

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 24, 1993

To: Board of Directors (Organization and Personnel Committee--Action)
From: Auditor
Subject: Authority to Contract for Services

Report

At yesterday's meeting of the Special Audit Committee, I made a presentation concerning the Audit Work Plan for Fiscal 1993-94 and Audit Department staffing requirements currently and in the future. As indicated in my November 16, 1993, letter to the Board concerning staffing requirements, the Assistant Auditor and I believe that it is possible to mitigate audit workloads to some extent by supplementing permanent audit staff through selected outsourcing arrangements with independent auditors or consultants, particularly in areas which require some specialized expertise for a limited period of time. However, in addition to requiring the restoration of the Audit Department's consulting budget in fiscal 1994-95, outsourcing will also necessitate granting the Auditor limited authority to enter into consulting agreements for such services. The authority to contract with professional and technical consultants is currently granted by the Board to the General Manager and General Counsel in the amounts of \$250,000 and \$25,000, respectively, per agreement per year.

After discussion, the Special Audit Committee concurred that it may be cost-effective and useful to utilize outsourcing to augment audit staff efforts in the future. Accordingly, the committee unanimously recommended that the Auditor be granted the same level of contracting authority currently granted the General Counsel in the Administrative Code. Attached to this letter are the proposed new sections of the Administrative Code which would be required to implement the Special Audit Committee's recommendation. These new sections are consistent with existing code sections pertaining to the General Counsel's contracting authority.

Since the Special Audit Committee's recommendation was not dollar specific, your Board may wish to consider increasing the contracting dollar amount proposed in this letter of \$25,000 per agreement per year to a higher amount for administrative

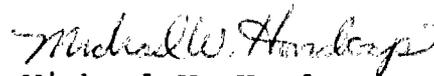
convenience. The General Counsel has expressed the view that authority to contract up to \$50,000 would be a more realistic maximum amount to keep Board requests to a minimum and to handle routine items not appropriate for formal action. If deemed acceptable, that amount could be substituted for the \$25,000 in proposed Code Section 6452 that is attached. A motion would also be required to amend the General Counsel's current authority under Section 6431 to the same higher amount.

Board Committee Assignment

This letter is referred to the Organization and Personnel Committee for action pursuant to its authority to study, advise, and make recommendations with regard to the form of the District's organization and the flow of authority and responsibility under Administrative Code Section 2471(a).

Recommendation

It is recommended that the Board of Directors approve the Special Audit Committee's recommendation to grant the Auditor limited contracting authority, consistent with that granted to the General Counsel, by adding new Sections 2722 and 6452 to the Administrative Code as shown in the attachment to this letter.


Michael W. Hondorp

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Attachment

LETTER OF AUDITOR, DATED NOVEMBER 24, 1993

ATTACHMENT

PROPOSED REVISIONS TO THE MWD ADMINISTRATIVE CODE

Add the following new sections to the Administrative Code:

§2722 Auditor's Quarterly Reports

The Auditor shall report to the Organization and Personnel Committee the exercise of any power delegated him by Section 6452.

§6452 Authority to Obtain Professional Services

The Auditor is authorized to employ the services of independent auditors or other professional or technical consultants to advise or assist him in performing his assigned duties as may be required or as he deems necessary provided that the amount to be expended in fees, costs, and expenses under any one contract in any one year shall not exceed \$25,000. The Auditor shall inform the Special Audit Committee whenever he exercises the authority granted under this section and he shall further report quarterly to the Organization and Personnel Committee concerning any agreements entered into under this section.