



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

March 19, 1998

**To:** Special Audit Committee--Information  
Organization and Personnel Committee--Information

**From:** Auditor Michael W. Hondorp

**Subject:** Report Under Administrative Code Sections 6452 and 2722—Quarter Ended  
March 31, 1998

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## RECOMMENDATION

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For information only.

## DETAILED REPORT

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Administrative Code Section 6452 grants limited authority to the Auditor to engage professional services so long as the amount to be expended in fees, costs, and expenses for any contract does not exceed \$25,000 in any year. Pursuant to that section, the Auditor is required to inform the Special Audit Committee whenever he exercises the authority granted therein. In addition, the Auditor is required under Administrative Code Sections 6452 and 2722 to report quarterly to the Organization and Personnel Committee on the exercise of any power delegated to him by Section 6452. This letter describes such contracting activities for the quarterly period ending March 31, 1998.

In February 1998, the Auditor entered into an agreement for contract audit services with Commercial Cost Control, Inc. (CCC), dated February 25, 1998. The agreement calls for CCC personnel to perform a "close-out" audit of the \$98.1 million GMAX Construction Contract for the District's Union Station Headquarters Project. Other agreements pertaining to this project, for example consultant services, will be separately reviewed by the Audit Department staff. CCC will be compensated for its services on a contingent fee basis of 35 percent of any realized project cost reductions or payment recoveries resulting from the CCC audit. CCC will be compensated only if the audit results in cost reductions or recoveries and only after such credits or revenues have been received by the District. CCC is well qualified to perform this review, the bulk of which will be conducted at the end of the construction period. Planning and scheduling for the audit will be conducted by District staff, general contractor personnel and CCC representatives in early June.

Special Audit Committee  
Organization and Personnel  
Committee

- 2 -

March 19, 1998

Funding for general contract audit services is included in the Audit Department's annual operating budgets. Funding for contingent fee audit services is provided by the recoveries generated from such services.