



Internal Audit Report for May 2018

Summary

Two reports were issued during the month:

- 1. Palos Verdes Reservoir Cover and Liner Replacement Project**
- 2. Review of Social Media**

Discussion Section

This report highlights the significant activities of the Internal Audit Department during May 2018. 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.

Palos Verdes Reservoir Cover and Liner Replacement Project

Background

The Audit Department has completed a review of the accounting and administrative controls over the Palos Verdes Reservoir Cover and Liner Replacement Project (“Palos Verdes Reservoir Project”) as of January 31, 2018. Specifically, we reviewed Metropolitan’s agreements with Camp Dresser McKee Smith, Inc. (CDM) and Obrascón Huarte Lain USA (OHL).

Our review consisted of evaluating the internal controls over agreement administration and reporting practices. Specifically, we reviewed the vendor selection process, tested compliance with the terms and conditions of the agreements, and evaluated the validity and propriety of invoice payments for assurance that the amounts billed were properly calculated and adequately supported.

The Palos Verdes Reservoir is located in the city of Rolling Hills Estates. The reservoir was constructed in 1939 to provide operational storage and hydraulic flexibility within the Central Pool portion of Metropolitan’s distribution system. The reservoir has a storage capacity of 1,105 acre-feet (360 million gallons); it is approximately 1,000 feet wide, 1,500 feet long, and has a maximum depth of 60 feet. Member agencies that receive water from the reservoir include the cities of Compton, Torrance, Long Beach, and the Los Angeles Harbor area.

The Palos Verdes Reservoir was removed from service in 2011 because its synthetic rubber floating cover was damaged beyond repair. The cover is necessary to protect the reservoir’s water from contamination and to meet public health code. Additionally, the reservoir’s concrete lining had significant damage in several areas and needed repair before returning the reservoir to

operation. Finally, this reservoir needs to be in service in order to proceed with the planned rehabilitation of pre-stressed concrete cylinder pipe on the Second Lower Feeder.

On November 10, 2015 the Board awarded a \$29,560,000 contract to OHL to rehabilitate the Palos Verdes Reservoir. The scope of work includes demolishing the gunite lining; re-grading the clay lining; demolishing and modifying the spillway structure, control tower, inlet and outlet structures; installing a geomembrane liner on a composite drainage course, asphalt base, drainage rock, asphalt concrete lining, and geomembrane floating cover; modifying the existing 480-volt electrical service, sodium hypochlorite feed system, rainwater removal system and drainage piping; installing a precast concrete laboratory building; installing a valve and flowmeter; and other appurtenant work. Additionally, the Board awarded \$713,000 to Camp Dresser McKee Smith, Inc. (CDM) to provide technical support during rehabilitation. The agreement is effective from November 12, 2015 thru November 11, 2018.

Subsequently, on July 11, 2017, the Board authorized a change order not to exceed \$3,778,000 due to weather delays, water related impacts, and differing site conditions encountered by OHL. As of April 2018, Metropolitan paid \$22,455,933 to OHL and \$498,387 to CDM. However, we understand that additional claims may be forthcoming on these contracts. The project is scheduled for completion by September 2018.

Opinion

In our opinion, the accounting and administrative procedures over the Palos Verdes Reservoir Project 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 for the period November 1, 2015 through January 31, 2018.

Comments and Recommendations

None

Review of Metropolitan's Social Media

Background

The Audit Department has completed a review of the administrative controls over Metropolitan's Social Media as of February 28, 2018.

Our review consisted of evaluating the controls over content management, monitoring public feedback/comments, incident response planning, and access controls to social media accounts. We also reviewed retention and backup procedures.

The External Affairs Group is responsible for Metropolitan's communication, public outreach, education, legislative and innovation activities. Social media is one of the tools used to carry out

these activities. Social media refers to public, interactive internet platforms, applications or networks on which users share information, dialogue, ideas, data, experiences, opinions, research, and/or other content. Examples include Facebook, LinkedIn, YouTube, Twitter, and Instagram. The External Affairs Group is responsible for communicating through social media on behalf of Metropolitan.

The Media Services section of the External Affairs Group maintains seven social media accounts to communicate business strategies, plans and operational updates to the public. In addition, social media posts are designed in multiple languages to reach a diverse demographic. Items covered under social media posts include advertising for water conservation and rebate programs, engineering projects, water quality education, treatment plant facilities, landscape irrigation tips and other seasonal district activities and events. Postings also communicate the District's views on critical water issues, such as the recent California WaterFix. The seven social media accounts are listed below:

#	Social Media Account Type	Business Activity	Followers/subscribers as of April 13, 2018
1	Twitter	Metropolitan Water District	4,310
2	Twitter	bewaterwise.com	3,707
3	Twitter	Metropolitan Water District's 75 th Anniversary Activities	179
4	Facebook	Metropolitan Water District	26,890
5	Instagram	Metropolitan Water District	2,246
6	LinkedIn	Metropolitan Water District and Job Openings	6,850
7	YouTube	Videos linked to www.mwdh2o.com	290

Opinion

In our opinion, the administrative procedures over Metropolitan's Social Media include those practices usually necessary to provide for a generally satisfactory internal control structure. The degree of compliance with such policies and procedures provided effective control as of February 28, 2018.

Comments and Recommendations

SOCIAL MEDIA POLICIES AND PROCEDURES

Policies and procedures should be established and documented to provide a framework to accomplish organizational goals and objectives. Procedures provide guidance for consistent performance of daily operations, assist in the training of new employees, and provide a reference source for experienced personnel.

Our testing of social media policies and procedures revealed the following:

1. There are no written procedures for review and approval of social media content.
2. District social media content is not backed up. Further review revealed that procedures have not been developed to require backup processes.
3. Password management procedures for social media accounts, including subscribed content management services, were not in compliance with the End User Security Standards established by the Information Technology Group (ITG). Specifically, they did not address password length, construction, reuse or character restrictions.

Failure to establish written policies and procedures may result in inconsistent performance and unfulfilled goals and objectives. Failure to backup social media content may result in data that is unavailable when needed. Failure to follow End User Security Standards may result in weak security and/or unauthorized access.

We recommend that the External Affairs Group:

1. Document roles and responsibilities for the review and approval of social media content.
2. Establish written policies and procedures to back up social media content on Metropolitan servers.
3. Revise password management procedures to comply with End User Security Standards.