authorizations to prevent the risk of conflicts of duties. Options include:
 - BIS work closely with IA and FAD to perform regular (at minimum annual) reviews and evaluations of roles and authorizations to search for conflicts of duties.
 - BIS work 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 and may require authorizations be modified.

- BIS determine the feasibility of seeking to implement an automated program or service to scan SAP for conflicts of duties on a regular basis, either through SAP or another third-party vendor (New Recommendation #1).
- FAD should take the lead and work with BIS to implement greater efficiencies by fully utilizing automated workflows to process and approve invoices to migrate to a paperless environment, additionally to eliminate/reduce: Printing, manual/handwritten approvals, manual duplicate scanning of invoices/documents and additional emailing of documents. FAD should consider improving efficiencies and process changes necessary to efficiently utilize an automated process (New Recommendation #2).
- 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 (New Recommendation #3).
- FAD should perform a comprehensive review of the VMD records to ensure only active vendors remain active and those with no activity in the previous 3-5 years are blocked from use/misuse. *Additionally, vendors created through the conversion process to SAP (those brought forward from the legacy accounting system) that have never been used and have no financial data tied to them should be deleted, but at minimum, should also be blocked* (New Recommendation #4).
- 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. (Restated from prior audits: New Recommendation #5).

The attached audit report provides details of the observations and recommendations. Attachment 1 summarizes the results of IA's review of outstanding recommendations. Attachment 2 summarizes the new recommendations.

Acknowledgements

Internal Audit would like to extend our appreciation to the Finance and Accounting Department and Business Information Systems staff for their cooperation and assistance during this review.

Discussion with Management

IA shared the results of this audit with Kanen Pantayatiwong in BIS and Connie Campbell in FAD and provided a draft report for their review and comments on May 1st and 7th, 2019. The draft report was also provided to Javier Chagoyen-Lazaro in FAD and Christina Valencia, Executive Manager of Finance and Administration for their review and comments on May 7, 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.

Accounts Payable 2019 Follow-Up Audit

Background

The Finance and Accounting Department (FAD) is responsible for recording, maintaining, and safekeeping of the Agency's financial information. FAD functions include the areas of general accounting and financial reporting, including accounts payable and receivable, cash applications, fixed asset accounting, payroll, financial reporting, and various financial analyses. The Accounts Payable (AP) staff is responsible for processing vendor invoices and issuing payments for goods and services, utilities, and employee reimbursements for business related expenses. The AP staff consists of a supervisor and four staff members. Other staff in FAD and CAP (and some staff that have transferred from FAD to other departments) also have various levels of access/authorization to Accounts Payable information in SAP.

NOTE: At the time of the 2013 follow-up audit the Finance and Accounting Department was referred to as the Accounting and Fiscal Management Department (AFM). The Department is now called the "Finance and Accounting Department" or "FAD". The report also references the Agency's Enterprise Resource Planning (ERP) Software system generally referred to as "SAP" and the Agency's Vendor Master Data abbreviated as "VMD". Additionally, the Agency's Business Information Systems (BIS) department is responsible for the technology (such as SAP) used in the Accounts Payable processes and Contracts and Procurement (CAP) is responsible for the establishment of all contractual relationships with Agency vendors. All references in this audit report have been updated to reflect current naming conventions.

The VMD is the central location in SAP that stores and provides information about the Agency's vendors including name, address, contacts and other required information. VMD information is used throughout the procurement cycle, from the issuance of purchase orders to the payment of invoices. The accuracy of the information in the VMD affects the Agency's ability to track and pay its vendors. Additionally, it is good business practice to safeguard VMD information and have strong internal controls to ensure information is accurate and mitigate risks of inappropriate or unauthorized payments.

Status of Open Recommendations from the 2013 Follow-Up Audit Report:

Access, Privileges, Roles & Responsibilities: SAP and VMD

Original Recommendation #1 from the 2013 audit (provided for reference):

FAD and BIS should work together to ensure users have appropriate access within SAP based on job responsibilities and remove/modify access privileges that are not necessary to reduce the risk of unauthorized transactions and Segregation of Duties conflicts. All user access should be immediately removed when an employee resigns his/her position with the Agency.

Original Recommendation #2 from the 2013 audit (provided for reference):

Access to the Vendor Master Data (VMD) should only be granted to one

Manager/Supervisor for the FAD and CAP departments with one back up employee, if necessary, due to Segregation of Duties conflicts. This is a standard best practice across many industries. Furthermore, IA recommends access be removed from all other current and past employees.

Original Recommendation #6 from the 2013 audit (provided for reference):
FAD should strengthen Vendor Master Data procedures to establish uniformity in entering, altering and deleting vendors, and to provide guidelines for the maintenance of vendors, to ensure vendors are authorized, including the requirement that a supervisor or manager in CAP approve additions, deletions, or changes to vendors.

Status: Recommendation #1 has been restated as New Recommendation #1 and Recommendations #2 and #6 Implemented (with mitigating/alternate controls)
Recommendations #1, 2, and 6 all reflect concerns about segregation of duties (SOD) within SAP in conjunction with AP staff duties and maintenance of Vendor Master Data information. SAP access is defined by “authorizations” and “roles” that limit which employees may make changes to vendor data and which only have “view access”. For instance, AP staff need to have the ability to view information about purchase requisitions, purchase orders and vendors (Vendor Master Data) to properly process AP transactions, however they do not need to be able to make changes to vendor information (for example change a vendor name or address). AP staff need to have the ability to enter data and process information to ensure that AP payments are made in a timely manner.

The 2010, 2011 and 2013 audit and follow-up reviews all examined potential conflicts of duties in FAD and made recommendations for changes to those authorizations and roles within SAP, some of which have been addressed.

For the current review, IA evaluated SAP user roles with assistance from BIS and FAD staff for potential conflicts of duties. IA noted that some FAD staff members have transferred to other Agency departments or to different functions or roles within FAD, and continue to have the same authorizations in SAP, some related to AP functions. Based on IA’s discussions with BIS and FAD staff, in most cases not all “functions” are assigned or available to each specific “role” in SAP, so determining specific conflicts of duties is not immediately apparent with an analysis/review of the reports available. Specifically, IA noted this with an authorization granted to the accounting supervisor. IA physically observed and tested to determine if the access was available and noted that the supervisor is not able to make modifications as the authorization normally allows. Although some conflicts may appear to exist based on the roles and authorizations assigned, further analysis, including physically testing the access, of the “role” may determine that the access is not as extensive as it appears. There is also an approval process within FAD that follows the organization chart, and this reduces the likelihood that an employee would have access to both create and approve their own transactions.

After the 2013 audit, FAD created additional, alternate controls to reduce the risks from conflicts of duties concerns. The Accounts Payable Supervisor established this mitigating

and important control that extends beyond Accounts Payable activity. The Supervisor performs a regular review for changes to both Vendor Master Data and General Ledger (GL) Account Numbers in SAP. This is an important control to detect and protect against unauthorized vendors and payments. *IA recommended FAD prepare and maintain documentation of these internal supervisory reviews and communicate the results of the reviews to the Department Manager on a regular basis, which the department now does.* IA also suggests that a review checklist or other form of documentation be used to indicate what information has been confirmed (such as: "Vendor address present" and "change made by an authorized Agency employee", etc.) in the review. This would be useful to provide a record of what steps were performed during the reviews. The reviews document that additional supervisory review was completed and there is agreement with any changes made to VMD.

BIS stated that when SAP was implemented, the Agency worked closely with the consultants to structure authorizations and roles to ensure segregation of duties. According to BIS, the process was extensive and has not been changed since SAP was implemented unless something comes to their attention or changes are required or requested.

This review noted that when an Agency employee changes job duties or responsibilities, there is no standard procedure in place for the department to evaluate conflicts of duties with roles and authorizations in SAP or to inform BIS of the job change to prompt evaluation of the SAP accesses. Therefore, the department nor BIS review their SAP access for potential conflicts of duties or other required changes or updates. IA noted that since the 2013 review, several employees have transferred to different departments or now have different job duties/responsibilities; however, no changes were made to their SAP access/authorization. These employees were not specifically AP staff, but they did transition from Accounting to other Agency departments or between different roles in the Accounting department and still have varying levels of access to the Accounts Payable systems. This creates the risk that employees could have conflicts of duties with the access they have because their responsibilities changed but their access was not evaluated and modified to agree with the change in duties.

IA periodically evaluates SAP roles and responsibilities and provides recommendations when potential conflicts of interest exist. IA's reviews are performed during an operational audit of the area under review. If recommendations result from IA's review, needed changes are the responsibility of the management of that area. IA only follows up on any changes when a follow up review is performed, which can be 12 to 18+ months after the initial review. Given the risk exposure and the complexity of "authorizations" and "roles" in SAP, IA recommends that the Agency consider additional reviews/evaluations and controls to **regularly and continuously monitor** for conflicts of duties. For example, BIS could work with IA and FAD to evaluate potential conflicts on a more regular basis, at minimum annually. Additionally, the Agency should establish procedures to ensure HR notifies BIS of any job changes, transfers, promotions or changes in responsibilities to alert BIS of any needed changes to an employees' SAP authorizations. Lastly, another

option is to obtain automated tools that have the capability to scan authorizations and roles in SAP to search for conflicts of duties, either through SAP or a 3rd party vendor.

New/Restated Recommendation #1: 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. Options include:

- ***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.***
- ***BIS working with the Human Resources Department 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.***
- ***BIS determining the feasibility of seeking to implement an automated program or service to scan SAP for conflicts of duties on a regular basis, either through SAP or another third-party vendor***

BIS Response:

SAP security management is not perfect and can certainly be improved. IA has provided some information on third-party SOD tools that BIS will review and consider if they are deemed feasible (financially, technically and operationally). It is also true that when an employee moves to a different department, and most likely role, BIS does not have visibility about the change. This is something that BIS should work with HR on to communicate these changes.

FAD Response:

FAD stated that this is a good recommendation that may be applicable to all Agency departments because of the various accesses in SAP and the various changes with employee responsibilities and duties across the Agency and it is not isolated to AP.

IA also agrees that this recommendation may be applicable to all other Agency departments. IA provides this recommendation as a result of the evaluation and analysis performed of all employees who have AP duties and responsibilities within FAD and those with SAP roles and authorizations since this review focuses on those functions.

Late Payments

Original Recommendation #3 from 2013 audit (provided for reference): *Finance and Accounting Department should institute controls to ensure payment of invoices by the due date.*

Status: Not implemented – Restated

According to FAD staff, the department’s accounts payable system has been updated since the 2013 follow-up review. At the time of the 2013 review, FAD’s strategy was to issue invoice payments as close as possible to the due date in order to hold cash and maximize potential interest earnings. This led to occasional late payments and penalties noted in the prior audit. However, in recent years low interest rates have changed the Agency’s strategy and FAD pays AP invoices on a timely basis and take advantage of any potential discounts, when possible.

Payments are delayed if FAD does not receive the approved invoices from the respective departments before the due dates, such as on large construction projects or where multiple locations must approve the charges, and large utility payments. For instance, Southern California Edison (SCE) billings are often issued late (sometimes past due based on their own due dates) due to manual invoice adjustments SCE must make to accommodate specific contract requirements with IEUA. Both SCE delayed issuance of invoices/bills and late approval by Agency staff are outside the AP department’s control. FAD is working with construction management staff to ensure that their workflow results in FAD receiving invoices on a timely basis and FAD works with large utility vendors such as SCE to ensure no late fees are incurred for these delays that are outside FAD’s control.

IA reviewed the Agency’s general ledger expense accounts for the past three fiscal years through March 31, 2019, to review late fees and fines. **IA noted that no fees were paid in that three-year period.**

Additionally, after the 2013 follow-up review, BIS created an AP Monitoring Report available on the Agency’s internal website. The report shows all accounts payable transactions for a chosen period and documents information about all invoices received including invoice date, received date, posting date and date paid. Although the report is not used regularly by either IA or FAD, it does provide a snapshot of payment activity.

IA reviewed the report for the month of December 2018. The report generated 765 individual trade vendor (“1xxxxx” accounts payable vendor numbers, i.e. not utility, payroll or other special categories) invoices totaling \$15,882,057 and an additional 115 for utility vendors totaling \$743,645. All the utility vendor payments were made on a timely basis. The timing of payments of trade vendor invoices showed payments occurring over varying amounts of time, however only 33 invoices totaling \$88,736 were paid after 60 days:

Analysis of December 2018 Trade Vendor Invoices:

Type	Paid within 30 Days	Paid within 60 Days	Paid after 60 Days (generally 60-90 days, but instances of 200-300 days)	TOTAL DECEMBER 2018 Payments
#	624	108	33	765
%	82%	14%	4%	100%

Analysis of “Paid after 60 Days” category:

Category of Invoice	Total # of Invoices	Dollar Amount
Acetylene cylinder rentals at RP-1 – minor amounts (averaging \$4-\$5 ea.)	10	\$46
Executive credit card invoices – Bank of America	5	\$10,734
Goods and Services (Parts, pest control, membership, canopies, RP4 field evaluation, security assessment, etc.)	17	\$77,956
TOTALS	33	\$88,736

IA verified supporting information in SAP and examined the approval dates. In most cases the 17 invoices for goods and services were delayed beyond the original invoice and/or invoice receipt date due to delays in obtaining departmental approvals.

IEUA’s method for processing payments for these invoices is:

- 1) Hard-copy or electronic invoice arrives at AP
- 2) AP staff prints invoice (if received electronically), date-stamps, scans and enters into SAP
- 3) AP staff emails the scanned invoice to the approver requesting approval
- 4) Approver prints the invoice, signs, dates and includes employee number
- 5) Approver scans the approved invoice and emails to AP staff;
- 6) AP staff process approved invoice for payment.
- 7) The approved document is sometimes reprinted by AP to attach to payment document information for supervisory review.

SAP & Paperless Environment

The Agency’s ERP SAP system has now been in place for approximately 12 years (since 2007), having been implemented in July 2007. A modern ERP system may provide the capability to help the Agency migrate to a paperless environment by facilitating the process of reviewing and approving documents through electronic channels. SAP provides the capability to streamline the Accounts Payable process for reviewing and approving invoices electronically and can eliminate/reduce printing and use of paper to document and process approvals.

The benefits of a paperless environment include:

- o Increased processing speed
- o Reduced labor/time spent printing, scanning, reprinting, rescanning
- o Reduced paper use and handling
- o Automated tracking of activity, reviews, etc.
- o Reduced or eliminate storage of multiple copies of printed items

SAP should be fully utilized to ensure all invoices are paid timely, and users/approvers are reminded through the SAP workflow process to approve and process their respective invoices. SAP has the capability to track when an invoice is received, uploaded/input into SAP, trigger an approval requirement, track the approver and approval date, and trace when the invoice is processed. As IA has noted in previous internal audit reports, the

Agency should consider the opportunities for efficiencies from establishing these SAP workflows and migrating to a paperless environment to process and approve invoices, eliminating/reducing printing, manually approving, scanning and emailing invoices.

New Recommendation #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/reduce 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

BIS/FAD Response:

BIS and FAD indicated that the entire payment process extends beyond AP alone. Invoices from vendors come in various forms (e.g., hardcopy papers, email attachments) and are outside of AP's control. If received hardcopy, then scanning is a necessary step. When invoices are routed for approval, this process is also outside of APs control. BIS/FAD stated they can implement workflow solution (SAP or non-SAP) to help with electronic invoice approval process, which can, in theory, reduce the hardcopy papers and scanning and provide better accountability. This is agreed to.

Additionally, BIS/FAD stated that workflow will not force users to execute timely.

Additionally, BIS/FAD also stated that paperless initiatives are not isolated to AP and improvements can be made across all departments. Staff stated that paper or paperless environments do not violate any AP processes.

IA determines there is general agreement with the observation and recommendation provided. BIS/FAD noted there may be other challenges with changes in processes. IAs role is to provide recommendations to assist the Agency in achieving organizational goals, improve efficiencies and tighten internal controls. The recommendation encourages to move to a paperless environment by fully utilizing the Agency's ERP SAP system and reduce/eliminate hardcopies and encourages better tracking of documents.

Agency Policies

Original Recommendation #4 from 2013 audit (provided for reference): Finance and Accounting Department 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.

Original Recommendation #5 from 2013 audit (provided for reference): 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.

Status: Deferred to future audit related to Agency policies.

Original Recommendations #4 and #5 are being deferred to a separate audit of the Agency's policy setting process through the Human Resources Department.

Vendor Master Data: Physical Addresses and Inactive Vendors

Original Recommendation #7 (provided for reference): FAD should ensure all new vendors provide a current, physical business address for the Vendor Master File. Additionally, FAD should establish a plan to update the master file for all active vendors that do not currently have a physical address on file.

Status: Restated recommendation

Since the last AP audit FAD and CAP have instituted procedures to ensure any vendor doing business with the Agency has a valid physical address on file. A physical address is important to assist in validating that the vendor is a legitimate business and prevents the risk of issuing checks to fraudulent vendors. In instances where vendors prefer to receive payments to a PO Box, risk of fraudulent payments/activity is minimized when both the physical and mailing addresses are retained and verified.

IA reviewed a current Vendor Master File, listing all Agency vendors as of February 2019. IA sorted the vendors to review all vendors added since January 1, 2014 (the period following the previous IA follow-up review). A total of 714 new vendors were added in the "Trade Vendors (PO/AP)" category (the 1xxxxx series) during this period. Of these vendors, IA reviewed the SAP information and determined that 5 of the new vendors (less than 1%) did not have a physical address and only had a PO Box #. FAD reviewed these vendors and is following up on the missing physical addresses or will ensure that the vendors are blocked.

IA also reviewed the current status of vendors added prior to the previous follow-up report – also, all in the "Trade Vendors (PO/AP)" category (the 1xxxxx series) to determine if all addresses had been obtained as previously recommended, and noted the following:

CATEGORY	TOTAL VENDORS CREATED	NO ADDRESS & NOT BLOCKED	% OF TOTAL
Vendors created during conversion to SAP-during mid-2007	4,605	698	15.16%
Vendors created after conversion mid-2007 until 12/31/2013	1,198	65	5.43%

FAD created an additional alternate control to regularly review changes to Vendor Master Data and General Ledger Account Numbers in SAP. With this review, FAD can detect instances where vendors are created without a physical address. However, this does not result in corrections or additions to missing information on older records. The 2013 review

recommended that the Vendor Master File be updated to ensure all active vendors have a physical address on file. Therefore, the prior recommendation is restated to consider the results of this review since existing vendors from the initial conversion to SAP and those created prior to the 2013 follow-up review were not updated.

New Recommendation #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.

An additional best practice for an organization is regularly to compare vendor addresses to employee addresses to mitigate against the possibility of potential fraudulent transactions. Vendors established with an employee's home address would present a potential risk. This is not a control that FAD can implement, but a regular review using an automated comparison could be done by BIS with the assistance of HR. IA asked BIS if this comparison is currently feasible and if information/reports may be available for IAs review. As of the date of the first draft report (May 1) information had not been provided for IA's review. IA will follow up on this request during a future HR audit.

Original Recommendation #8 from 2013 audit (provided for reference): Finance and Accounting Department should work with BIS to test the features of SAP related to purging inactive vendors. Upon successful completion of the testing, FAD should identify vendors with no activity in the previous three to five years and deactivate or delete from the Vendor Master File as appropriate.

Status: Not implemented – Restated

FAD stated that SAP provides a historical record and transaction details since implementation in mid-2007. Purging vendors is not feasible or recommended because financial and historical information would be incomplete. Instead, SAP provides a means to "block" an "inactive vendor"; a vendor with no activity/transactions over a specified period of time. A best practice is to block vendors with no activity in the prior 3-5 years to prevent misuse, misappropriation, etc.

The Vendor Master File has a total of 6,516 Trade Vendors. Of these, only 1,641 are "blocked". The remaining 4,875 are considered active vendors, although they may have never had any activity or have not had activity in the most recent years. IA, BIS and FAD have discussed the importance of retaining any vendors in the system if they have had any financial activity, since that information is all linked in SAP. For those that have had financial activity but have not had any transactions in the past 3 to 5 years, the prudent course of action is for the Agency to block their use in SAP to mitigate potential risks. IEUA has 3,369 active vendors that were entered into SAP as part of the conversion process in mid-2007. Many of them appear not to have ever had any financial activity. All 4,875 vendors should be reviewed to determine if they should continue to be active vendors or blocked. In addition, any vendors that have never had any financial activity or were created through the conversion process and never had any financial activity should be removed/deleted or at minimum be blocked as well.

IA also noted a number of names and addresses of individuals on the Trade Vendor list (rather than the employee numbering sequence), most of which were created by the AP conversion process to SAP. Since this numbering sequence is reserved for "Trade Vendors" the listing should not include individuals, except in those relatively rare instances where an individual is a Trade Vendor. In addition, the addresses of individuals (that may include former employees) may raise privacy concerns. If these VMD vendors were created during the conversion process and have never been used, their inclusion in the VMD is irrelevant and they could be removed.

New Recommendation #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.

Standard Operating Procedures (SOP)

Original Recommendation #9 from 2013 audit (provided for reference): Finance and Accounting Department should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system.

Status: Not implemented – Restated

It is a best practice to have formal written Agency policies and procedures within AP and other related departments. Policies and procedures effectively manage the department's processes and provide clear guidance to management, employees and external/internal auditors. FAD indicated they plan to update all SOPs for critical tasks by June 30, 2019.

IA noted that FAD has added new resources about using SAP to obtain Vendor information on the Agency's internal website. These Guides include sample SAP display screens and descriptions of how to use these aspects of SAP:

1. Vendor/Employee Invoice & Remittance Status – Inquiry FBL1N
2. Vendor Transactions Search by Vendor Type

Guides such as these are very helpful for Agency employees. IA encourages FAD to continue to provide additional resources to assist Agency staff.

As recommendation #9 is still "In Progress," IA plans to re-visit this area and test in a future audit. This has been a recommendation on all FAD audits going as far back as 2007. SOPs serve as guidelines and manuals to train employees, to reference during cross training and during staff leaves. SOPs also provide a tool to measure employee performance and to hold employees accountable to their responsibilities. *Agency Policy A-51 provides guidelines on how departments should document their own Standard Operational Procedures, IA refers FAD to A-51 for documenting their formal SOPs.* The recommendation has been restated as New Recommendation #5.

New Recommendation #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.

Attachment 1 – Status of the 2013 Follow-Up Audit Recommendations

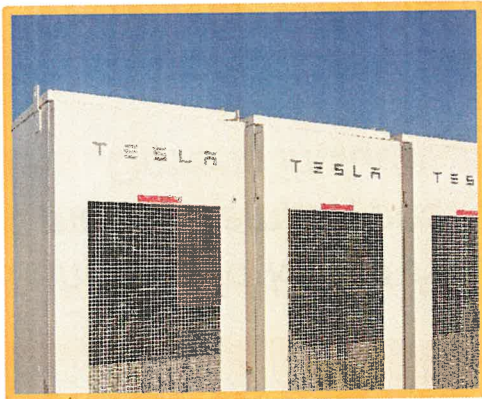
Rec #	Recommendation	Implemented or mitigating control established	Review deferred to future audit	Not Implemented or Restated
1	Finance and Accounting Department and Business Information Services need to work together to ensure users have appropriate access within SAP based on job responsibilities and remove/modify access privileges that are not necessary to reduce the risk of unauthorized transactions and SOD conflicts. All user access should be immediately removed when an employee resigns his/her position with the Agency.	X		New Recommendation #1
2	Access to the Vendor Master Data (VMD) should only be granted to one Manager/Supervisor for the FAD and CAP departments with only one back up employee, if necessary, due to Segregation of Duties conflicts. This is a standard best practice across many industries. Furthermore, IA recommends access be removed from all other current and past employees.	X		New Recommendation #1
3	Finance and Accounting Department should institute controls to ensure payment of invoices by the due date.			New Restated Recommendation #2
4	Finance and Accounting Department 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.		X	
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.		X	
6	Finance and Accounting Department should strengthen Vendor Master File procedures to establish uniformity in entering, altering and deleting vendors, and to provide guidelines for the maintenance of vendors, to ensure vendors are authorized, including the requirement that a supervisor or manager in CAP approve additions, deletions, or changes to vendors.	X		
7	Finance and Accounting Department should ensure all new vendors provide a current, physical business address for the Vendor Master File. Additionally, FAD should establish a plan to update the master file for all active vendors that do not currently have a physical address on file.			New Restated Recommendation: #3
8	Finance and Accounting Department should work with BIS to test the features of SAP related to purging inactive vendors. Upon successful completion of the testing, FAD should identify vendors with no activity in the previous three to five years and deactivate or delete from the Vendor Master File as appropriate.			New Restated Recommendation: #4
9	Finance and Accounting Department should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system.			New Restated Recommendation: #5
Totals		3	2	1 New & 4 New Restated

Attachment 2 – 2019 Follow-Up Recommendations

The table below consolidates outstanding recommendations from the prior audits (restated) with new recommendations from the current audit. These are the new, remaining recommendations.

Rec.	Audit Recommendations
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"> • 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. • 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. • BIS determining the feasibility of seeking to implement an automated program or service to scan SAP for conflicts of duties on a regular basis, either through SAP or another third-party vendor
2	<p>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</p>
3	<p>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.</p>
4	<p>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</p>
5	<p>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.</p>

Accounts Payable Follow-Up Audit Final Audit Report & Recommendations



New Recommendation #1:

BIS should work with FAD and 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:

- BIS work closely with IA and FAD to perform regular (at minimum annual) reviews and evaluations of roles and authorizations to search for conflicts of duties.*
- HR 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.*
- BIS implement an automated program/system to scan SAP for conflicts of duties on a regular basis, either through SAP or third-party vendor.*

Recommendations:

Recommendation #2:

- FAD should take the lead and work with BIS to implement efficiencies by fully utilizing automated work-flows to process and approve invoices to migrate to a paperless environment.

Recommendation #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.

Recommendation #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.

Recommendation #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.

Questions & Discussion

The Accounts Payable 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.



INFORMATION
ITEM

4R



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Payroll Follow-Up Audit: Ethics Resolution and Confidentiality Agreement

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 performed a follow-up review of one outstanding recommendation from the Payroll Audit completed in 2010. The original recommendation required that Human Resources (HR) take the lead to revise and update Agency Resolution No. 2005-2-9 (Ethics Policy) and clarify which employees are required to sign a Confidentiality Agreement. This follow-up review found that the Agency's Resolution No. 2005-2-9 has been rescinded with Board-approved Resolution No. 2018-2-7. Additionally, on January 17, 2018, the Board adopted the IEUA Administrative Handbook with guidelines applicable to the Board of Directors. Chapter 7, Conflict of Interest, regarding ethical behavior, applies to Board members and all Agency employees. According to HR, with the adoption of the Administrative Handbook, HR will require only new and/or promoted employees with access to confidential information to sign a one-time Confidentiality Agreement and not renew. The recommendation is considered closed. Future HR audits will be planned through the Board-approved Annual Audit Plan and amendments.

Staff's Recommendation:

This is an information item.

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):

N/A

Full account coding (internal AP purposes only): - - - Project No.:

- - -

Prior Board Action:

On June 20, 2018, the Board approved the IA Annual Audit Plan. The Payroll Follow-Up Audit was scheduled in the Annual Audit Plan.

On September 19, 2012, the Board received and filed the Payroll Operations Follow-Up Audit Report.

On September 15, 2010, the Board received and filed the original Payroll Operations Audit Report.

Environmental Determination:

Not Applicable

Business Goal:


The Payroll Follow-Up Audit (Ethics Resolution & Confidentiality Agreement) 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.

Attachments:

Attachment 1 - Payroll Follow-Up Audit: Ethics Resolution and Confidentiality Agreement Report



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DATE: May 30, 2019
TO: Shivaji Deshmukh
General Manager
FROM: 
Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Payroll Follow-Up Audit: Ethics Resolution & Confidentiality Agreement

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 Annual Audit Plan require that IA follow up on the status of outstanding audit recommendations to determine if corrective actions were implemented.

Audit Objective and Scope

IA completed a follow-up review of the one remaining outstanding recommendation related to the Payroll Audit, dated August 24, 2010. The recommendation required that Human Resources (HR) take the lead to update Agency Resolution No. 2005-2-9, the Agency's Ethics Policy and clarify which employees are required to sign the Confidentiality Agreement. IA did not expand the scope of the review to evaluate additional areas or operations within the HR Department, further reviews will be scheduled through the Board-approved Annual Audit Plan.

Acknowledgements

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

Discussions with Management

The results of this follow-up review were provided to Blanca Arambula, Acting Manager of HR and Christina Valencia, Executive of Finance and Administration/Assistant General Manager on May 16th and 23rd, 2019 for their comments, prior to finalizing this report.

The Payroll 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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Vice President

Kati Parker
Secretary/Treasurer

Michael Camacho
Director

Steven J. Elie
Director

Shivaji Deshmukh
General Manager

2010 Original Recommendation #4: Ethics Resolution & Confidentiality Agreement

HR and FMD should work together to revise and update the Agency's Resolution No. 2005-2-9 and clarify which employees are required to sign a Confidentiality Agreement, based on their job duties and responsibilities, specifically those whose roles involve handling sensitive and confidential information. Having employees sign a Confidentiality Agreement reinforces that confidential and sensitive information is being handled, the Confidentiality Agreement also provides the expectations and consequences for sharing or misusing confidential information.

Status: CLOSED

The original audit found that Agency Resolution No. 2005-2-9, the Agency's Ethics Policy, required it be updated to reflect an updated Ethics Policy and required specific employees and/or departments to sign a Confidentiality Agreement, specifically Human Resources (HR) and Information Services. The Resolution did not require Payroll staff or other critical positions to sign the Confidentiality Agreement. IA noted other positions/job roles with access to confidential information that should be considered and required to sign the Confidentiality Agreement but had not been previously considered. IA recommended that either **all** Agency employees or **no** Agency employees be required to sign the agreement.

On February 21, 2018, Agency Resolution 2005-2-9 was rescinded with Agency Resolution 2018-2-7. On January 17, 2018, the Board of Directors adopted the IEUA Administrative Handbook, which provides information about the Agency and guidelines/procedures, specifically, for the Board of Directors. Chapter 7 of the Administrative Handbook, titled *Conflict of Interest* applies to the Board of Directors and all Agency employees.

With the adoption of the Administrative Handbook, HR requires only new and/or promoted employees with access to confidential information to sign a one-time Confidentiality Agreement. For employees that already had a Confidentiality Agreement on file prior to the Administrative Handbook, HR will no longer require those employees to renew and re-sign their Confidentiality Agreement as was previously required. Employees are expected to be prudent in the use and handling of sensitive and confidential information.

Currently, the Administrative Handbook is posted on the Agency's website but is not easily located, nor posted to the intranet under policies and potentially has not been communicated to all Agency employees. HR should ensure the document is readily available, visible and communicated to all employees, to ensure employees are aware of the new policy requirements and can be held accountable to the policy.

Based on IA's review, the 2010 recommendation considered closed. IA will evaluate new processes and the effectiveness of new Agency policies during future audits.

INFORMATION
ITEM

4S



Date: June 19, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

06/10/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Voyager Fuel Card Audit

Executive Summary:

Internal Audit (IA) completed an audit of the Agency's Voyager Fuel Card program. The audit identified opportunities to further strengthen and tighten internal controls and to enhance the effectiveness of the program, including:

- Establish Goals and Objectives for fleet operations (such as fuel, vehicle, and maintenance). Having Key Performance Indicators and other metrics will provide direction for management of the program, and a basis to measure how the program is operating,
- Fully utilize the reporting tools and features available through US Bank Fleet Commander® Online system to obtain information/reports that would be valuable to management and perform analysis to ensure fuel purchases are appropriate,
- Enhance the role of the Fuel Card Administrator to include duties such as analysis and card oversight,
- Perform periodic reviews to ensure fuel cardholders have a signed agreement on file with the Human Resources Department,
- Review fuel cards that have no activity for an extended period of time to determine if they are needed. Otherwise, consider closing/canceling these cards to minimize the risk of misuse, and
- Review the Agency Policy/SOP. IA will report on this item in a separate report.

Staff's Recommendation:

The Voyager Fuel Card Audit report is an information item for the Board of Directors to receive and file and provide direction to Agency staff to implement/resolve the audit recommendations that have been provided.

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

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On June 20, 2018, the Board of Directors approved the Fiscal Year 2018/19 Annual Audit Plan. The Voyager Fuel Card audit was scheduled as part of the Fleet Management Audit - Vehicle Operational Audit & Follow-up Review in the Annual Audit Plan.

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

Environmental Determination:

Not Applicable

Business Goal:


The Voyager Fuel Card Audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing an independent evaluation of the Voyager Fuel Card program, suggesting recommendations for improvements, monitoring the internal control environment of the Agency, and assisting Agency management in achieving organizational goals and objectives.

Attachments:

Attachment 1 - Voyager Fuel Card Audit Report
Attachment 2 - PowerPoint



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DATE: May 30, 2019
TO: Shivaji Deshmukh
General Manager
FROM: 
Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Voyager Fuel Card Audit

Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed an audit of the Voyager Fuel Card Program (Voyager or Fuel card). The audit was performed under the authority given by the IEUA Board of Directors and the Fiscal Year 2018/19 Annual Audit Plan. Attached is the report that discusses IA's observations and recommendations.

Audit Objective and Scope

The objectives of the Voyager Fuel Card Audit were to evaluate internal controls over the use of the Agency's Fuel Card, assess the adequacy of the internal controls in place to ensure fuel cards are safeguarded from loss, theft or misuse, and to identify improvements for the effectiveness of the program.

Audit Techniques:

Audit techniques included:

- Interviews of Agency staff
- Review of Agency policies, procedures, and practices
- Evaluate processes and transactions
- Analysis of purchase transactions

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Shivaji Deshmukh
General Manager

Audit Results – Executive Summary

The Voyager Fuel Card Program is administered by the Operations & Maintenance Department - North. In general, the Voyager Fuel Card Program has effective controls in place. The audit identified opportunities to further strengthen and tighten internal controls and to enhance the effectiveness of the program and safeguard card use. The attached report provides details of the observations and recommendations, the points below provide a summary:

- **Goals and Objectives:** Operations & Maintenance should establish goals and objectives for Fleet Operations including for fuel, vehicle and maintenance, including Key Performance Indicators and other metrics. Having goals and objectives, provides direction for the management of the program and expenses and provides a means to measure how the program is functioning.
- **Data Analysis:** The online reporting tools for the Fuel Card Program available through US Bank should be fully utilized to perform data analysis about the use of the credit cards and the Agency's fuel expenses. This will require determining the key information that will need to be captured and considered useful to management for decision-making. Operations & Maintenance should consider working with US Bank to determine the reporting tools that will provide the best and most valuable information to ensure fuel purchases are appropriate and reasonable, for example fuel use, type, sorting by user, card, vehicle, department, etc.
- **Fuel Card Administrator:** The role of the Fuel Card Administrator should be enhanced to include additional duties such as utilizing online reports and tools available from US Bank, performing data analysis on fuel spending and usage activity, making recommendations to improve the program, and using the online guides and participating in the training provided through US Bank.
- **Fuel Cards with No Purchase Activity:** Fifteen fuel cards were identified as having no purchase activity during the last two calendar years. Having additional unnecessary cards may put the Agency at risk of misuse of the card and unauthorized purchases. Operations & Maintenance should perform periodic reviews of the need and use of the credit cards. Fuel cards with no activity for a determined amount of time (1-2 years) or no longer needed should be deactivated.
- **Cardholder Agreements:** This audit found missing Cardholder Use Agreements in two of 20 items selected. The purpose of the agreement is to provide guidelines about the credit card program, and in the event of misuse, it provides for accountability and these should be maintained on file. A recommendation was provided to the department for consideration, which suggests a periodic review and/or spot checks be performed to ensure Cardholder Use Agreements are on file for all users.

- Agency Policy/Standard Operating Procedure (SOP): The Agency has multiple documents related to the refueling of Agency vehicles and the Voyager Fuel Card Program, including Agency Policy A-86, SOP document number 140-046, and an informal desk procedure. Operations & Maintenance is currently in the process of updating the Agency-wide policies related to Fleet Operations, which includes refueling procedures and use of the Voyager Fuel Card. The updated policy is planned for finalization in mid-2019; therefore, the recommendation provided in the previous report (*Agency Vehicle Operational Follow-Up Audit: Review of Vehicle Inventory Procedures, dated November 29, 2018*) continues to stand and will be reviewed by IA during a future audit as scheduled through the Board-approved Annual Audit Plan.

The Voyager Fuel Card Audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing an independent evaluation of the Voyager Fuel Card program, suggesting recommendations for improvements, monitoring the internal control environment of the Agency, and assisting Agency management in achieving organizational goals and objectives.

Acknowledgements

IA would like to extend our appreciation to the Operations and Maintenance staff for their cooperation and assistance during this review.

Discussions with Management

Drafts of this audit report were provided to management of the Operations and Maintenance Department for their review and input. IA also discussed the review with department staff and management and their comments have been incorporated prior to finalizing this report.

Background

Inland Empire Utilities Agency participates in the State of California (State), Department of General Services, Office of Fleet and Asset Management, Cooperative Agreement (Participating Addendum Agreement No. 7-16-99-27 and Amendment 1, agreement term November 1, 2016 – December 31, 2020) with US Bank to pay for fuel and emergency services associated with government vehicles, also known as the State of California Fleet Card Program. This program provides State and local government agencies with the Official State Fleet card. There are no fees or incentives (rebates/cash back) to participating agencies associated with this program. Organizations that can participate, include: State agencies, counties, cities, districts, and other local government bodies or entities that are empowered to expend public funds.

The purpose of the fuel cards is to allow for fuel (gas or diesel) to be purchased at any of the retail gas stations located throughout California (except for ARCO AM/PM fueling stations). In 2010, IEUA implemented the Voyager Fuel Card (Voyager or Fuel card) program with US Bank as a pilot program. The Agency expanded the program and issued additional cards to users in 2013.

Agency Policy A-86 (*Refueling Agency Vehicles*, effective date February 4, 2013) was created to provide guidelines for refueling Agency-owned vehicles, portable tanks, and containers. **Attachment 1** is a copy of the current Agency policy.

The Operations and Maintenance (O&M) Department - North administers the Agency's fuel card program, which include administrative related responsibilities: ordering cards and reconciling purchase receipts to the monthly statement. Fuel cards are issued to employees when requested by a Department manager.

The Voyager fuel card works like a credit card to purchase fuel. However, it is not like a personal credit/debit card because it does not have a VISA/Mastercard logo and can only be used for fuel, all other types of purchases are strictly prohibited and are blocked from purchasing with the card. Cardholders are allowed three transactions per day with maximum purchases of up to \$1,000 per monthly cycle, there is no single or daily dollar transaction limit or time restrictions. The Agency has an overall total credit line of \$40,000 for all the fuel cards.

US Bank plans to replace the current Voyager fuel cards with chip-enabled cards that will provide enhanced payment security when used with chip-enabled card readers. The new chip-enabled fuel cards will be issued by October 2020.

Voyager fuel cards are issued in the employee's name, however, there are a handful of fuel cards assigned directly to an Agency department or vehicle, such as a pool vehicle. A pool vehicle is an Agency vehicle that is checked out by an employee and driven to conduct Agency business. As of March 31, 2019, there were 159 fuel cards issued to Agency employees located at IEUA, Inland Empire Regional Composting Facility (IERCF), and Chino Basin Desalter Authority Chino I Desalter (CDA).

IEUA is responsible for making all payments to US Bank Voyager Fleet Card Systems. The Agency is exempt from paying Federal taxes, and this adjustment is reflected as part of the monthly payment. State and local taxes are not assessed at the time of purchase. Payments are made on time so that credit and late fees or penalties are not incurred.

Fuel Card Process

The process to obtain a fuel card is as follows:

- 1) A request for a Voyager fuel card is made through the New Employee Notification Form or by email from a Department Manager to the Fuel Card Administrator
- 2) Fuel Card Administrator provides and issues the Voyager fuel card
- 3) Employee will sign the Cardholder Agreement form and a copy of Agency Policy A-86 is provided
- 4) Fuel purchases are made as required
- 5) Receipts of the fuel purchases are provided to the Fuel Card Administrator, who reconciles the receipts to the Invoice Transaction Report and submits for approval
- 6) Finance and Accounting Department (FAD) pays the Voyager fuel credit card bill on time.

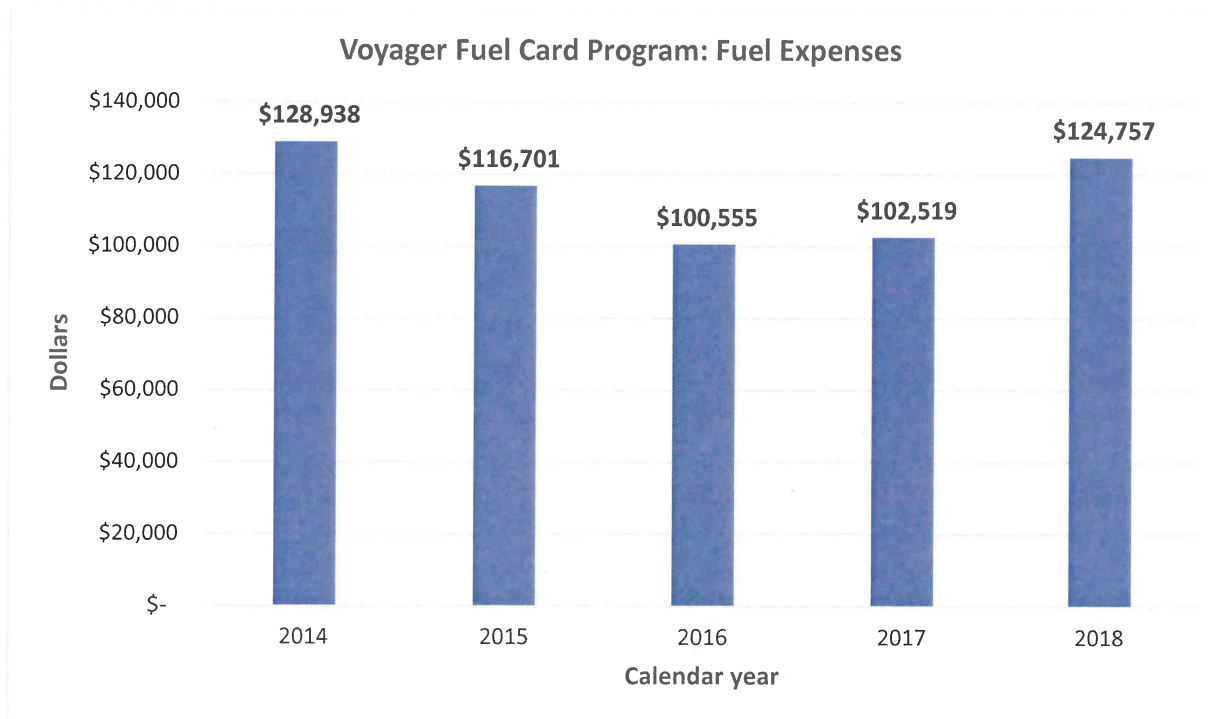
Attachment 2 provides a flowchart of the issuance and use of the fuel card process.

Total Fuel Purchases for the prior 5 years

Information related to the total fuel card spending for the last five calendar years was:

	Calendar Year				
	2014	2015	2016	2017	2018
Fuel expense	\$128,938	\$ 116,701	\$ 100,555	\$ 102,519	\$ 124,757
Number of transactions	1,779	1,886	1,937	1,836	1,802
Gallons purchased	35,994	38,610	39,422	36,818	37,501

Source: Payments made to US Bank Voyager Fleet Systems (information downloaded from SAP and calculated based on payment date.)



Fuel Spending by Department

For the 27-month period reviewed, January 1, 2017 through March 31, 2019, fuel card spending by Agency departments is as follows:

Entity/Department	Number of Transactions	Gallons Purchased	Total Fuel Spending
IEUA:			
Operations & Maintenance (Includes O&M's Pool Vehicles)	2,469	53,437.10	\$ 176,071.41
Groundwater Recharge	352	8,032.15	\$ 26,392.54
Facilities Management (Includes various Pool Vehicles)	436	6,752.89	\$ 21,991.34
Planning & Environmental Resources	217	4,855.76	\$ 15,836.03
Integrated Systems Services	184	2,701.9	\$ 8,770.36
Engineering & Construction Management	141	2,585.17	\$ 8,383.69
Laboratory	32	337.33	\$ 1,136.58
External Affairs	7	156.51	\$ 468.59
IERCF	157	2,232.16	\$ 7,569.34
CDA	146	2,195.01	\$ 7,266.63
Totals	4,141	83,285.98	\$ 273,886.51

Source: US Bank Fleet Commander® Online System (Transaction Detail Report)

Attachment 3 provides the breakdown of fuel spending by calendar year.

Cards issued by Department

The table below summarizes the breakdown of fuel cardholders as of March 31, 2019:

Entity/Department	Number of Cardholders
IEUA:	
Operations & Maintenance (Includes O&M's Pool Vehicles)	78
Engineering & Construction Management	13
Facilities Management (Includes various Pool Vehicles)	13
Laboratory	10
Integrated Systems Services	9
Groundwater Recharge	4
Planning & Environmental Resources	4
External Affairs (Department Pool Vehicle)	1
IERCF	23
CDA	4
Totals	159

Source(s): US Bank Fleet Commander® Online System, Agency's Position Control Reports

Top 10 Gas Station locations utilized – Table and GIS Map

From the US Bank Fleet Commander® Online system, the fueling stations primarily used to refuel the Agency's vehicles are as follows:

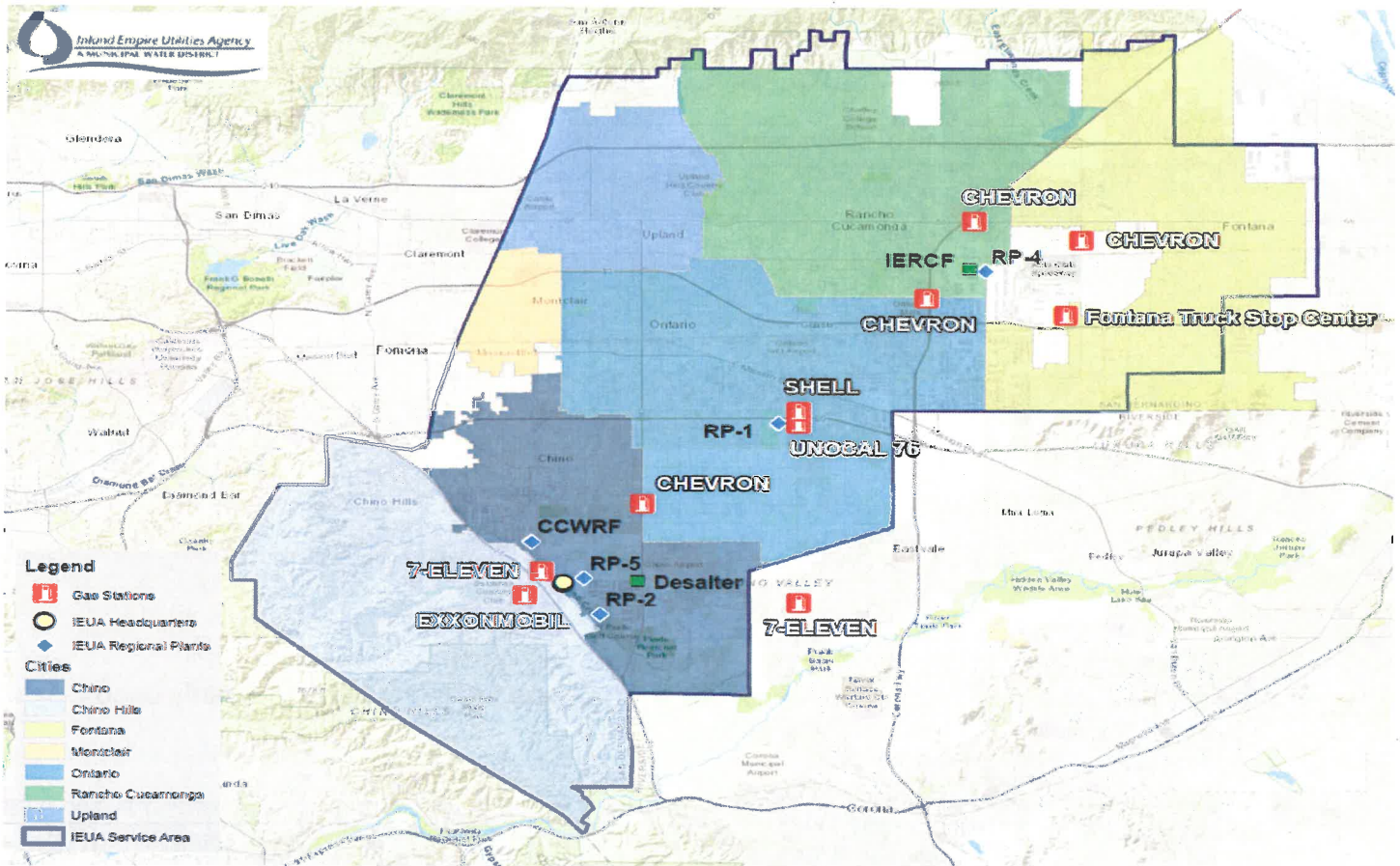
Time Period: January 1, 2017 – March 31, 2019

Merchant Name	Address	No. of Transactions	Total No. of Gallons purchased	Total Dollars
7-Eleven	15450 Fairfield Ranch Road Chino Hills, CA 91709	1,109	21,967.16	\$ 66,146.17
Union 76	2525 S. Archibald Avenue Ontario, CA 91761	1,138	21,986.55	\$ 65,820.71
Fontana Truck Stop Center	14226 Valley Blvd Fontana, CA 92335	137	7,026.27	\$ 24,308.37
Chevron	14088 Euclid Avenue Chino, CA 91710	213	3,492.92	\$ 11,786.40
Chevron	1090 Ontario Mills Drive Ontario, CA 91764	178	3,648.19	\$ 11,569.72
ExxonMobil	15960 Los Serranos Country Club Drive Chino Hills, CA 91709	183	2,994.65	\$ 9,078.14
Shell	2215 S. Archibald Ontario, CA 91761	124	2,545.56	\$ 7,721.10
7-Eleven	7040 Archibald Avenue Corona, CA 92882	119	1,826.79	\$ 5,644.58
Chevron	8515 Cherry Avenue Fontana, CA 92335	66	1,270.12	\$ 4,018.31
Chevron	12659 Foothill Blvd Rancho Cucamonga, CA 91701	84	1,174.77	\$ 3,746.51

The following was observed:

- Nine of the top 10 stations are in IEUA's service area
- One station is outside of IEUA's boundary lines and was primarily used by the Groundwater Recharge Program, and
- All 10 stations are located near an IEUA facility.

The map below shows the geographic locations of gas stations as compared to the Agency's service area.



Fuel Procurement

Agency Policy A-86 requires vehicles to be fueled with regular (87 octane) or diesel. Using the transaction data downloaded from the US Bank Fleet Commander® Online system, the table below shows the type and amount of fuel purchased between January 1, 2017 to March 31, 2019:

Type of Fuel*	2017		2018		2019***	
	Gallons Purchased	Total Dollar Amount	Gallons Purchased	Total Dollar Amount	Gallons Purchased	Total Dollar Amount
Unleaded	31,404.37	\$ 92,858.09	29,490.98	\$ 104,116.16	7,315.29	\$ 23,539.82
Unleaded Blend 7.7%	2,014.99	\$ 6,143.03	1,589.93	\$ 5,632.99	470.51	\$ 1,544.41
Unleaded Plus	54.41	\$ 171.13	63.17	\$ 234.04	-	\$ -
Unleaded Super	297.58	\$ 950.41	138.36	\$ 519.06	15.28	\$ 53.11
Diesel Fuel	3,029.80	\$ 9,395.12	6,046.93	\$ 23,612.87	1,210.75	\$ 4,574.15
Diesel Exhaust Fluid	-	\$ -	118.51	\$ 449.05	25.12	\$ 93.07
Totals**	36,801.15	\$ 109,517.78	37,447.88	\$ 134,564.17	9,036.95	\$ 29,804.56

Note: From the US Bank Fleet Commander® Online system: *Description is from the Transaction Detail Report (Column: Production Description), **Totals are calculated based on the transaction date which differs from the SAP Payment date, and ***Data is only for 3 Calendar months, January 1, 2019 – March 31, 2019.

For the 27 months, there were 33 transactions of fuel with the description of Unleaded Plus/Super, less than 1% of the total purchases during the period reviewed. The Fuel Card Administrator continuously reminds staff that the type of gas that can be purchased is regular unleaded.

US Bank Voyager Fleet Systems

When the fuel card program was initially launched, the Agency paid the amount due within 25 days after the closing date. Starting in September 2016, the payment due date became 45 calendar days from the billing cycle ending date, less any disputed or fraudulent items. The Agency's fuel card billing cycle generally ends on the 24th of each calendar month with the statement due date between the 7th and 10th of the following month. For example, the billing statement for January 2019 closed on January 24th with a payment due date of March 10th. IEUA pays the monthly balance in full each month, to avoid late fees/penalties, and no balances are carried forward. For 2017, the Agency paid US Bank between 13 and 35 days, and on average 24 days from the closing date, while for 2018 payment was made between 23 and 38 days, and on average within 31 days. All paid within the due date.

Observations and Recommendations

Department Goals and Objectives

O&M does not have documented goals for fleet operations, which would include goals, objectives and performance indicators for fuel, vehicles and maintenance costs. Establishing goals and objectives is considered a "best practice" to measure the program's effectiveness.

According to the Fiscal Year 2017/18 and 2018/19 Operating and Capital Program Budget (Budget Document), the Mission Statement for O&M is:

*"To provide quality water and wastewater treatment and ensure that all facilities, structures, **vehicles**, and utilities are operating at optimum efficiency to maximize the continued availability of high quality recycled water; to manager groundwater recharge and biosolids composting in the safest, most efficient, cost effective and environmentally compliant matter."*

The core of the mission statement is focused on the services to be provided to ensure the Agency's facilities and equipment will be working at the best possible level. *Vehicles* are included as one of the areas that should be operating at optimum efficiency according to the mission statement. However, in the Agency's Budget Document, **none of the 16 department goals** outlined by the Operations Division are related to the Agency's fleet operations.

Fleet operations (vehicles, fuel and preventive maintenance) has not been centralized or formally established as a “program”. The Agency’s fleet program is currently decentralized and being operated by two different sections within the O&M Department. Facilities Management under O&M - South manages the Agency’s vehicle fleet, whereas O&M - North is responsible for administration of the Voyager Fuel Card program.

According to the Agency’s financial system, the Agency’s fleet has an acquisition cost of \$2.7 million and a book value of approximately \$500,000 or more as of Fiscal Year 2017/18. The Agency is currently in the process of replacing older vehicles and purchasing new vehicles, which will increase the acquisition and book value costs of the fleet. If fuel and maintenance costs are also considered, then this would appear to be an important program to set goals and objectives for.

2019 Recommendation #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.

DEPARTMENT RESPONSE:

The Operations & Maintenance Department agreed that goals and objectives for fleet operations should be developed. The Operations & Maintenance Department will consider discussing the roles and functions of the fleet program and determine if those responsibilities should be centralized and/or continue to remain segregated within the department.

Data Analysis

US Bank maintains Fleet Commander® Online system that provides fuel information and data management, the ability to view monthly statements, customized reports, etc. The Agency does not record fuel data in any of its own internal systems, other than vendor payment through the financial system (SAP) to US Bank Voyager Fleet Systems.

IA obtained the transaction data from the US Bank Fleet Commander® Online system for review and analysis for the period of January 1, 2017 through March 31, 2019. During this period, the Agency had over 4,000 transactions and procured more than 80,000 gallons of fuel totaling \$273,886. In reviewing the available reports from US Bank Fleet Commander Online system, IA noted the following:

• **US Bank Transaction Detail Report:**

- **Inaccurate Odometer Reading:** Information entered by the cardholder (Card ID 100011/80011) for the odometer reading at the time of refueling appears to be the 4-digit Vehicle ID, i.e., 600, 1101, 1203, 1402, 1901, instead of the vehicle’s actual odometer information. This inaccurate information can skew any data analysis.
- **Out-of-Sequence Odometer:** Various cardholders’ fuel purchasing activity were reviewed and the odometer reading entered at the time of fuel purchase appears to fluctuate and be out of sequence. This is a problem because without the accurate odometer reading, the administrator cannot perform analysis to ensure that the card was not misused and only Agency vehicles were fueled. An example is shown below:

Example of Out-of-Sequence Odometer Reading: *

Card ID/ User	Date	Time	Type of Fuel Purchased	Quantity of Fuel	Transaction amount	Odometer	
100020	9/5/18	08:51:00	Unleaded	41.16	\$ 144.00	14934	
	9/7/18	00:27:00	Unleaded	20.57	\$ 73.00	14987	
	9/13/18	08:29:00	Unleaded	14.53	\$ 52.00	42874	} Out of Sequence
	9/18/18	09:54:00	Unleaded Blend 7.7%	24.42	\$ 84.00	150775	
	10/1/18	05:01:00	Unleaded	38.21	\$ 149.00	15228	
	10/4/18	01:43:00	Unleaded	35.64	\$ 134.00	15274	
	10/15/18	10:45:00	Diesel	49.05	\$ 201.06	35097	
	10/17/18	08:20:00	Diesel	42.34	\$ 173.59	78088	} Change/ Variation
	10/22/18	06:36:00	Unleaded	34.16	\$ 140.01	15378	
	11/1/18	01:21:00	Unleaded	21.09	\$ 78.00	43989	
	11/16/18	14:07:00	Diesel	36.42	\$ 150.00	78746	} Out of Sequence
	11/16/18	14:12:00	Unleaded	24.22	\$ 90.06	15737	
	11/27/18	01:39:00	Unleaded	25.28	\$ 92.00	15786	
	12/5/18	01:39:00	Unleaded	21.72	\$ 76.01	15886	
	12/7/18	00:51:00	Unleaded	13.33	\$ 50.00	15996	} Change/ Variation
	1/9/19	10:54:00	Diesel	42.08	\$ 159.87	36786	
	1/9/19	10:54:00	Diesel Exhaust Fluid	3.53	\$ 13.06	36786	
1/16/19	11:24:00	Diesel	40.61	\$ 154.29	36998		
1/16/19	11:24:00	Diesel Exhaust Fluid	2.16	\$ 8.00	36998		

* It may be that this user had different vehicles on different days; however, if the report can capture vehicle ID # as required at the pump at the time of refueling, it would facilitate evaluating the transactions to ensure these were Agency related transactions.

The variation in the odometer information could have occurred for several reasons, such as driving different Agency vehicles or odometer reading being incorrectly entered by the cardholder at the time of fueling, etc. Having additional key information on the report, such as the Vehicle ID number, and/or other information would assist in analyzing and also in minimizing the appearance of any misuse.

According to Agency Policy A-86 (Section 3.00 Procedures, Section B. Refueling of Agency vehicles, Number 3), after the fuel card is inserted, the cardholder is required to respond to the pump queries by entering:

- i) Personal identification number (PIN) issued with the card
- ii) **Four Digit Vehicle Number**, and
- iii) Current odometer reading (whole number only).

In the Transaction detail report from US Bank Fleet Commander® Online, there is a column called Vehicle ID. This column primarily has 000000 for each fuel transaction, unless the fuel card used is assigned to a department and/or pool vehicle, then it would have the assigned pool vehicle number such as 001701, 001702, etc.

With the data that is currently available, O&M may want to obtain an understanding and review the fuel data to find out why the odometer reading seems to vary so much. Additionally, O&M should consider researching with US Bank to see if other information (such as the Vehicle ID#) could be captured at the time of purchase for assigned cardholders. This information would assist in any data analysis performed.

- o **Two Transactions with the Same Date, Time, and Odometer Reading:**
 In reviewing the transaction data from US Bank, there are several transactions that have the same date, time, and odometer reading. Without additional information, IA is unable to determine if these transactions are for one Agency vehicle, multiple vehicles or involve the refueling of a portable container or tank. Additionally, Agency Policy A-86 (Section 3.00 Procedures, Section C) requires the refueling of portable containers or tanks to be a separate transaction and in lieu of the odometer reading, zeros should be entered ("0000"). Examples follow:

Card ID	Date	Time	Type of Fuel Purchased	Quantity of Fuel	Transaction amount	Odometer	Observations
800011	3/20/2017	17:50:00	Diesel	54.81	\$ 164.38	1203	Same date, time & odometer. Different types of fuel purchased. No receipt available for review.
800011	3/20/2017	17:50:00	Unleaded	2.55	\$ 7.15	1203	
800020	5/11/2017	09:54:00	Diesel	43.70	\$ 131.06	26105	Same date, time & odometer. Different types of fuel purchased. No identifying information on the receipt, other than employee signature & number.
800020	5/11/2017	09:54:00	Unleaded	2.76	\$ 7.74	26105	
800011	8/13/2018	10:48:00	Diesel	68.57	\$ 274.22	33455	Same date, time & odometer. No receipt available for review.
800011	8/13/2018	10:48:00	Diesel Exhaust Fluid	2.60	\$ 9.62	33455	
100022	1/23/2019	13:45:00	Diesel	55.34	\$ 210.26	37101	Same date, time & odometer. No identifying information on the receipt, other than employee signature and number.
100022	1/23/2019	13:45:00	Diesel Exhaust Fluid	1.80	\$ 6.67	37101	
100012	3/25/2019	11:45:00	Diesel	58.98	\$ 229.97	38754	Same date, time & odometer. Unable to locate monthly Voyager statement with gas receipts.
100012	3/25/2019	11:45:00	Diesel Exhaust Fluid	4.45	\$ 16.49	37854	

Without additional information on the US Bank report, the purchases may appear to be questionable. In analyzing the transactions, it may be that drivers filled up the vehicle and a container in the vehicle; but that information is not documented or captured on the online reports. O&M should research these types of transactions as part of their data analysis and determine if additional information needs to be captured at the time of refueling or if cardholders require additional training in using the Voyager fuel cards to ensure all the needed information is inputted and documented.

- **Multiple Transactions on the same date:**

Using the US Bank Fleet Commander® Online system, IA obtained a report that provides *Cards with Multiple Purchases per day*. The report identified 77 instances where different cardholders had 2 transactions on the same date of purchase. There was 1 instance where the same cardholder had 3 transactions on the same date of purchase. The report from US Bank does not indicate if the transactions were for different vehicles, as it does not identify the vehicle number. See the examples below:

3 Fuel Transactions on the Same Day

Card ID	Date	Time	Location/ City	Type of Fuel Purchased	Quantity of Fuel	Transaction amount	Odometer	Observation
800205	12/28/2017	07:52:00	Shell Ontario, CA	Diesel	14.41	\$ 49.85	10181	Reviewed gas receipts. Noted the same number (1601), but the employee signature <i>does not match</i> the name of the Cardholder. No other identifiable information was provided.
	12/28/2017	09:38:00	Shell Fontana, CA	Diesel	20.21	\$ 74.78	10206	
	12/28/2017	09:41:00	Shell Fontana, CA	Unleaded	5.48	\$ 17.56	10206	

The number of purchases is allowable according to the restrictions established in the US Bank Fleet Commander® Online system. However, IA observed, in a two-hour period, a total of 40.10 gallons of fuel (34.62 diesel, 5.48 unleaded) were purchased and \$142.19 dollars spent at two different gas stations in one day.

IA also reviewed the individual gas receipts for these transactions and observed minimal information was listed on the receipts (i.e., a number and employee signature). Even with the limited information, it does not clarify why multiple purchases occurred on the same day within a short period of time, nor does it clearly state if the number was an Agency Vehicle, and the employee signature *does not match the name of the fuel cardholder*. Without additional information on the electronic report and/or the gas receipts, the purchases may appear questionable. To minimize any perception of misuse, it is imperative that additional information should be captured at the time of purchase, or at the very least documented on the individual gas receipts.

Noted instances with 2 transactions per day, the times were a few minutes to several hours apart and the odometer reading was different:

2 Fuel Transactions procured in the Same Day – Different Odometer Reading

Card ID	Date	Time	Location/ City	Type of Fuel Purchased	Quantity of Fuel	Transaction amount	Odometer	Observation
800203	10/31/2017	10:55	Chevron Fontana, CA	Unleaded	17.00	\$ 54.39	38447	No receipt available for review.
800203	10/31/2017	12:54	Chevron Fontana, CA	Unleaded	23.76	\$ 76.01	34764	Vehicle ID # noted, no other identifiable information provided.
800095	5/31/2018	11:48	Circle K Chino Hills, CA	Diesel	34.81	\$ 135.75	13265	Unable to locate Voyager statement with gas receipts.
800095	5/31/2018	11:55	Circle K Chino Hills, CA	Diesel	26.52	\$ 103.43	32165	
100020	11/16/2018	14:07	Union 76 Ontario, CA	Diesel	36.42	\$ 150.00	78746	Gas receipts identified Vehicle type & number, and employee number.
100020	11/16/2018	14:12	Union 76 Ontario, CA	Unleaded	24.22	\$ 90.06	15737	
100108	3/7/2019	08:50	7-Eleven Chino Hills, CA	Unleaded	16.85	\$ 52.04	38478	Gas receipts identified entity, Vehicle type and ID#, and employee information.
100108	3/7/2019	10:34	7-Eleven Chino Hills, CA	Unleaded	18.84	\$ 58.18	8997	
100203	3/21/2019	01:01	Chevron Chino, CA	Unleaded	21.28	\$ 76.58	17171	Gas receipts identify Vehicle ID#, and employee number and information.
100203	3/21/2019	11:35	Chevron Ontario Mills, CA	Unleaded	18.97	\$ 67.12	46205	

For the transactions above, IA noted the following: an individual gas receipt was unavailable for review, monthly statement with the gas receipts could not be located, and receipts that were reviewed contained identifiable information.

If the electronic report does not show the vehicle number and/or other identifying information, it is difficult to trace the transaction or to determine if they were for an Agency-owned vehicle. IA suggests these types of transactions be reviewed by O& M to ensure the fuel purchases are appropriate.

- **Additional Analysis - Fuel Tank Capacity**

The Agency does not have fuel tank capacity information for the vehicles in its fleet. This information would be useful for analysis, for example, to compare the fuel purchased to tank capacity to determine if quantity purchased exceeds capacity. This would provide a tool to review for any possible misuse.

Efficient fuel management and analysis can be performed with the various reports available through US Bank Fleet Commander® Online. With the transaction data, various reports can be run within the online system and/or data could be downloaded and analyzed to sort by date, user, location, etc. However, effective analysis is also dependent on the accuracy and the type of information entered by cardholders at the pump. **Attachment 4** has a table with the list of reports available through US Bank.

IA recommends that O&M determine what type of information will be useful and practical to assist in operation and management of the fuel program, adequately train card users to input and include the correct information to ensure reports provide useful data. Having key information inputted and/or documented at the time of purchase will assist in strengthening and tightening the controls in place and will provide a clearer snapshot of the Agency’s fuel activity. Additionally, IA previously provided a recommendation to work

with US Bank on the reporting capabilities, and perform report analysis on the Agency's fuel consumption, which can be found in the audit report *Review of Vehicle Inventory Procedures*, dated March 12, 2014. Therefore, the original recommendation #9 provided in 2014 has been updated, restated, and incorporated into 2019 Recommendation #2.

2019 Recommendation #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 be required and reduce potential risks of misuse.

DEPARTMENT RESPONSE:

The Operations and Maintenance Department agree there is significant benefit in performing data analysis and generating reports for Management to review, and additional research can be performed accordingly.

Fuel Card Administrator

The role and responsibilities of the Fuel Card Administrator are documented in Agency Policy A-86 (Refueling Agency Vehicles) as follows:

- Collection of the transaction receipts from cardholders after vehicles and portable containers have been refueled,
- Receipt of a copy of the completed *Cardholder Use Agreement*,
- Notification by the cardholder if their fuel card has been reported lost or stolen, and
- Address any questions or problems related to using the card.

The Fuel Card Administrator role is currently assigned to a staff member in O& M (North). Duties performed include ordering and issuing cards, providing training, collecting receipts and reconciling to the billing statement, and providing information to FAD for the payment to the vendor.

IA recommends enhancing the role of the Fuel Card Administrator to include additional responsibilities, including for example:

- Analysis/Reporting: To fully utilize US Bank reporting tools to perform analysis on spending activity, fuel economy, consumption, etc., and communicate to management for review, evaluation, measuring and monitoring. . (I agree removed highlight)
- Training/Guides: Review guides and/or manuals and participate in web-based training offered through US Bank to learn about the features, reports, and the various tools available to assist in managing the fuel program.

- **Oversight:** evaluate card activity, ensure Cardholder Use Agreements are on file with HR, provide training and information about the use of the cards and remind users of the guidelines outlined in Agency Policy A-86.

2019 Recommendation #3:

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:

- ***Responsibilities to maximize the use of online reports and tools available through the US Bank Fleet Commander® Online system.***
- ***Analysis and evaluation reports and communications to provide Operations & Maintenance information about the fuel card program.***

Fuel Cards with No Activity

The cardholders' use and activity should be reviewed periodically to determine if changes should be made. The audit identified 15 Voyager fuel cards that had no fuel purchases in the previous two years, as follows:

Entity/Department	Number of fuel cards with no activity
Engineering & Construction Management	2
Laboratory	4
Operations & Maintenance	2
Pool Vehicle	1
IERCF	6
Totals	15

Credit cards should be issued based on need. Unused Voyager fuel cards increase the risk for potential misuse and the opportunity for unauthorized purchases. It also exposes the Agency to additional risk if the US Bank system is breached or compromised. Unused or unneeded cards should be cancelled.

2019 Recommendation #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.

DEPARTMENT RESPONSE:

The Operations and Maintenance Department agreed the Fuel Card Administrator should periodically perform a review of the active fuel cards, and any cards identified without activity for an extended period of time will be evaluated to determine if the card is needed, otherwise fuel cards that are deemed no longer necessary will be canceled/closed.

Cardholder Agreements

According to Agency Policy A-86 (Section 3.00 Procedures, Section D), employees who receive a Voyager Card are required to complete a training session and sign the “*Cardholder Use Agreement*” acknowledging their understanding of the program requirements. IA selected a sample of 20 employees (15 current, 5 separated) to review the *Cardholder Use Agreement* form:

- 2 of 20 employees reviewed did not have a signed agreement on file.
- Return of Agency Card section of the *Cardholder Use Agreement* was not completed for the remaining 4 separated employees. According to language stated on the form, the bottom section must be completed when the card is returned to the Agency. This acknowledges that the card issued has been returned to the Agency and all charges placed on the card were for official Agency business only. The Human Resources (HR) Department noted as part of the separation process, they inquire whether employees have any Agency property that needs to be returned including credit cards, etc. HR noted the “physical” card is taken from the employee at the time of separation, however, the bottom portion of the form is not completed. There may be a delay in deactivation of the Voyager fuel card if the Fuel Card Administrator is not notified in a timely manner. O&M and HR should determine if this is the procedure they will follow.

The *Cardholder Use Agreement* describes and outlines the employee’s responsibilities to use the fuel card. Not having employee’s complete and sign the *Cardholder Use Agreement*, increases the risk of the Voyager fuel cards used improperly and cannot hold the employees accountable to the guidelines. IA provides the following soft recommendation for consideration by the department:

O&M should work with HR to develop a process to ensure the Cardholder Use Agreement forms are completed and retained for all fuel cardholders. O&M and HR should consider developing a process to periodically review the list of Voyager fuel cardholders and perform spot checks to confirm the agreement forms are on file. In addition, O&M should work with HR to review the Cardholder Use Agreement form and determine if the bottom portion of the agreement (Return of Agency Card) is needed and either complete it or consider removing it from the form or determine a process to remind employees of their responsibilities under the user agreement and ensure compliance with agreement terms.

DEPARTMENT RESPONSE:

The Operations and Maintenance Department agreed an employee receiving a fuel card should have a Cardholder Use Agreement on file, the original form with HR and a copy retained locally for reference. Additionally, the Fuel Card Administrator should conduct annual spot checks to ensure agreements are on file and retained with HR. Lastly, HR should provide to the Fuel Card Administrator timely notification of employees that have separated to ensure the fuel card is deactivated and cancelled.

Agency Policy/Standard Operating Procedure (SOP)

IA identified the following policies, procedures and/or documents related to the refueling of Agency vehicles and/or the Voyager Fuel Card program:

Document	Title Topic	Last date of revision	Observations
Agency Policy A-86	Refueling Agency Vehicles	02/04/2013	<ul style="list-style-type: none"> Policy is focused on refueling procedures for assigned vehicles, no information is provided for pool vehicles No updates have been made since initial implementation of the policy No mention of the Fuel Card Administrator's roles and responsibilities
Standard Operating Procedure Document Number 140-046	Maintenance Vehicle Refueling	06/27/2011	<ul style="list-style-type: none"> Procedures and content outlined in the SOP appear to be outdated, document was last updated in June 2011 Update SOP to comply with the guidelines and format outlined in Agency Policy A-51
Informal desk procedure	Voyager Fuel Card Program (Process)	No date listed, provided to IA in January 2019	<ul style="list-style-type: none"> Established to outline the various processes performed by the Fuel Card Administrator and about the Voyager Fuel Card program, including ordering, issuance, and usage of fuel cards, and monthly billing and reconciliation

Having outdated or inconsistent information can create confusion for staff and procedures can be incorrectly and/or inconsistently applied. Good internal controls require formal written procedures to ensure consistency and accuracy in executing processes and procedures. SOPs serve as a training tool and manual for staff. Policies and procedures should be reviewed periodically to ensure they are updated and consistent with current business practice. Department SOPs are part of the Agency's internal control framework.

IA has already provided a recommendation related to this area in a prior audit report, which continues to stand and will be followed up on during a future review.

Agency Vehicle Operational Follow-Up audit, dated November 29, 2018:

Facilities Manage 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 reviewed policy(ies) address refueling and washing procedures, security, safety times, insurance, license requirements, etc. The new and final policy should be approved by Executive Management and make available for all Agency employees for their reference.

DEPARTMENT RESPONSE:

O&M is in the process of updating the Agency-wide policy related to Vehicle Operations, which includes fueling procedures and the use of the Agency Voyager Fuel card. According to O&M, the Agency policy is planned for finalization in June/July 2019.

Attachment 1

Agency Policy A-86: Refueling Agency Vehicles

**INLAND EMPIRE
UTILITIES AGENCY**

Administrative Policies
and Procedures Handbook

Document No.: A-86
Page No.: 1 of 3
Revision No.: N/A
Effective Date: 2/4/13

POLICY: REFUELING AGENCY VEHICLES

1.00 PURPOSE

The purpose of this policy is to establish the process for refueling Agency-owned vehicles.

2.00 SAFETY ISSUE CONSIDERATIONS

Employees shall exercise due care and vigilance at all times when refueling Agency vehicles and equipment.

3.00 PROCEDURES

- A. Accounts have been established through US Bank, the issuer of Voyager Fleet Cards. Using personal funds or credit to refuel Agency vehicles without prior approval from the employee's department or division manager is prohibited.
- B. Refueling of Agency vehicles:
1. When an Agency vehicle requires refueling, the driver should proceed to the nearest gas station that accepts "VISA" credit cards.
 2. Drive to the pump and safely secure the vehicle.
 3. Insert or slide the card as if it were a standard credit card transaction.
 - a. Respond to the pump queries by entering:
 - i. The personal identification number (PIN) issued with the card.
 - ii. The four digit vehicle number.
 - iii. The current odometer reading (whole number only).
 - b. Fuel the vehicle with regular (87 octane) or diesel, as required.
 - c. Obtain a transaction receipt and promptly forward the form to the respective Program Administrator.
- C. Refueling approved portable tanks and containers:
1. When refueling portable tanks and containers, a separate transaction is required.
 2. Insert or slide the card as if it were a standard credit card transaction.
 3. Respond to the pump queries by entering:

- a. The PIN issued with the card
 - b. The applicable equipment number (e.g., portable generator No. XX).
 - c. In lieu of an odometer reading, enter "0000."
 4. Fill the tank or container using care to secure on the vehicle, as required.
 5. Obtain a transaction receipt and promptly forward the form to the Program Administrator.
- D. Prior to receiving a Voyager Fleet Card, each authorized employee ("cardholder") is required to attend a brief program review and training session. At the conclusion of the training session, the employee shall read, sign, and date a "Cardholder Use Agreement," acknowledging their understanding of the program requirements, procedures, processes, and restrictions. The original form will be maintained in the employee's personnel file with copies distributed to the employee, their supervisor, and the Program Administrator. Additionally, a record on the card assignment will be added to the "My Assigned Asset(s) List" on the Agency Portal.
- E. Upon receipt of the signed Cardholder Use Agreement, the card will be activated and issued.
- F. It is the responsibility of the employee using the card to safeguard the card from theft, loss, and/or misuse.
- G. Cards are embossed with the cardholder's name and employee number. Under no circumstances should employees allow anyone, including another employee, to use their assigned card, nor divulge the card number or assigned PIN to anyone. PINS should be treated with the same care and custody as a computer or personal password.
- H. The card is to be used solely for purchasing fuel for Agency vehicles, portable containers or tanks specifically-designed and approved for such use. Using the card for services or merchandise, including sundries, is strictly-prohibited.
- I. The card is **not** to be used for employee's personal use. Intentional misuse or fraudulent use of the card will result in immediate cancellation of card privileges, followed by disciplinary action, up to and including termination.
- J. Falsifying receipts by entering erroneous equipment numbers is also grounds for disciplinary action, up to and including termination.
- K. The cardholder is to immediately report (i.e., same business day) any lost or stolen cards to the card issuer, their supervisor, and the Program Administrator. The card company's telephone number may be found on the back of the card. It is important for the Program Administrator to document and confirm the telephone conversation with the credit card company personnel with written notification, such as e-mail, noting the date, time, and name or number of the person to whom you spoke with

in your documentation.

- L. Employees shall immediately surrender their Agency-issued card upon separation, suspension, or upon request from management. Use of a card after a request to surrender has been made is expressly prohibited.

4.00 Responsibility Assignments

Any questions or problems related to using the card should be promptly directed to the Program Administrator.

5.00 Exhibit

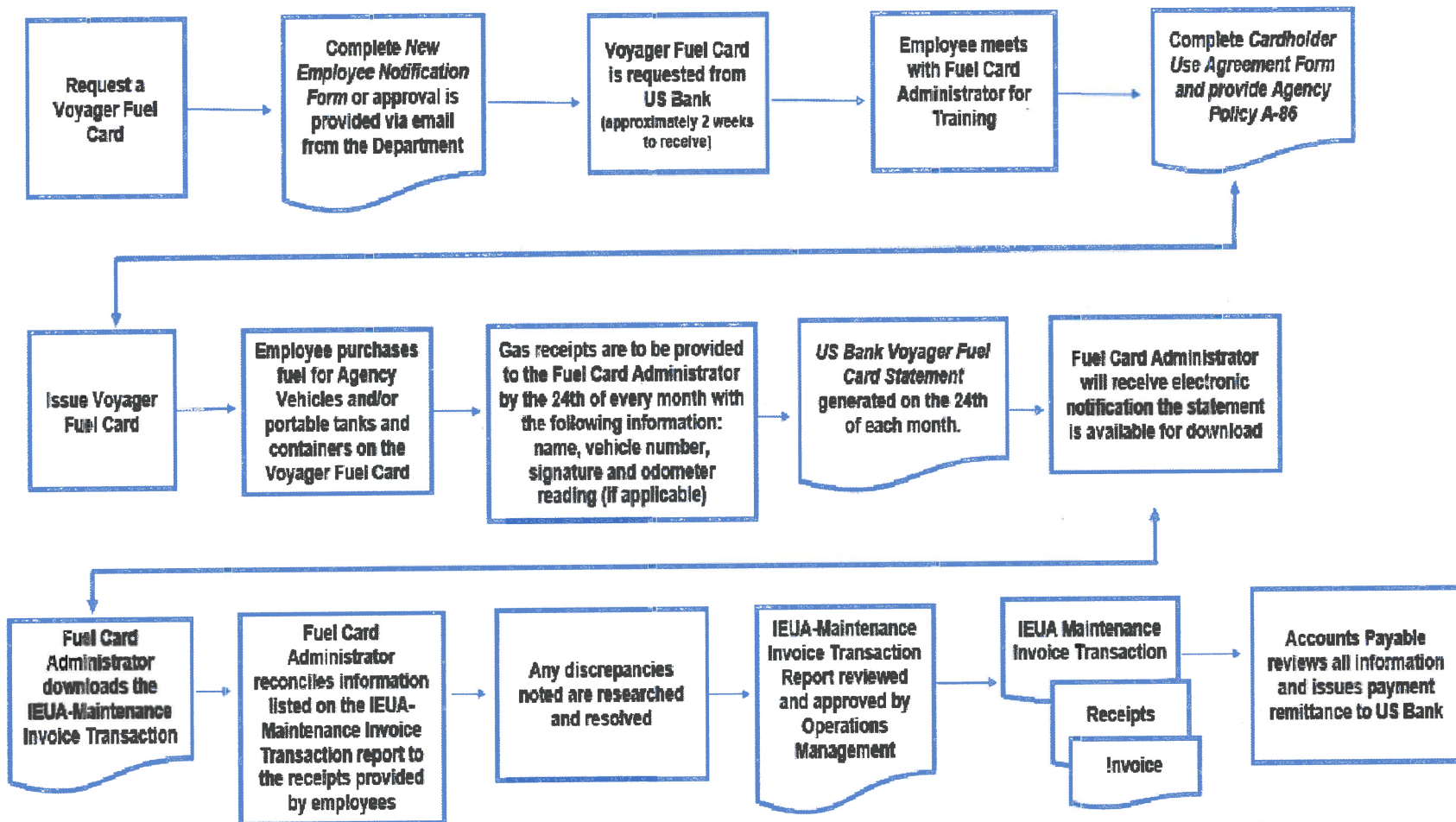
Cardholder Use Form

APPROVED:

General Manager

Attachment 2

Flowchart of Voyager Fuel Card Process:



Attachment 3
Fuel Spending by Calendar Year for the period of January 1, 2017 through March 31, 2019

Entity/Department	2017		
	Number of Transactions	Gallons Purchased	Total Fuel Spending
IEUA:			
Operations & Maintenance (Includes O&M's Pool Vehicles)	1,125	23,339.92	\$ 69,174.71
Groundwater Recharge	164	3,987.36	\$ 12,017.78
Facilities Management (Includes various Pool Vehicles)	197	2,900.22	\$ 8,608.74
Planning & Environmental Resources	102	2,264.00	\$ 6,813.95
Engineering & Construction Management	73	1,365.02	\$ 4,073.07
Integrated Systems Services	85	1,287.41	\$ 3,833.23
External Affairs	6	129.90	\$ 387.19
Laboratory	2	20.71	\$ 61.18
IERCF	64	895.39	\$ 2,751.75
CDA	38	611.82	\$ 1,796.18
Totals	1,856	36,801.15	\$ 109,517.78

Entity/Department	2018		
	Number of Transactions	Gallons Purchased	Total Fuel Spending
IEUA:			
Operations & Maintenance (Includes O&M's Pool Vehicles)	1,077	24,243.72	\$ 87,422.25
Groundwater Recharge	145	3,210.19	\$ 11,606.96
Facilities Management (Includes various Pool Vehicles)	192	3,045.09	\$ 10,798.92
Planning & Environmental Resources	96	2,157.54	\$ 7,652.32
Integrated Systems Services	84	1,197.11	\$ 4,234.25
Engineering & Construction Management	58	1,043.39	\$ 3,742.16
Laboratory	14	158.35	\$ 566.52
External Affairs	1	26.61	\$ 81.40
IERCF	74	1,067.24	\$ 3,894.96
CDA	90	1,298.64	\$ 4,564.43
Totals	1,831	37,447.88	\$ 134,564.17

Entity/Department	2019*		
	Number of Transactions	Gallons Purchased	Total Fuel Spending
IEUA:			
Operations & Maintenance (Includes O&M's Pool Vehicles)	267	5,854.06	\$ 19,474.45
Groundwater Recharge	43	834.60	\$ 2,767.80
Facilities Management (Includes various Pool Vehicles)	47	807.58	\$ 2,583.68
Planning & Environmental Resources	19	434.22	\$ 1,369.76
Integrated Systems Services	15	217.38	\$ 702.88
Engineering & Construction Management	10	176.76	\$ 568.46
Laboratory	16	158.27	\$ 508.88
External Affairs	-	-	\$ 0-
IERCF	19	269.53	\$ 922.63
CDA	18	284.55	\$ 906.02
Totals	454	9,036.95	\$ 29,804.56

*Data for 3 Calendar Months: January 1, 2019 – March 31, 2019

Attachment 4

Reports available to the Agency through US Bank Fleet Commander® Online System:

Category/Name of Report	Type of Information
Inventory Reports:	They provide lists of the cards, vehicles, or drivers in the program to monitor and manage the fleet program.
Card Report Vehicle Report Driver Listing Report	Report provides a complete listing of all the cards, vehicles, or drivers in the fleet program
Transaction Reports:	They provide reports that allow you to actively manage and monitor your program by giving you a picture of transactions associated with the specific vehicles or drivers.
Transaction Detail Reports	Report provides a comprehensive picture of the transactions in your program. This report allows for all transactions to be included, or filter the transactions using multiple parameters.
Real Time Activity Report	The report provides a view of real-time activity by card, driver or vehicle for the last 7 days. This information will allow you to manage your fleet transaction limits and/or view transaction information prior to posting.
Transactions by Vehicle Report	The report provides transaction information associated with a specific vehicle in the program. This report can be used to monitor and manage card usage for the vehicle, such as identifying vehicles that are heavily used and those with only few transactions, and/or vehicles that have a high number of specific transaction types.
Transactions by Driver Report	The report provides transaction information associated with specific drivers in the program. Use of this report will identify cardholders that are heavy and light users, or to find specific transaction types by driver.
Transactions without Drivers ID	This report is listed as an option, but no results were produced for the Agency.
Management Reports:	They provide reports that can be used to measure and track key aspects of the fleet program, such as program's dollar volume, identification of top merchants, identification of cards with the highest number of transactions, dollar volume, non-fuel transactions, gallons, and multiple purchases per day. Also, you can pinpoint card by purchase method. In addition, it can help measure and track vehicle fuel economy for specific vehicles or by vehicle type.
Top Dollars by Merchant Report	The report provides the list of merchants where dollars are spent from highest to lowest. This information can be used to manage key vendor relationships for maximum program value.
Cards with High Dollars for Non-Maintenance Transactions	The report provides an overview of card use by listing cards with a large volume of non-maintenance transactions.
Cards with High Gallons	The report provides information about cards that have a high gallon volume. This will assist in the identification of high-use cards.
Cards with Non-fuel purchases	The report identifies any cards that have been used to purchase something other than fuel.
Cards with Highest Number of Transactions	The report identifies cards that have the highest number of transactions.
Cards with Multiple Purchases per day	The report identifies cards that have multiple purchases per day. In addition, the information from this report can assist in identification of potential card misuse.
Cards by Purchase Method	The report identifies how the cards were used for purchases, such as at the pump
Fuel Economy by Vehicle ID	The report can be used to monitor fuel economy for vehicles in the program.
Fuel Economy by Vehicle Description	The report can be used to monitor fuel economy for vehicles in the program.
Vehicle Cost Analysis	The report provides a picture of the cost of each vehicle in the program.

Emergency Merchant Availability Report	The report can be used to find fueling locations during a storm or natural disaster.
Card Expiration	The report provides information on the expiration dates of cards in the program. Using this information, you can track expiration and reissuance.
Exception Reports:	They provide reports to monitor card limit usage. In addition, the reports can also be used to identify accounts and transactions that meet one or more exception parameters that are established. These are reporting tools that can be used to monitor the program for potential misuse or to identify needed adjustment in program parameters.
Percent of Limit Report	The report provides a snapshot of a card's current limit dollar use and percentage use. Using this information, card limits can be adjusted, monitored, and/or program adjustments can be made.
Declined Transactions Reports	The report can be used to track transactions with a declined authorization with a declined reason code. The report can only be run for 7 days from the current date.
Billing Reports:	They provide reports with a summary of transactions in your program.
Invoice Report	The report can be used to view a summary and details of transactions for each card, including card number, date, transaction description, invoice number, amount and additional detail.
Detailed Invoice Report	
Invoice Statement Status Report	The report can be used to track the status of your invoice statements by payment status and billing cycle.
Sales and Marketing Reports:	They provide information related to sales and marketing (if applicable).
Customer Sales	The report can be used to track sales by product type and product category for transactions posted in a specified time period.
Customer 12 month sales	The report can be used to track product type, product category, or a specific product's sales for transactions that posted during a previous period.

Attachment 5

2019 Audit Recommendations provided in the report.

Rec #	Recommendations
1	<p>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.</p>
2	<p>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 be required and reduce potential risks of misuse.</p>
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"> • Responsibilities to maximize the use of online reports and tools available through the US Bank Fleet Commander® Online system. • Analysis and evaluation reports and communications to provide Operations & Maintenance information about the fuel card program.
4	<p>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.</p>

Voyager Fuel Card Audit



Background

- Number of Voyager Fuel Cardholders: 159*

(*as of March 31, 2019)

- Spending:

	Calendar Year				
	2014	2015	2016	2017	2018
Fuel expense	\$128,938	\$ 116,701	\$ 100,555	\$ 102,519	\$ 124,757
Number of transactions	1,779	1,886	1,937	1,836	1,802
Gallons purchased	35,994	38,610	39,422	36,818	37,501

Source: Information downloaded from SAP and calculated based on payment date.

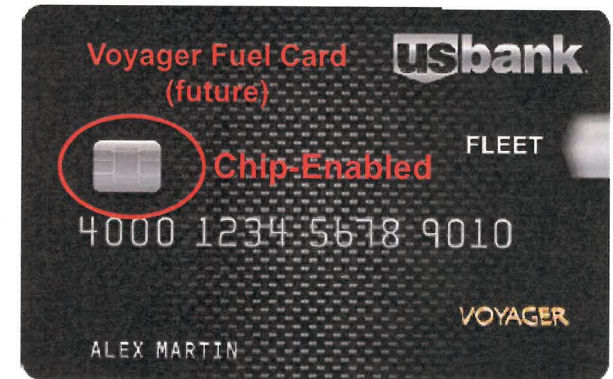
- Fueling Stations:

– Top 10 gas stations used to purchase fuel are located near an Agency facility: 9 within the service area, while 1 is outside the boundary lines. (See Page 8 in the report for the map)

- Rebates (Cash Back): **No incentives are received.**

- Controls in place:

– Purchase restrictions (**fuel only**), odometer reading collected (if applicable)



Observations and Recommendations

- **Goals and Objectives**: Develop and document goals and objectives, and establish Key Performance Indicators/other metrics for the Agency's Fleet Program (including fuel, vehicle and maintenance costs).
- **Data Analysis**: Consider using tools and reports available through US Bank to obtain information/reports that would be valuable to Operations management. Also, perform analysis to ensure fuel purchases are adequate and minimize any risk of misuse.
- **Fuel Card Administrator**: Enhance the role to provide card oversight and analysis.
- **Voyager Fuel Cards with no activity (for extended period of time)**: Review to determine if the card is needed, or consider closing/canceling the cards.
- **Cardholder Agreements**: Periodic review should be performed to ensure a signed agreement is on file with the Human Resources Department.
- **Agency Policy/Standard Operating Procedure**: Currently under review.



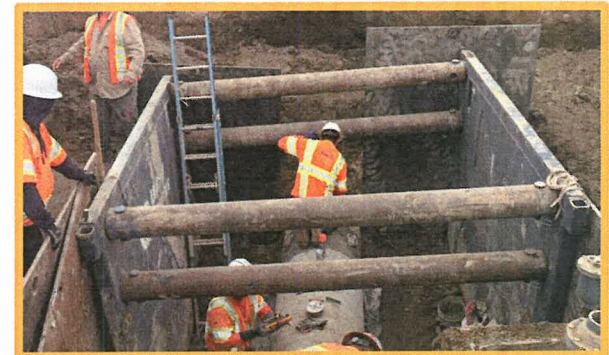
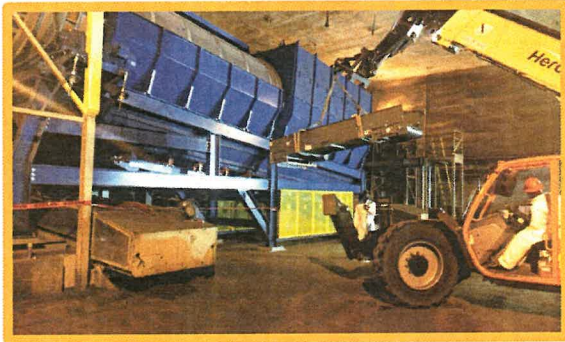
Questions & Discussion

The Voyager Fuel Card Audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing an independent evaluation of the Voyager Fuel Card program, suggesting recommendations for improvements, monitoring the internal control environment of the Agency, and assisting Agency management in achieving organizational goals and objectives.

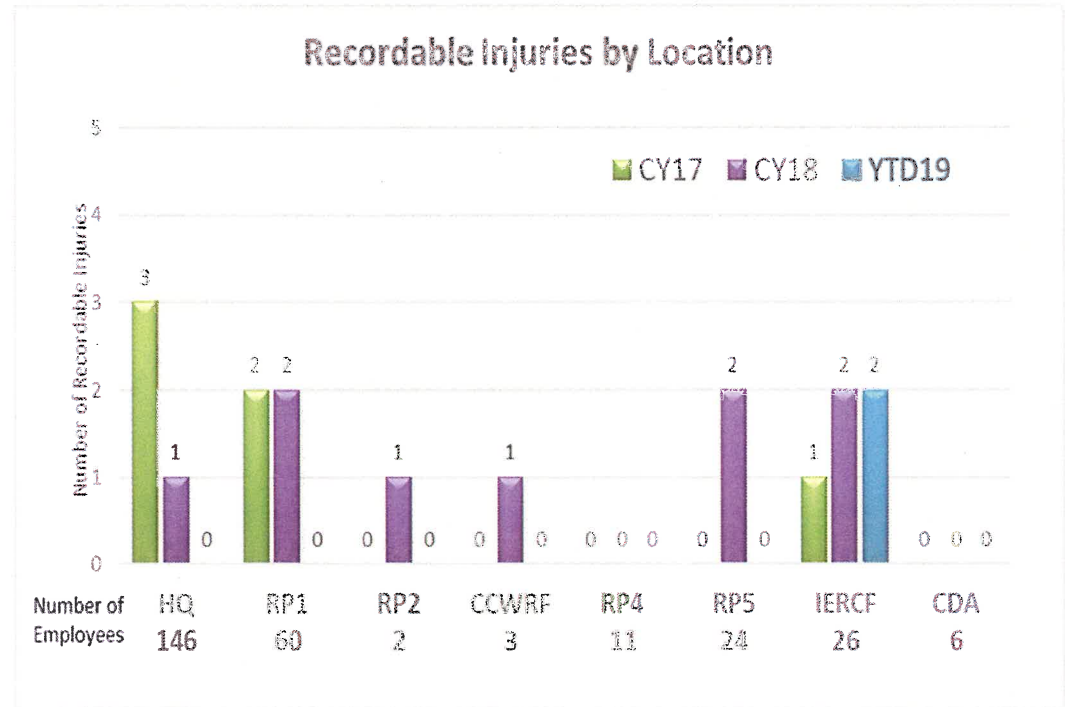
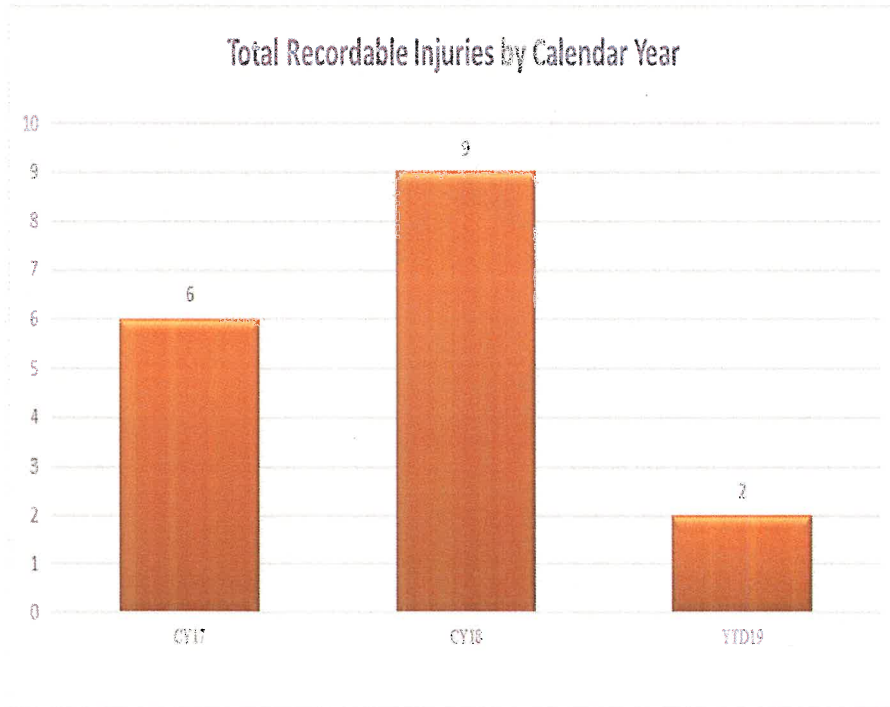
INFORMATION
ITEM

4T

Operations Division Semi-Annual Update

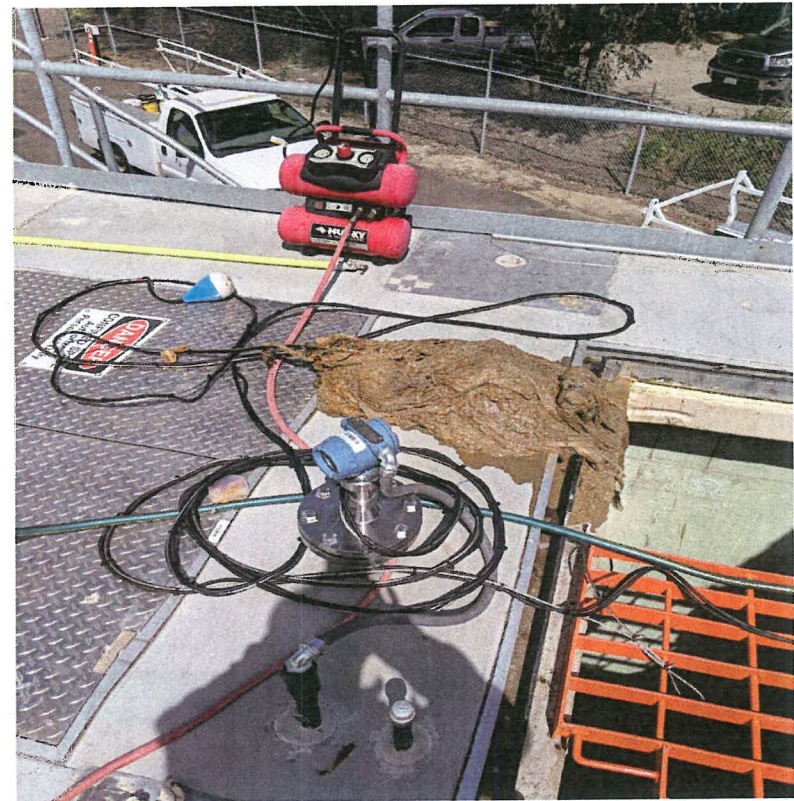


Total Recordable Injuries by Calendar Year



Permit Compliance

- National Pollutant Discharge Elimination System (NPDES)
- Southern California Air Quality Management District (AQMD)
 - RP-1 Flare
- Sanitary Sewer System
 - Preserve Lift Station



Emergency Responses



4/27/2019

- 40 year old 30” TP-1 outfall in the City of Chino
- The leak was caused by a damaged gasket at one of the pipe joints
- All of the flow was contained in an adjacent basin
- Repaired and placed back into service on 4/29/2019



5/9/2019

- 30” Bickmore Avenue pipeline in the City of Chino
- The leak was caused by a damaged saddle on a service lateral
- All of the flow was contained on site
- Repaired and placed back into service on 5/10/2019

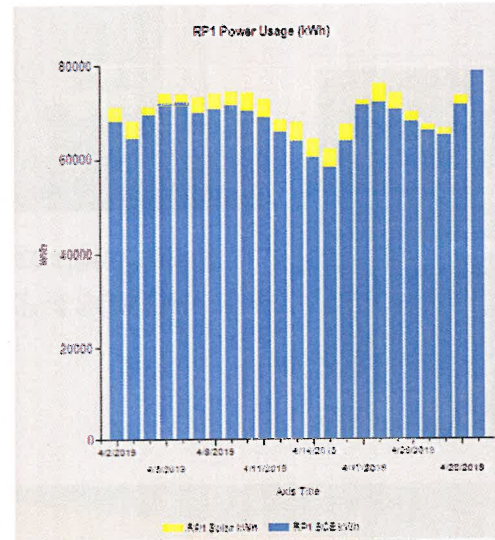
RP4/IERCF Energy Project ISS Energy Reports

- Producing full power
- 1.5 MW of Batteries at RP4
- 1.5 MW of Solar at IERCF
- Guaranteed Annual Savings: \$87,500
- Solar production: 189,277 kWh



Energy - RP1

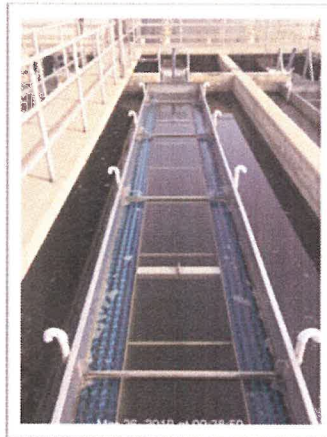
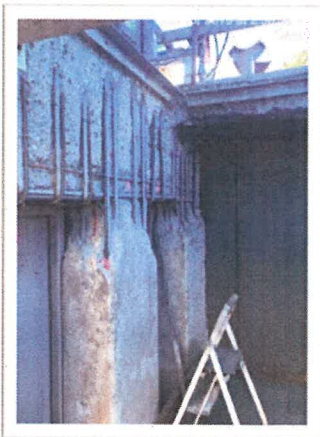
April 2019



Source	Usage	Day	Consumed / Produced (kWh)	Day	Consumed / Produced (kW)
SCE	High	4/23/2019	76,624	4/4/2019 6:45 AM	3,788
	Low	4/14/2019	58,239	4/1/2019 11:59 PM	2,981
	Avg		66,356		2,874
Solar	High	4/10/2019	3,962	4/4/2019 11:30 AM	429
	Low	4/16/2019	847	4/1/2019 11:59 PM	0
	Avg		2,815		151
Combined (SCE+Solar)	High	4/17/2019	75,980	4/4/2019	4,217
	Low	4/14/2019	62,067	4/2/2019	0
	Avg		70,704		3,001
Monthly Totals	SCE (kWh)		1,572,181	Solar (kWh)	61,929

Recently Completed Projects

Headworks &
Primary Upgrades



Trident Filter Rehab
Project

RP-4 SCADA
Migration Project



IERCF Compost
Screening Replacement

[Trommel Screen Video](#)

CDA Winter
Maintenance
Shutdown



Integrated Systems Services (ISS) Cybersecurity

NEWS

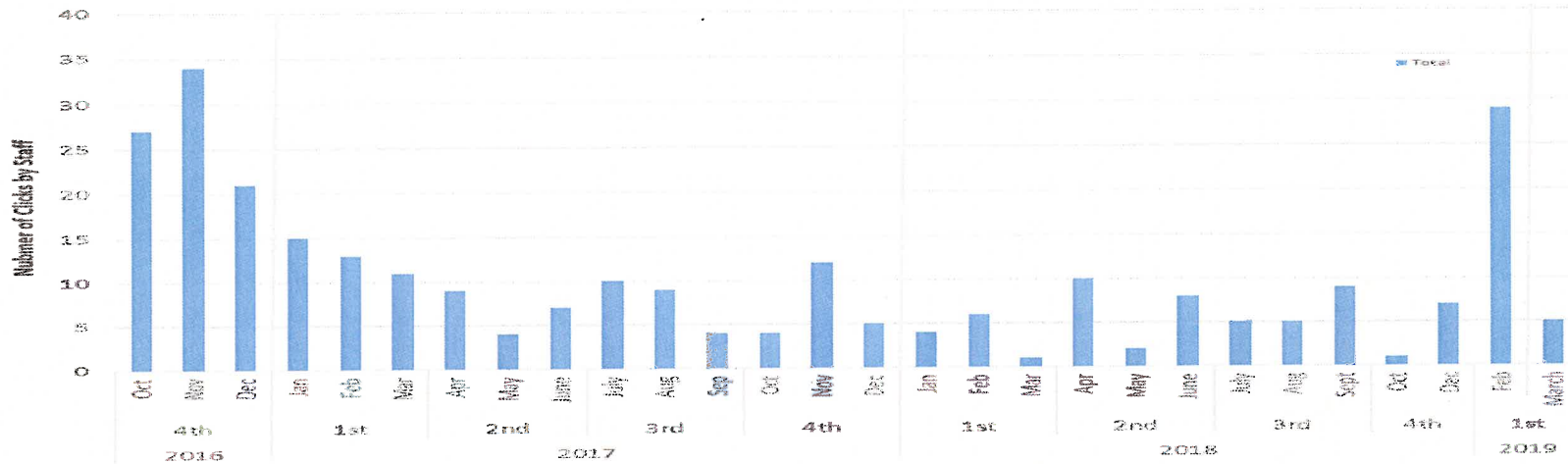
Personal data for 1,000 pensioners accessed from OC Sanitation District

District officials said they are 'working with the parties involved to fully understand the situation and the data breach'

By **TONY SAAVEDRA** | tsaavedra@scng.com and **TERI SFORZA** | tsforza@scng.com | Orange County Register

PUBLISHED: March 11, 2019 at 6:33 pm | UPDATED: March 11, 2019 at 8:12 pm

IEUA Phishing Report



**AGENCY
REPRESENTATIVES'
REPORTS**

5A



**At its meeting on
June 4, 2019
the Commission of the Santa Ana Watershed Project Authority**

- Received a presentation on services provided by Babcock Laboratories.
- Received a presentation on Metropolitan Water District's cloud seeding program.
- Authorized an MOU between SAWPA and Western Municipal Water District regarding restoration and improvement of the SAWPA parking lot.
- Approved the funding allocation and projects portfolio recommended by the OWOW Steering Committee for the Proposition 1 Round 1 Integrated Regional Water Management Grant.
- Received a report on the 2016 Strategic Plan and directed the General Manager to develop an approach to updating it.
- Authorized release of a request for qualifications for legal services.



PLEASE NOTE: This summary may not include all agenda items and should not be construed as official minutes. Any questions please call or email Kelly Berry at 951.354.4230 – kberry@sawpa.org

**AGENCY
REPRESENTATIVES'
REPORTS**

5B



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

REVISION NO. 1

Regular Board Meeting

June 11, 2019

12:00 p.m. – Boardroom

Tuesday, June 11, 2019		
Meeting Schedule		
9:00 AM	L&C	Rm. 2-145
10:30 AM	C&LR	Rm. 2-456
12:00 PM	Board Mtg	Boardroom

MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Raymond Jay, Senior Resource Specialist, Water Resource Management Group
- (b) Pledge of Allegiance: Director Glen Dake, City of Los Angeles

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 Meeting for May 14, 2019
(A copy has been mailed to each Director)
Any additions, corrections, or omissions
- B. Presentation of Commendatory Resolution for Director Yasdan T. Emrani representing the City of San Fernando
- C. Report on Directors' events attended at Metropolitan expense for month of May
- D. Approve committee assignments
- E. Chairwoman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of activities for the month of May
- B. General Counsel's summary of activities for the month of May
- C. General Auditor's summary of activities for the month of May
- D. Interim Ethics Officer's summary of activities for the month of May

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1 Approve up to \$1.26 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I)

- 7-2 Adopt resolution for Calleguas Annexation No. 103 to Calleguas Municipal Water District and Metropolitan; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I)

- 7-3 Adopt CEQA determination that the proposed action was previously addressed in the certified Environmental Impact Report and related CEQA actions, and authorize: (1) an agreement with the Tides Center in an amount not-to-exceed \$550,000; and (2) an agreement with Dudek in an amount not-to-exceed \$275,000. (E&O)

- 7-4 Express support of the California Resilience Challenge and approve a financial sponsorship of \$200,000 to establish The Metropolitan Water District of Southern California as a Resilience Leader and Steering Committee member; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA. (WP&S)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

- 8-1 Approve Metropolitan's Statement of Investment Policy for fiscal year 2019/20, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2019/20, and adopt a resolution authorizing investment of monies in the California State Treasurer's Local Agency Investment Fund; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA. (F&I)
- 8-2 Authorize payment of up to \$696,000 for support of the Colorado River Board and Colorado River Authority for fiscal year 2019/20; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (WP&S) **(Two-thirds vote required)**
- 8-3 Express opposition, unless amended, to SB 1 (Atkins, D-San Diego; Portantino, D-La Canada Flintridge; and Stern, D-Agoura Hills): California Environmental, Public Health, and Workers Defense Act of 2019; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (C&L)
- Revised 8-4 Express support, ~~if amended,~~ and seek amendments to SB 45 (Allen, D-Santa Monica): Wildfire, Drought, and Flood Protection Bond Act of 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (C&L)

9. BOARD INFORMATION ITEMS

- 9-1 Update on Conservation Program
- 9-2 Information on proposed amendments to the Administrative Code regarding deliveries of member agency water supplies in Metropolitan's system in an emergency. (E&O)

10. OTHER MATTERS

10-1 Department Head Performance Evaluations Process Update

10-2 Ethics Officer Interviews and Authority to Hire
[Evaluation of the candidates for the position of Ethics Officer may be heard in closed session pursuant to Gov. Code § 54957]

11. FOLLOW-UP ITEMS

12. FUTURE AGENDA ITEMS

13. 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**

5C



Regional Sewerage Program Policy Committee Meeting

AGENDA

Thursday, June 6, 2019

4:00 p.m.

Location

Inland Empire Utilities Agency
Boardroom
6075 Kimball Avenue
Chino, CA 91708

Call to Order and Roll Call

Pledge of Allegiance

Public Comment

Changes/Additions/Deletions to the Agenda

- 1. Technical Committee Report (*Oral*)**
- 2. Action Items**
 - A. Meeting Minutes for May 2, 2019
 - B. Mechanical Restoration and Upgrades Construction Contract Award
 - C. Biennial Regional Programs Budget and TYCIP
- 3. Informational Items**
 - A. Operations Division Update
 - B. Legislative Update
- 4. Receive and File**
 - A. Building Activity Report
 - B. Recycled Water Distribution – Operations Summary
 - C. IEUA Rate Study Workshop #2
- 5. Other Business**
 - A. IEUA General Manager's Update
 - B. Committee Member Requested Agenda Items for Next Meeting
 - C. Committee Member Comments
 - D. Next Meeting – August 1, 2019

6. Adjournment

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 and posted in the foyer at the Agency's main office at 6075 Kimball Avenue, Building A, Chino, CA, on Thursday, May 30, 2019.



Laura Mantilla

**AGENCY
REPRESENTATIVES'
REPORTS**

5D

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – May 23, 2019

WITH

Mr. Jeff Pierson – Chair

Mr. Darron Poulsen – Vice-Chair

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

Approve as presented:

1. Minutes of the Watermaster Board Meeting held April 25, 2019

B. FINANCIAL REPORTS

Receive and file as presented:

1. Cash Disbursements for the month of March 2019
2. Watermaster VISA Check Detail for the month of March 2019
3. Combining Schedule for the Period July 1, 2018 through March 31, 2019
4. Treasurer's Report of Financial Affairs for the Period March 1, 2019 through March 31, 2019
5. Budget vs. Actual Report for the Period July 1, 2018 through March 31, 2019

C. WATER TRANSACTIONS

Approve the proposed transaction:

The purchase of 3,800.000 acre-feet of water from the City of Pomona by Cucamonga Valley Water District. This purchase is made from the City of Pomona's Excess Carryover Account. Date of application: March 25, 2019.

II. BUSINESS ITEMS

A. WATERMASTER FISCAL YEAR 2019/20 PROPOSED BUDGET

Adopt the proposed FY 2019/20 budget as presented.

B. WILDERMUTH ENVIRONMENTAL, INC. CONTRACT

Approve the proposed contract and authorize the General Manager to execute on behalf of Watermaster subject to any necessary non-substantive changes.

III. REPORTS/UPDATES

A. LEGAL COUNSEL REPORT

- 1. Watermaster Rules and Regulations Update Process
- 2. June 7, 2019 Hearing

B. ENGINEER REPORT

- 1. Pomona Extensometer Update
- 2. Prado Basin Habitat Sustainability Committee Annual Report
- 3. State of the Basin – Presentation on Water Levels and Storage

C. CFO REPORT

- 1. Exhibit “G” Water Payments

D. GM REPORT

- 1. OBMP Update Status
- 2. Prior Assessment Package True-Up Process
- 3. Ely 3 Basin
- 4. Water Quality Colloquium
- 5. ACWA Excellence in Water Leadership Award
- 6. RMPU Funding Update
- 7. Storage Management Plan
- 8. Other

IV. INFORMATION

- 1. Cash Disbursements for April 2019

V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster Board meeting for the purpose of discussion and possible action.

- 1. General Manager Performance Evaluation

VIII. FUTURE MEETINGS AT WATERMASTER

5/23/19	Thu	11:00 a.m.	Watermaster Board
6/04/19	Tue	9:30 a.m.	Rules and Regulations Update – Workshop #1
6/11/19	Tue	9:30 a.m.	Rules and Regulations Update – Workshop #2
6/13/19	Thu	9:00 a.m.	Appropriative Pool
6/13/19	Thu	11:00 a.m.	Non-Agricultural Pool
6/13/19	Thu	1:30 p.m.	Agricultural Pool
6/20/19	Thu	8:00 a.m.	Appropriative Pool Strategic Planning (Confidential Session Only)
6/20/19	Thu	9:00 a.m.	Advisory Committee
6/20/19	Thu	9:30 a.m.	Storage Management Plan – Workshop #1
6/27/19	Thu	11:00 a.m.	Watermaster Board

ADJOURNMENT

**AGENCY
REPRESENTATIVES'
REPORTS**

5E

**SPECIAL BOARD MEETING OF
THE BOARD OF DIRECTORS
CHINO BASIN DESALTER AUTHORITY**

**May 2, 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 APRIL 4, 2019 SPECIAL BOARD MEETING**
- 2. CHINO I DESALTER ION EXCHANGE VESSEL REHABILITATION**
Report by: CDA General Manager/CEO O'Neill

Staff Recommendation:

1. Award a contract in the not to exceed amount of \$415,000 to Innovative Construction Solutions for the rehabilitation of three Ion Exchange Nitrogen Reducing Vessels located at the Chino I Desalter.
2. Approve Capital Budget amendment to reallocate FY2018/19 Capital Funds from Chino I Fern Avenue Gate (\$200,000) and the Chino I Chemical Room Upgrade (\$256,500) projects.
3. Authorize the General Manager/CEO to execute the contract and approve authorized expenditures up to a not-to-exceed total of \$456,500.00.

3. RECONCILIATION OF THE ALLOCATION OF COSTS FOR FISCAL YEAR 2017/18 AND RELATED RESERVE BALANCE ANALYSIS

Report by: CDA Principal Accountant Garcia

Staff Recommendation:

1. Approve the reconciliation of the allocation of costs for fiscal year 2017/18 per the attached Exhibit A;
2. Approve the analysis of reserve balance at June 30, 2018 per the attached Exhibit B

4. PART-TIME FINANCE AND ACCOUNTING TECHNICIAN POSITION

Report by: CDA Treasurer Chung

Staff Recommendation:

1. Approve the change of the limited term part-time Finance and Accounting Technician position to a regular part-time position.

5. SOUTH ARCHIBALD PLUME PROJECT: AMENDMENT NO. 2 TO HAZEN AND SAWYER'S AGREEMENT FOR PROGRAM MANAGEMENT SERVICES

Report by: Cindy Miller, South Archibald Plume Program Manager

Staff Recommendation:

1. Approve an amendment to the professional services agreement with Hazen and Sawyer for program management services in the not-to-exceed amount of \$414,232; and
2. Authorize the General Manager/CEO to finalize and execute the amendment, with subsequent authorizations up to a not-to-exceed total of \$812,000.

STAFF COMMENTS

- i. Deputy CDA General Counsel, Allison Burns
- ii. CDA CFO/Treasurer, Michael Chung
- iii. 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).

6. **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
7. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:
CONSIDERATION OF INITIATION OF LITIGATION PURSUANT TO
GOVERNMENT CODE SECTION 54956.9(D)(4)
(TWO POTENTIAL CASES)**
8. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:
SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT
CODE SECTION 54956.9(D)(2)
(ONE POTENTIAL CASE)**

DIRECTOR COMMENTS

ADJOURNMENT – To the Special Meeting on June 6, 2019

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, April 29, 2019.



Casey Costa, Executive Assistant

**GENERAL
MANAGER'S
REPORT**

Date: June 19, 2019

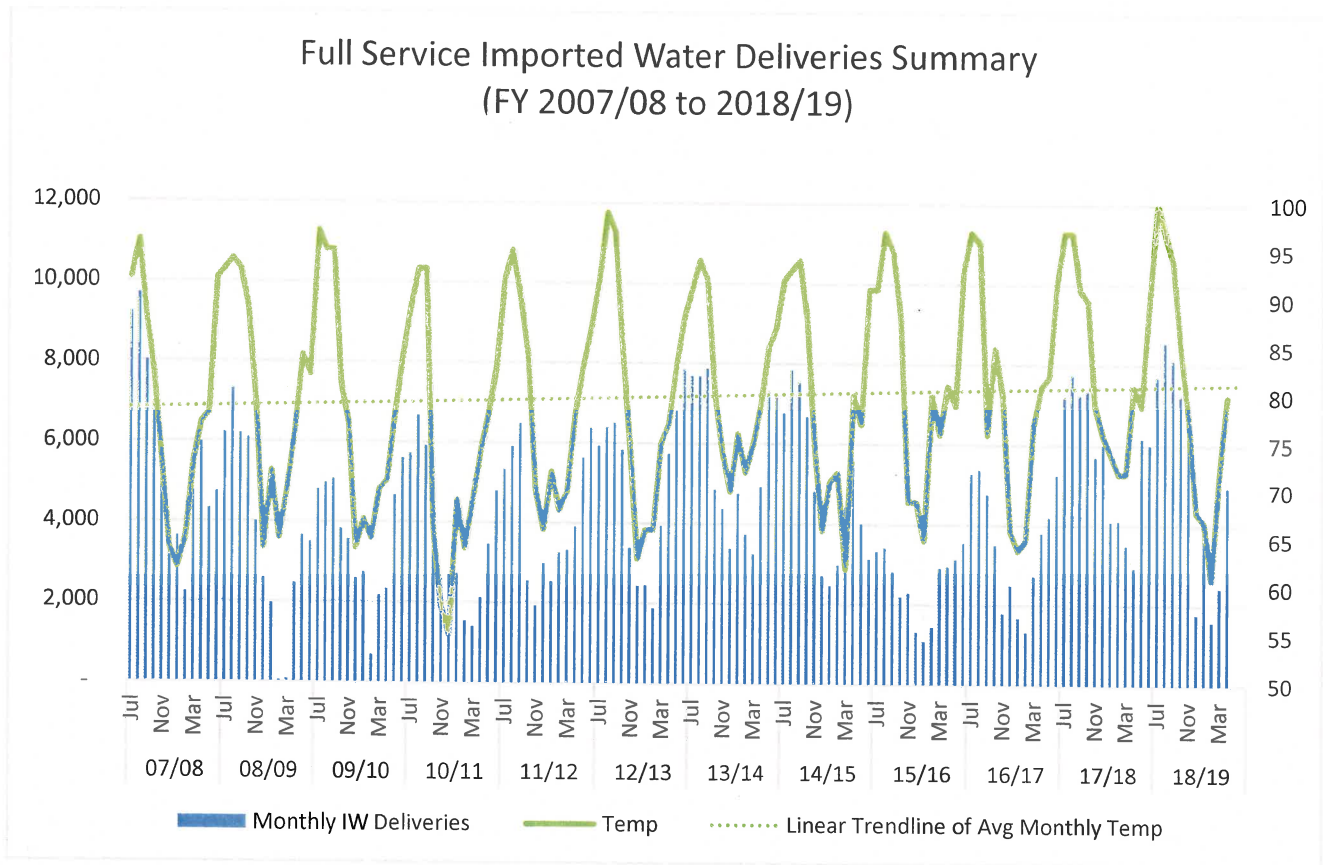
To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager *ADD*

Subject: General Manager's Report Regarding Agency Activities

PLANNING & ENVIRONMENTAL RESOURCES

A. Imported Water



B. Reclamation System

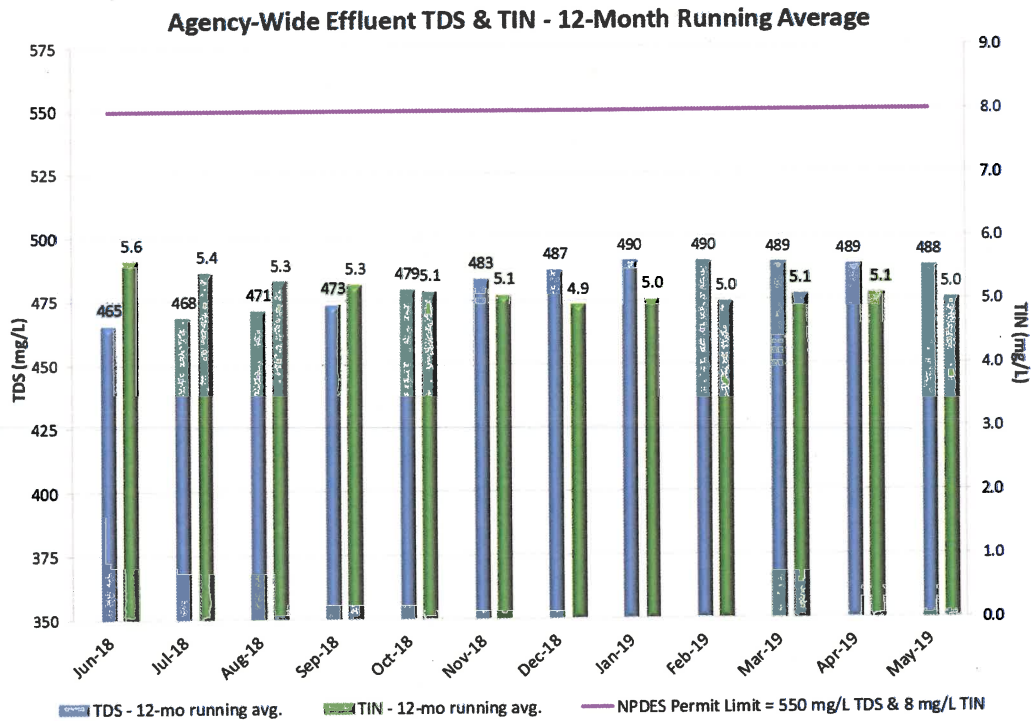
Regional Plants 1, 4, 5 and Carbon Canyon Water Recycling Facility met all the NPDES requirements and effluent/recycled water limitations during the month of May 2019.

1. The Agency-wide average sewer influent flow for the month of May 2019 was 48.0 million gallons per day (mgd) (preliminary value), which is a 0.2 mgd increase from the April 2019 total influent flow.

IEUA Regional Influent Flows

INFLUENT FLOW	RP-1	RP-4	RP-5	CCWRF	ALL FACILITIES
Daily Average (mgd)	22.5	8.9	8.4	8.3	48.2
Monthly Total (million gal.)	676	268	251	250	1445

1. The discharge permit effluent limit for total dissolved solids (TDS) is 550 mg/L. The 12-month running average TDS value for May 2019 was 488 mg/L (preliminary value).
2. The discharge permit effluent limit for total inorganic nitrogen (TIN) is 8 mg/L. The 12-month running average TIN value for May 2019 was 5.0 mg/L (preliminary value).



On May 21, 2019, a Category 3 sanitary sewer overflow (SSO) occurred at a manhole located adjacent to the El Prado Golf Course. The spill did not exceed 1,000 gallons and did not reach waters of the State. The Category 3 SSO report will be submitted within 30 days of the incident as required.

Air Quality

There were no reportable incidents relating to air quality compliance during the month of May 2019. 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 May averaged approximately 96% of permitted capacity at an average of 438 tons per day of biosolids and 112 tons per day of amendments (based on the 31-day month-to-date). Biosolids volumes are slightly ahead of targets 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	6,142.67	29,816.93
Inland Empire Utilities Agency	6,489.56	28,887.27
Orange County Sanitation District	950.71	4,898.90
TOTAL	13,582.94	63,603.10

C. Compost Sales

Sales volumes were slightly lower from of last year due to increased rainfall. Inventory is currently at 5,100 cubic yards. Inventory is projected to be depleted over the next two months from pending orders and the start of the landscape market demand. Sales are projected to outpace production through the spring/summer to meet the demands of the landscape markets.

D. Monthly Sales Summary

CUBIC YARD	\$/CUBIC YARD	TOTAL REVENUE
15,485.75	\$2.15	\$33,345.01

E. Fiscal Year-To-Date Sales Summary

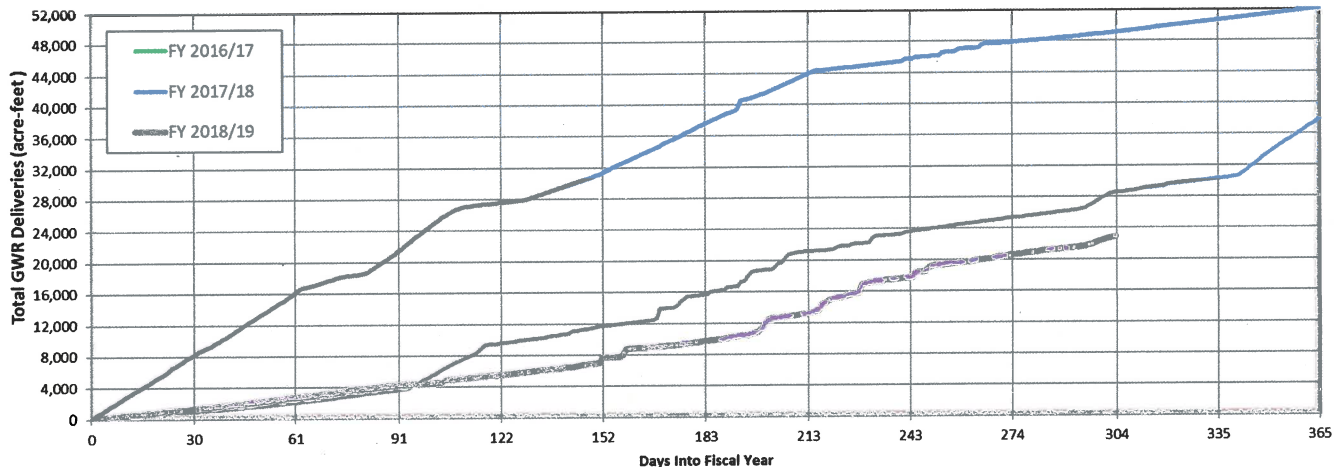
MONTH	TOTAL YARDS 2018/2019	TOTAL YARDS 2017/2018	TOTAL REVENUE 2018/2019	TOTAL REVENUE 2017/2018
July	14,910.11	21,518.61	\$24,972.01	\$31,737.00
August	15,194.50	19,226.62	\$28,866.84	\$37,071.78
September	17,728.97	16,170.64	\$24,979.50	\$35,038.33
October	19,523.68	25,631.94	\$28,489.44	\$34,569.24
November	22,037.03	24,481.44	\$28,310.45	\$30,053.63
December	17,885.11	16,420.31	\$21,300.70	\$30,053.63
January	18,469.01	18,881.17	\$16,332.32	\$31,911.26
February	14,605.08	17,041.52	\$16,386.55	\$30,291.21
March	13,938.50	18,773.56	\$24,669.74	\$27,869.46
April	15,100.65	16,738.65	\$28,272.72	\$35,643.29
May	15,485.75	18,089.26	\$33,345.01	\$37,370.59
June				
TOTAL	184,878.39	212,973.72	\$275,925.28	\$361,609.42
AVERAGE	16,807.13	19,361.25	\$25,084.12	\$32,873.58

RECYCLED WATER

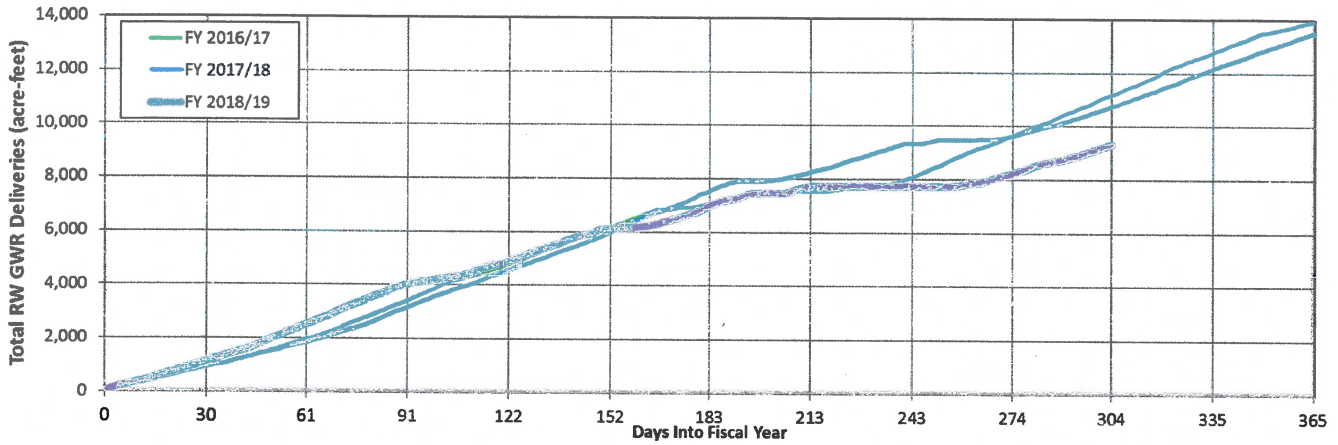
A. Groundwater Recharge – May 2019

During May 2019, recycled water recharge totaled 966 acre-feet. There were four measurable rain events that lead to stormwater captures. Dry weather flow and stormwater recharge was approximately 820 acre-feet. Approximately 470 acre-feet of imported water was recharged in the Chino basin for storage by San Antonio Water Company. There was no imported water from MWD. For supplemental water deliveries (imported and recycled), Chino Basin Watermaster will remove 4.2% for April evaporation losses. Considering evaporation, total recharge for the month was approximately 2,196 acre-feet.

Total Groundwater Recharge – through May 2019

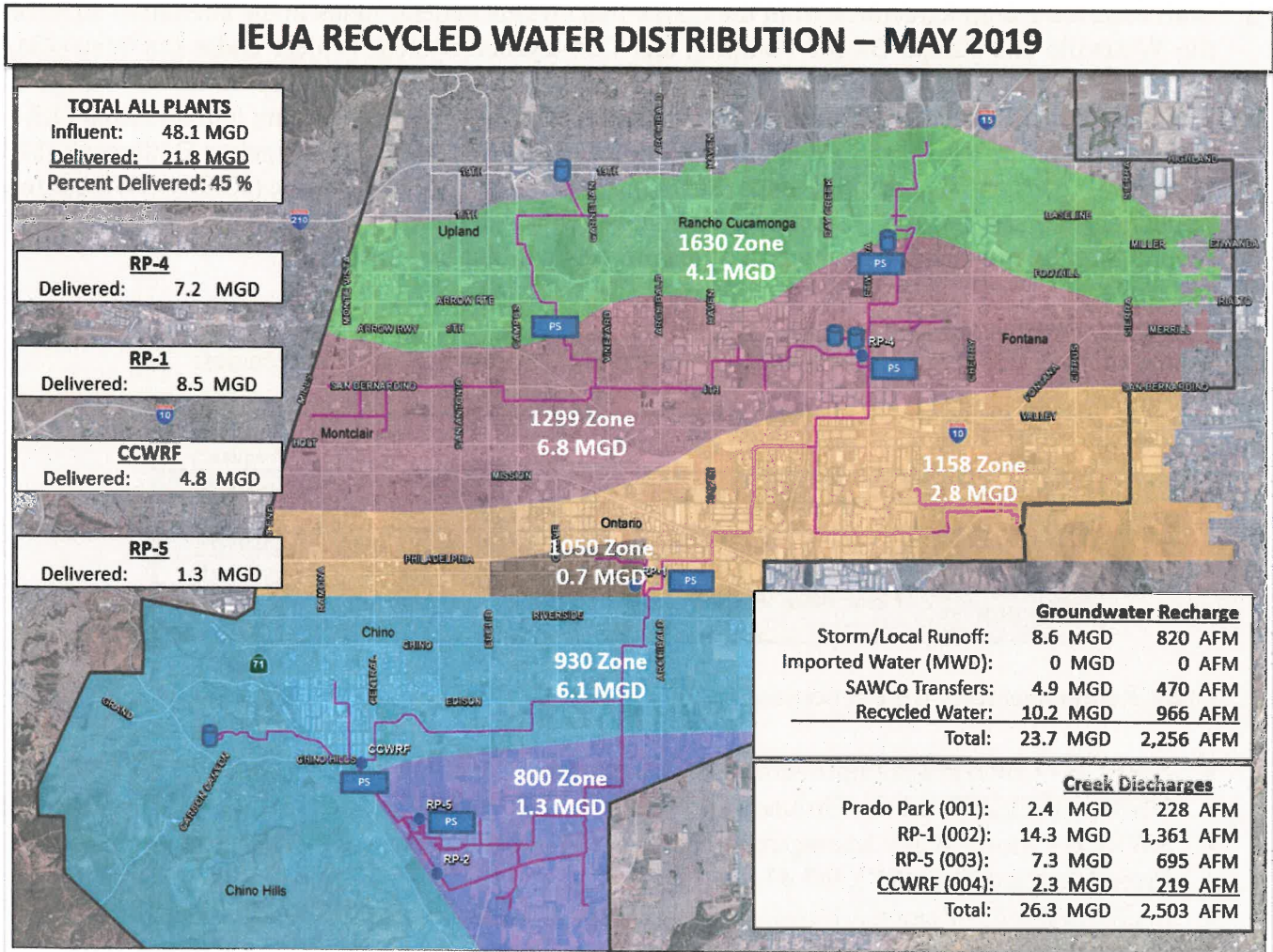


Recycled Water Delivered to Groundwater Recharge – through May 2019



B. Recycled Water Distribution – May 2019

During May 2019, 45% (21.8 MGD) of IEUA recycled water supply (48.1 MGD) was delivered into the distribution system for direct use customers (11.6 MGD) and groundwater recharge (10.2 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 26.3 MGD.



GRANTS UPDATE

A. Grant/Loan Applications Submitted:

1. None.

B. Grant/Loan Applications in Process:

1. EPA WIFIA Loan application for the RP-5 Expansion Project (\$138 million).
2. On May 23, the One Water One Watershed (OWOW) Steering Committee approved SAWPA's determination to award \$2.6 million in Prop 1 Integrated Regional Water Management (IRWM) grant funding for the IEUA-JCSD RW Intertie Project. The proposed award amount is also subject to approval by the SAWPA commission on June 4. Once the award has been approved, SAWPA will prepare an application to the Department of Water Resources (DWR) with information on all of the projects within the watershed that were selected for funding. The application is expected to be completed near the end of 2019.

C. Grant/Loan Agreement Negotiation:

1. The USBR anticipates awarding Federal funds in the amount of \$400,000 for the Chino Basin Water Bank Strategic Plan under the WaterSMART: Water Marketing Strategy Grants Program. Grants staff has provided requested information from USBR to facilitate agreement distribution and is awaiting a response to move toward a draft agreement.
2. Staff received a draft agreement from the USBR that awards Federal funds in the amount of \$750,000 for the Wineville and Jurupa Basins Pumping and Conveyance System Project under the WaterSMART: Drought Resiliency Project Grants Program. The agreement is under IEUA's review.
3. The State Water Resources Control Board (SWRCB) is in the process of issuing four additional SRF loan agreements for the RP-1 1158 Zone Pump Station Upgrade (\$6.7M), RP-5 Pipeline Bottleneck (\$2.8M), Baseline Expansion/Village of Heritage (\$6.9M), and IEUA-JCSD RW Intertie (\$33M). SWRCB recently implemented a new fiscal management software which has delayed the execution of these agreements by several months. However, construction of the projects will not be impacted.

D. Grant Reimbursements Processed and Reporting Activities:

1. Reports for the following projects were submitted to the following funding agencies:

Funding Agency	Project	Reporting Frequency
SAWPA	San Sevaine – Prop 84 IRWM Grant	Quarterly
SAWPA	Lower Day – Prop 84 IRWM Grant	Quarterly
SAWPA	Regional Residential Landscape Retrofit Project	Quarterly
SWRCB	Storm water: Wineville/RP-3/Jurupa Improvements	Quarterly
SWRCB	Chino Basin Improvement and Groundwater Clean-Up Project	Quarterly

2. Grant Reimbursements were processed for:

- SWRCB - Chino Basin Improvement & Groundwater Clean-Up Project Invoice #1 for **\$383,207.10**
- USBR – IEUA/CDA Joint Groundwater Wells & Raw Water Pipelines Invoice #16 for **\$71,003.00**
- SWRCB – Storm Water Management Facilities: Wineville, Jurupa, RP-3 Basin Improvements Project Invoice #3 for **\$12,462.43**
- SAWPA/DWR – Regional Residential Landscape Retrofit Invoice #18 for **\$6,083.19**

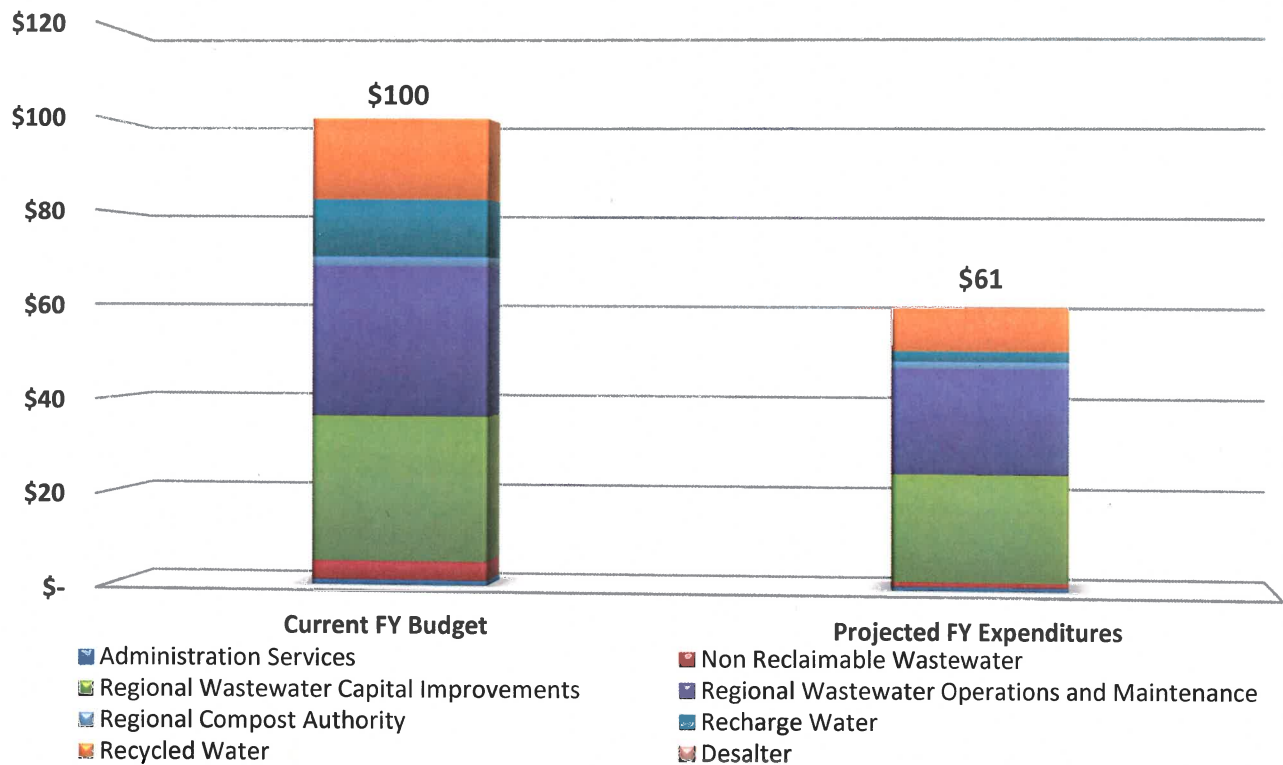
E. Other Department Activities:

1. Grants staff prepared and submitted all information needed to successfully comply with external auditors' requests as part of the annual Single Audit process.

ENGINEERING AND CONSTRUCTION MANAGEMENT DEPARTMENT

Engineering and Construction Management's current FY 2018/19 budget is \$100,299,947. As of May 31st, staff has projected to spend \$60,305,102 (~60%).

Engineering and Construction Management FY 2018/19 Budget Status Update



The accompanying attachments have detailed information for IEUA's capital improvement program.

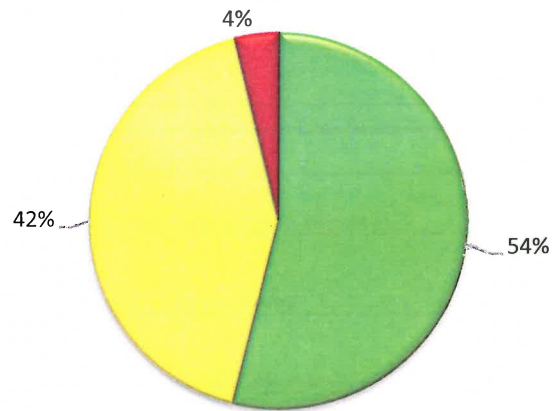
- Attachment A: Bid and Award Look Ahead Schedule
- Attachment B: Active Capital Improvement Project Status
- Attachment C: Emergency Projects

Attachment A
 Bid and Award Look Ahead Schedule

Bid and Award Look Ahead Schedule			
	Project Name	Projected Bid Opening Date	Projected Bid Award Date
	Jul-19		
1	EN15012.01 RP-1 Plant No. 2 Effluent Conveyance Improvements	9-May-19	17-Jul-19
	Aug-19		
2	EN17082.00 Mechanical Restoration and Upgrades	9-Jul-19	21-Aug-19
3	EN19027.00 NRW Pipeline Relining Along Cucamonga Creek	10-Jul-19	21-Aug-19
	Sep-19		
4	EN19041.00 San Bernardino Lift Station Facility Improvements	26-Jul-19	18-Sep-19
5	EN22002.00 NRW East End Flowmeter Replacement	7-Aug-19	18-Sep-19
	Oct-19		
6	EN19014.00 NRWS Manhole Upgrades	4-Sep-19	16-Oct-19
7	EN18006.00 RP-1 Flare Improvements	15-Aug-19	16-Oct-19
	Nov-19		
8	RW15003.03 Montclair Basin Improvements	9-Oct-19	20-Nov-19
9	RW15004.00 Lower Day Basin Improvements	9-Oct-19	20-Nov-19
10	EN17043.00 RP4 Primary Clarifier Rehab	19-Sep-19	20-Nov-19
11	EN17110.00 RP-4 Process Improvements	19-Sep-19	20-Nov-19
12	RW15003.06 Wineville/Jurupa/Force Main Improvements	14-Aug-19	20-Nov-19
	Dec-19		
13	EN17041.00 Orchard Recycled Water Turnout Improvements	23-Oct-19	18-Dec-19
	Jan-20		
14	EN23002.00 Philadelphia Lift Station Force Main Improvements	4-Dec-19	15-Jan-20
	Mar-20		
15	EN19006.00 RP-5 Biosolids Facility	5-Feb-20	18-Mar-20
16	EN19001.00 RP-5 Expansion to 30 mgd	5-Feb-20	18-Mar-20
17	EN17006.00 CCWRF Asset Management and Improvements	10-Jan-20	18-Mar-20
18	EN19025.00 Montclair and San Bernardino Force Main Cleanout Vaults	3-Feb-20	18-Mar-20

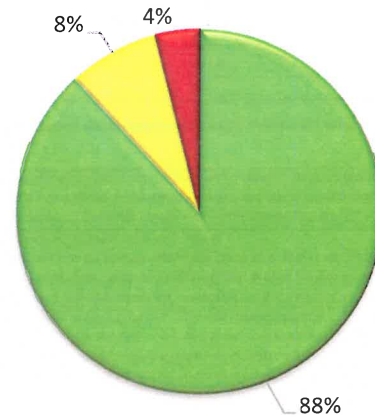
Attachment B
 Active Capital Improvement Project Status

Design Schedule Performance



■ On-Time ■ Recovery in Progress ■ Behind Schedule

Construction Schedule Performance



■ On-Time ■ Recovery in Progress ■ Behind Schedule

Agency-Wide							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
1	EN13016.05	SCADA Enterprise System - (Regional Water Recycling Plant No. 1) (Budget is in EN13016)	404,299	-	Recovery in Progress	Pre-Design	The project will be re-baselined when the consultant submits a revised project schedule.
2	EN13016.03	SCADA Enterprise System - (Regional Water Recycling Plant No. 4) (Budget is in EN13016)	2,918,900	-	On-Time	Construction	
3	EN17080	System Cathodic Protection Improvements	463,107	3,540,851	On-Time	Construction	
4	EN19032.01	Agency-Wide Railing and Threshold Improvements (Budget is in EN19032)	238,651	-	Behind Schedule	Construction	The railing manufacturer cannot produce railing in time to meet the schedule. There is no recovery.
5	EN13016.04	SCADA Enterprise System - (Regional Water Recycling Plant No. 5) (Budget is in EN13016)	4,251,873	-	On-Time	Project Acceptance	
6	EN18039	Agency-Wide Light Pole Replacements and Upgrades	337,070	342,210	On-Time	Project Acceptance	
Totals			8,613,900	3,883,061			

Carbon Canyon							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
		N/A	-	-			
Chino Desalter Authority (CDA)							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
7	EN16021	TCE Plume Cleanup	12,837,504	17,294,171	Recovery in Progress	Design	There are currently issues concerning property acquisition that will affect the project timeline. It is possible that time can be made up in either the design or construction phase.
Totals			12,837,504	17,294,171			
Collections							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
8	EN19014	NRWS Manhole Upgrade	6,769	200,000	Recovery in Progress	Project Evaluation	The project scope of work definition was delayed. The project will be re-baselined after construction award.
9	EN19041	San Bernardino Lift Station Facility Improvements	1,388	200,000	On Time	Design	
10	EN19027	NRW Pipeline Relining Along Cucamonga Creek	21,462	2,395,000	On Time	Design	
11	EN19025	Montclair and San Bernardino Force Main Cleanout Vaults	105,036	1,250,000	Recovery in Progress	Design	This project is being designed concurrently with EN23002 and is delayed due to the proposed pipeline alignment discussions with the City of Ontario which took longer than anticipated on EN23002. Recovery is not possible. The project will need to be re-baselined further in the construction phase to capture the delayed time in coordinating with the City of Ontario.
12	EN23002	Philadelphia Lift Station Force Main Improvements	318,201	6,000,000	Recovery in Progress	Design	This project is being designed concurrently with EN19025. The discussions and review of the proposed pipeline alignment with the City of Ontario took longer than anticipated. Recovery is not possible. The project will need to be re-baselined further in the construction phase to capture the delayed time in coordinating with the City of Ontario.
13	EN22002	Non-Reclaimable Wastewater East End Flowmeter Replacement	302,324	1,986,985	Recovery in Progress	Design	The location of the new meter vault was not decided until entering the project design. Coordination with Southern California Edison and Frontier for utility relocations was not planned in the original schedule. The project will be re-baselined once the construction contract is awarded.
14	EN19015	Collection System Upgrades 18/19	493,727	750,000	On Time	Construction	
Totals			1,248,908	12,781,985			

Groundwater Recharge							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
15	RW15003.03	Montclair Basin Improvements (Budget is in RW15003)	217,521	-	On-Time	Design	
16	RW15003.06	Wineville/Jurupa/Force Main Improvements (Budget is in RW15003)	1,016,104	-	Recovery in Progress	Design	Staff continues to address the remaining regulatory documents which is required to satisfy the Flood Control District's requirement for permitting. The Project Stakeholders will be informed of the delay.
17	RW15004	Lower Day Basin Improvements	533,233	4,008,000	On-Time	Design	
18	RW15003.05	RP-3 Basin Improvements (Budget is in RW15003)	375,905	-	On-Time	Construction	
19	RW19002	CBWM Pomona Extensometer Construction	1,056,993	1,463,581	On-Time	Construction	
Totals			9,218,516	11,931,582			
Headquarters							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
20	EN19038	HR Exit Door	21,478	75,000	On-Time	Construction	
21	EN19042	HQ-B 2in Potable Water Leak	16,412	30,000	On-Time	Construction	
22	EN15008	Water Quality Laboratory	22,878,016	23,745,000	On-Time	Project Acceptance	
23	EN19036	HQ Paving Safety Improvements	68,624	70,000	On-Time	Project Acceptance	
Totals			22,984,530	23,920,000			
IERCF							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
24	RA19002	IERCF Trommel Screen Improvements	1,289,128	1,600,000	On-Time	Design	
Totals			1,289,128	1,600,000			

Regional Water Recycling Plant No. 1 (RP-1)

No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
25	EN19043	RP-1 Centrifuge Foul Air Line	-	45,000	On-Time	Project Evaluation	
26	EN17044	RP-1 12 kV Switchgear and Generator Control Upgrades	819,497	5,870,248	On-Time	Design	
27	EN17082	Mechanical Restoration and Upgrades	759,860	7,945,844	Recovery in Progress	Design	The project will be re-baselined after the construction contract is awarded. Project is currently out to bid; bid opening is July 9th. The project is planned for construction award in August.
28	EN18006	RP-1 Flare Improvements	667,987	5,564,918	Recovery in Progress	Design	The flare pre-selection agreement is currently under negotiation with Aereon. Once the pre-selection agreement is finalized, design will continue at 85%. The project will be re-baselined after a construction contract is awarded.
29	EN24001	RP-1 Liquid Treatment Capacity Recovery	4,157,513	182,050,000	On-Time	Design	
30	EN24002	RP-1 Solids Treatment Expansion	1,218,880	48,050,000	On-Time	Design	
31	EN15012.01	RP-1 Plant No. 2 Effluent Conveyance Improvements (Budget is in EN15012)	238,059	-	On-Time	Bid and Award	
32	EN14019	RP-1 Headworks Primary and Secondary Upgrades	8,740,489	9,750,000	Recovery in Progress	Construction	Additional days were negotiated with the contractor as a non-compensable change order due to the procurement of the motor control center. The project has remained in budget and is set to complete in June 2019.
33	EN14042	1158 Recycled Water Pump Station Upgrades	1,891,036	7,900,000	Recovery in Progress	Construction	The project contains long lead items which has increased the original estimated construction duration. The contractor is currently demobilized until major equipment is delivered. The schedule will be re-baselined after review and acceptance of contractor non-compensable time extension based on current equipment lead time.
34	EN15012.00	RP-1 Primary Effluent Conveyance Improvements	5,787,582	-	On-Time	Project Acceptance	
35	EN17042	Digester 6 and 7 Roof Repairs	2,194,800	4,868,387	On-Time	Construction	
36	EN17045	RP-1 Filter Valve Replacement	81,419	890,000	On-Time	Construction	
37	EN18042	RP-1 Civil Restoration and Upgrades	222,399	810,000	On-Time	Construction	
38	EN19034	RP-1 Operations Building Paving Project	10,155	220,000	On-Time	Construction	
39	EN19037	RP-1 PRB and MCC Building Roof and Skylight Replacement	361,595	500,000	On-Time	Project Acceptance	
Totals			27,151,271	274,464,397			

Regional Water Recycling Plant No. 2 (RP-2)

No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	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 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
40	EN19010	RP-4 Influent Screen Replacement	34,014	3,040,000	Behind Schedule	Consultant Contract	The evaluation of the screening technology is taking longer than expected. This project will be included in the coarse screen equipment preselection which includes RP-5 and CCWRF which is in process. Recovery is not possible. The project will need to be re-baselined to capture the duration of the equipment pre-selection activity.
41	EN17043.00	RP4 Primary Clarifier Rehab	503,101	-	On-Time	Design	
42	EN17110.00	RP-4 Process Improvements	1,217,527	-	On-Time	Design	
43	EN19029	RP-4 Outfall Pipeline Air Relief/Blow-Off Replacements	198,003	945,000	On-Time	Construction	
44	EN17110.01	RP-4 Trident Filters Rehabilitation and Replacement (Budget is in EN17110)	4,749,542	-	On-Time	Project Acceptance	
Totals			6,702,187	3,985,000			

Regional Water Recycling Plant No. 5 (RP-5)							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
45	EN19001	RP-5 Expansion to 30 mgd	9,064,625	175,000,000	On-Time	Design	
46	EN19006	RP-5 Biosolids Facility	8,383,526	165,000,000	On-Time	Design	
47	EN14043	RP-5 Recycled Water Pipeline Bottleneck	832,220	3,137,169	On-Time	Construction	
Totals			18,280,371	343,137,169			
Recycled Water							
No.	Project ID	Project Title	Total Expenditures thru 5/31/2019 (\$)	Total Project Budget (\$)	Project Schedule Performance	Status	Schedule Recovery Plan
48	EN15002	1158 Reservoir Site Cleanup	47,941	1,215,000	Recovery in Progress	Project Evaluation	Awaiting direction from the Department of Toxicity and Substance Control (DTSC) regarding the required soil remediation. The project will be re-baselined once clean-up requirements are defined.
49	EN17041	Orchard Recycled Water Turnout Improvements	113,468	430,910	Recovery in Progress	Design	The Army Corps of Engineers (USACE) reviewed the plans and specifications and has requested a resubmittal. This will require re-design work to address all the USACE's comments and requests. The project schedule will be re-baselined once the project is awarded and the contractor's schedule is received.
50	WR15021	Napa Lateral	1,282,975	6,967,717	On-Time	Construction	
51	EN17049	Baseline RWPL Extension	591,357	6,702,000	On-Time	Construction	
Totals			2,035,741	15,315,627			
Overall Totals			110,362,056	708,312,992			

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 5/31/2019	Date of Award	Status	
Agency Wide									
1	EN19019.07	W.A. Rasic Construction	21" VCP Pipeline Break - Airport Sewer Repair	Agencywide	TO-0007	41,200	54,540	11/15/2018	Complete
2	EN19042.00	W.A. Rasic Construction	HQ-B 2in Potable Water Leak	Agencywide	TO-0010	10,000	16,412	2/27/2019	Complete
3	EN19019.12	W.A. Rasic Construction	El Prado Manhole Adjustment	Agencywide	TO-0012	35,000	27,339	3/17/2019	Active
RP-1									
4	EN19019.02	W.A. Rasic Construction	RP-1 6 Inch Potable Water Leak	RP-1	TO-0001	8,900	11,981	8/23/2018	Complete
5	EN19017.01	W.A. Rasic Construction	RP-1 Utility Water Leak	RP-1	TO-0002	3,757	2,831	9/12/2018	Complete
6	EN19019.09	W.A. Rasic Construction	RP-1 UW Leak	RP-1	TO-0008	8,988	26,131	12/6/2018	Complete
7	EN19019.10	W.A. Rasic Construction	RP-1 Digester Gas Leak Repair	RP-1	TO-0011	26,100	17,898	2/28/2019	Complete
8	EN19019.11	Ferreira Construction	TP-1 Bleach Distribution System Replacement	RP-1	TO-0006	120,000	9,849	3/20/2019	Complete
RP-2									
9	EN19019.01	Genesis	RP-2 Dewatering of Decommissioned Structures	RP-2	TO-0001	12,325	17,245	8/7/2018	Complete
10	EN19019.04	Ferreira Construction	RP-2 Dewatering of Decommissioned Structures	RP-2	TO-0001	31,535	49,524	8/30/2018	Complete
11	EN19019.05	Ferreira Construction	RP-2 Dewatering of Decommissioned Structures	RP-2	TO-0003	500,000	492,884	8/30/2018	Complete
12	EN19017.02	Ferreira Construction	RP-2 Utility Water Leak	RP-2	TO-0004	3,900	6,001	9/27/2018	Complete
13	EN19019.06	W.A. Rasic Construction	RP-2 Screw Conveyor Liner Replacement	RP-2	TO-0005	4,488	13,025	10/31/2018	Complete
RP-5									
14	EN19019.03	W.A. Rasic Construction	RP-5 6" Fire Water Leak	RP-5	TO-0002	7,400	10,474	8/31/2018	Complete
15	EN19017.08	T.E. Roberts	RP-5 RW 18-inch Line Repair	RP-5	TO-0001	35,000	0	5/28/2019	Active
GWR									
16	N/A	JCE Equipment Inc.,	Brooks Basin Infiltration Restoration	Brooks Basin Montclair	10300-161203-410000-521080	274,058	104,216	9/4/2018	Active
Recycled Water									
17	EN19017.03	W.A. Rasic Construction	RW Pipeline Leak on Pine Avenue	RW	TO-0003	34,600	49,104	10/5/2018	Complete
18	EN19017.04	Ferreira Construction	1630 East Pipeline Segment A Blow Off Leak	RW	TO-0005	28,879	24,707	10/24/2018	Complete
19	EN19017.05	W.A. Rasic Construction	RW Blow Off - Chino Ave. East of Ontario	RW	TO-0004	22,000	21,481	10/19/2018	Complete
20	EN19017.06	W.A. Rasic Construction	RW Pipeline Water Leak East Preserve Loop	RW	TO-0013	65,000	9,042	4/27/2019	Active
21	EN19017.07	W.A. Rasic Construction	RW Lateral Water Leak on Bickmore	RW	TO-0014	59,600	1,312	5/8/2019	Active
NRWS									
22	EN19019.08	W.A. Rasic Construction	CM-005 Manhole Frame/Cover Replacement	NRWS	TO-0006	20,000	11,522	11/15/2018	Complete
					Totals	1,352,730	977,518		

May 2019 Emergency Projects						
Contractor	Task Order Description	Details of the Circumstances/Cause of Emergency	Scope of Repair	Location	Date of Call Out	Not-to-Exceed /Estimate
W.A. Rasic Contracting	RW Lateral Repair on Bickmore	30" Recycled Water line has a leak at an 8" saddle tee connection that supplies recycled water to sod farm in City of Chino. 8" valve is also leaking	The 8" saddle was not able to be reused and one was not available. Contractor fabricated a 30" to 8" tee and bought a new 8" valve to restore water supply	RW	5/8/2019	59,600
T.E. Roberts	RP-5 18" RW Pipeline Repair	The 18" discharge line leaving RP-5 to the customers irrupted. Further investigation revealed joint failure was the cause of the failure.	Replace a section of 18' recycled water pipeline	RP-5	5/28/2019	35,000
					Total	94,600