

- **Board of Directors**
Executive Committee

July 10, 2007 Board Meeting

7-1

Subject

Authorize entering into an agreement for external audit services with KPMG LLP for \$311,375

Description

Authority is requested to enter into an agreement with KPMG LLP (KPMG) to conduct Metropolitan's annual and quarterly audits for fiscal year June 30, 2007. Metropolitan's current external audit services agreement with KPMG expired with the completion of the fiscal year 2005/06 annual audits. 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 agreement also requires the quarterly audits of Metropolitan's statements of cash and investments and an annual review of the Comprehensive Annual Financial Report. KPMG's familiarity with Metropolitan enables KPMG to quickly and efficiently perform the external audit services required by Metropolitan. The amount payable under the one-year contract will not exceed \$311,375 ([Attachment 1](#)).

Policy

Board request

California Environmental Quality Act (CEQA)

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

Board Options

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 2006/07, in an amount not to exceed \$311,375.

Fiscal Impact: \$311,375

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 2006/07.

Staff Recommendation

Option #1


Gerald C. Riss

General Auditor

6/5/2007

Date

Attachment 1 – KPMG LLP Professional Fees Summary

BLA #5471

KPMG LLP PROFESSIONAL FEES SUMMARY

The hourly billing rates and not-to-exceed amounts for services to be rendered under the external audit services agreement with KPMG for annual and quarterly audits for fiscal year June 30, 2007, will be as follows:

	Discounted Rates	Hours	Fees
Partner	\$385	110	\$ 42,350
Senior Manager	\$295	225	\$ 66,375
Supervising Senior	\$210	315	\$ 66,150
Senior	\$185	300	\$ 55,500
2 nd Year Staff	\$165	450	\$ 74,250
Staff	\$135	850	\$114,750
		2,250	\$419,375
Less: Metropolitan Water District Internal Audit Assistance	\$135	(800)	(\$108,000)
TOTAL		1,450	\$311,375