THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Internal Audit Report for July 2021

Summary

One report was issued during the month:

    Accounting for and Billing of Reimbursable Projects

Discussion Section

This report highlights the significant activities of the Internal Audit Department during July 2021. In addition to presenting background information and the opinion expressed in the audit report, a discussion of findings noted during the examination is also provided.

Accounting for and Billing of Reimbursable Projects

The Audit Department has completed a review of the accounting and administrative controls over Accounting for and Billing of Reimbursable Projects as of June 1, 2021.

Scope

Our review evaluated the accounting and administrative controls over reimbursable project authorization, administration, billing, collection, closeout, and reporting. Our previous audit report, dated March 26, 2018, was issued with an opinion of "Less Than Satisfactory" and included recommendations to improve billing of reimbursable costs and for writing off uncollectable and unbillable charges.

Background

Metropolitan enters into contracts with outside parties to complete reimbursable projects on their behalf. Such projects involve research, design, fabrication, manufacturing, and construction. They include grants from government and non-profit agencies and work performed on behalf of member agencies. Examples include service connections, conservation programs, joint projects, research projects, cooperative agreements, and damages reimbursed by FEMA. Metropolitan accumulates and bills eligible costs. Metropolitan often requires advance deposits from the responsible parties before beginning work and, upon completion, refunds unused amounts.

A project manager oversees each reimbursable project to ensure the work is authorized and adequately performed. The project manager also monitors expenditures, cost transfers, change orders, invoicing, collection and ensures project closeout in Oracle.

The Project Control Team assigns each reimbursable project a number to facilitate cost tracking, deposits, invoicing, and collection in Oracle. Quarterly, the Controller's Office reviews reimbursable project balances. Project managers evaluate the need for write-offs and cost transfers.

As of June 1, 2021, the District had 162 active reimbursable projects with incurred costs of $2.3 million and deposits of $9.4 million.

Opinion

In our opinion, the accounting and administrative procedures over Accounting for and Billing of Reimbursable Projects include those practices usually necessary to provide for a satisfactory internal control structure. The degree of compliance with such policies and procedures provided effective control between April 1, 2018, and June 1, 2021.

Comments and Recommendations

None