

## **2015-102 AUDIT SCOPE AND OBJECTIVES**

### **Central Basin Municipal Water District**

The audit by the California State Auditor will provide independently developed and verified information related to the Central Basin Municipal Water District (Central Basin), and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Assess whether Central Basin has appropriate policies, processes, and oversight for various aspects of its operations. Specifically, perform the following covering the five-year period 2010 to 2015:
  - a. Assess whether Central Basin's board of directors (board of directors) has sufficient policies and practices to guide its spending decisions. In addition, determine whether the board of directors exercises sufficient oversight regarding expenditures.
  - b. Assess whether Central Basin has sufficient processes and controls to ensure expenditures and other financial activities are appropriate.
  - c. Review Central Basin's contracting procedures and determine whether they are consistent with applicable contracting requirements and with procedures used by other municipal water districts. From a selection of contracts, determine whether Central Basin complied with the applicable laws, policies, and regulations.
  - d. Assess whether Central Basin has adequate resources and policies to address personnel matters, including the conduct of its board members.
  - e. Assess whether Central Basin operates transparently, including complying with laws governing public meetings, public records, and fee-setting, and whether it publicly reports on all its spending.
3. Assess whether Central Basin's expenditures and revenues are reasonable. Specifically, perform the following covering the five year period 2010 to 2015:
  - a. To the extent possible, assess the reasons for any trends in revenues generated through customer rates during the past five years.
  - b. For major categories of expenditures, assess the reasons for any major trends, including those expenditure trends related to legal matters and those not directly related to Central Basin's primary mission.
  - c. For a sample of expenditures, determine whether they were legally allowable, reasonable, and consistent with the mission of the agency.

4. To the extent Central Basin has a strategic plan, determine the following:
  - a. Whether the strategic plan contains goals and objectives that support the mission of the organization.
  - b. How often Central Basin evaluates its success in achieving its goals and objectives, and updates the strategic plan to reflect changes, including changes in regulatory requirements, goals, and milestones.
5. Assess whether Central Basin has qualified staff to manage its operations. Specifically, perform the following:
  - a. To the extent possible, determine whether technical staff has sufficient qualifications and resources to adequately maintain its infrastructure over the long term.
  - b. To the extent possible, assess the qualifications and sufficiency of Central Basin's management staff responsible for essential operations.
  - c. Identify the total compensation of each member of the board of directors and top managers.
  - d. Determine whether the total compensation received by each of Central Basin's top managers is comparable to that received by top managers in similar public agencies or municipal water districts in the region.
6. Assess Central Basin's financial viability and control environment. Specifically, for the five-year period 2010 to 2015 determine the following:
  - a. Whether Central Basin retained a qualified, independent auditor for its annual financial audits and whether completed audits were publicly available.
  - b. What deficiencies were reported by its independent auditor and how Central Basin has addressed such deficiencies.
  - c. How often Central Basin changed auditors and the reasons for changing auditors.
  - d. Central Basin's debt ratio coverage for bond commitments and the reasons for any year in which the ratio fell below the generally accepted level.
  - e. To the extent possible, assess whether the five-year trends in revenues and expenditures indicate long-term financial viability.
7. Review and assess any other issues that are significant to Central Basin's operations and management.