

- **Board of Directors**  
**Executive Committee**

March 13, 2007 Board Meeting

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7-6

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**Subject**

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Authorize entering into an agreement for external audit services with KPMG LLP for \$295,000

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**Description**

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Authority is requested to enter into an agreement with KPMG LLP to conduct Metropolitan's annual and quarterly audits for fiscal year June 30, 2006. KPMG LLP performed Metropolitan's annual and quarterly audits for prior fiscal years. KPMG LLP's familiarity with Metropolitan enables KPMG LLP to quickly and efficiently perform the external audit services required by Metropolitan. The external audit services agreement comprises several required audits, including the annual financial audit, the single audit for federal grants, and the trustee audits. The amount payable under the one-year contract will not exceed \$295,000 ([Attachment 1](#)).

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**Policy**

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Board request

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**California Environmental Quality Act (CEQA)**

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CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

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**Board Options**

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**Option #1**

Adopt the CEQA determination and authorize the General Auditor to enter into a contract for external audit services with the firm of KPMG LLP for the annual and quarterly audits for fiscal year 2005/06, in an amount not to exceed \$295,000.

**Fiscal Impact:** \$295,000

**Option #2**

Reject the recommendation to award the proposed contract to KPMG LLP.

**Fiscal Impact:** Unknown, but likely higher than Option #1 for similar quality of services, and further delay in producing audited financials for 2005/06.

**Staff Recommendation**

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Option #1

  
Gerald C. Riss  
General Auditor

2/22/2007

Date

**Attachment 1 – KPMG LLP Professional Fees Summary**

BLA #5300

**KPMG LLP PROFESSIONAL FEES SUMMARY  
AGREEMENT NO. 85054**

The hourly billing rates and not-to-exceed amounts for services to be rendered under the external audit services agreement with KPMG LLP for annual and quarterly audits for fiscal year June 30, 2006, will be as follows:

	Discounted Rates	Projected Hours	Fees
Partner	\$365	110	\$ 40,150
Senior Manager	\$285	225	\$ 64,125
Supervising Senior	\$195	315	\$ 61,425
Senior	\$175	300	\$ 52,500
2 <sup>nd</sup> Year Staff	\$150	450	\$ 67,500
Staff	\$125	850	\$106,250
		2,250	\$391,950
Less: Metropolitan Water District Internal Audit Assistance	\$125	(800)	(\$100,000)
TOTAL		1,450	\$291,950