

**Authorize Contract Award to
Richardson and Company for
Audit of State Water Project
Charges**

Audit and Ethics Committee

April 28, 2009

Background

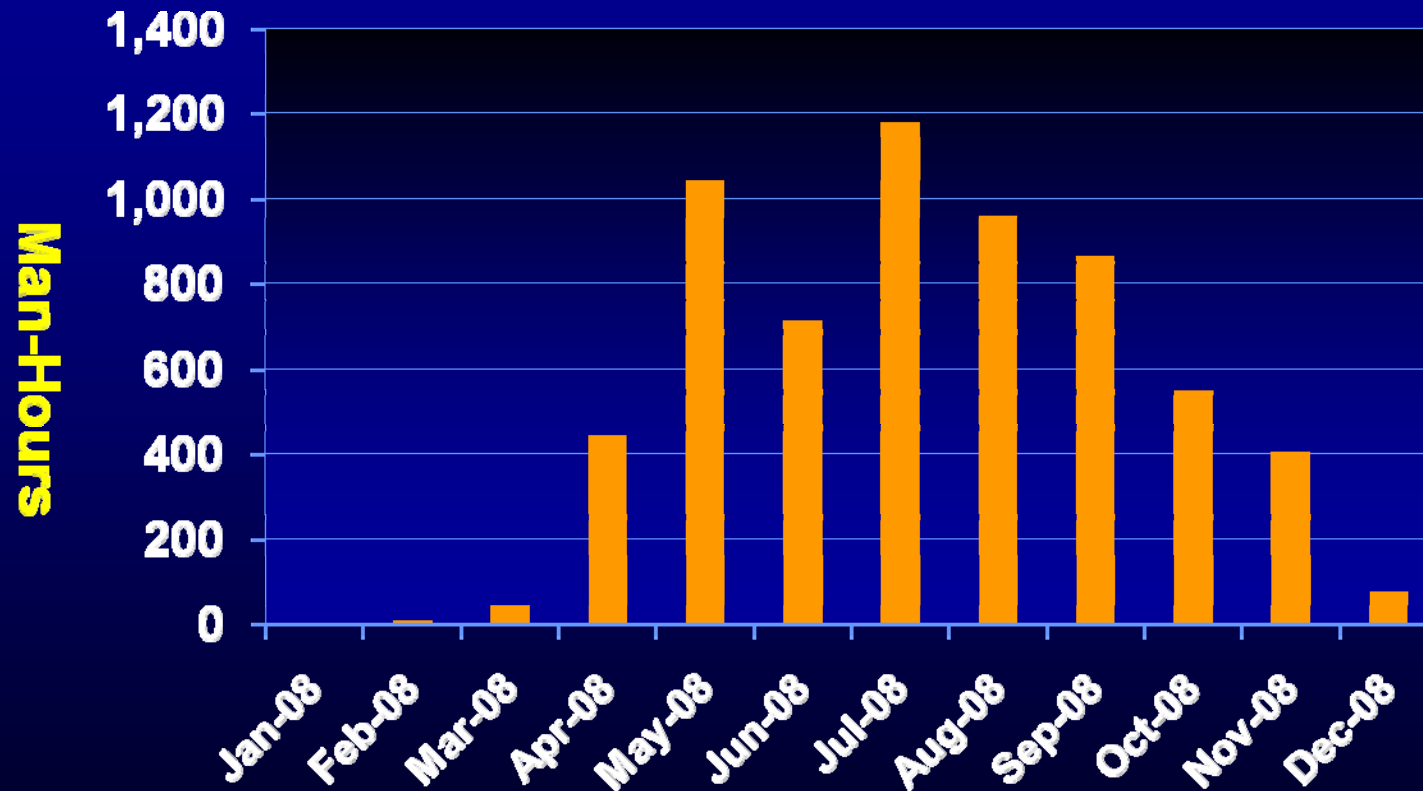
- **Water supply contract**
- **Current year authorized \$561 million, actual expenditures significantly less**
- **Annual board approval**
- **Audit value**



Typical Audit

- Audit program covers 46 areas
- Test project actual costs
- Test cost allocations
- Review future cost estimates
- Test computation
- Verify adjustments and corrections

Manpower Requirements



Scope of Work

- **Verify the Statement of Charges (SOC)**
- **Review and estimate annual refunds/credit**
- **Explanation for SOC changes**
- **Prepare summary & detailed audit reports**
- **Present reports to Board of Directors**
- **Provide analyses and advice**
- **Attend technical meetings**

RFQ Evaluation Criteria

- **Established provider of contract audit services**
- **Experience auditing similar projects**
- **State of California contracting experience**
- **Sufficient qualified & experienced staff**
- **Proven written communication skills**
- **AICPA peer review program participant**
- **Support Metropolitan's small and regional business objectives**

RFQ Participation Level

- RFQ process administered by Contracting Services Unit
- Bidders notified - 555
- Downloaded information - 33
- Bidders with questions - 3
- Respondents - 2

Proposal Review

- Two proposals received
- One deemed incomplete
 - Clarification sought from vendor
 - Formal written withdrawal submitted by vendor
- Richardson and Company determined to be qualified and recommended

Proposed Agreement Terms

- **Five-year agreement**
- **Expires May 14, 2014**
- **Maximum amount \$3.4 million**



Benefits

- **Supports cost reduction efforts**
- **Supports efficient audit of the annual SOC**
- **Supports timely reporting**

Options

Option # 1

- **Adopt CEQA determination**

Authorize the General Manager to enter into a five-year contract with Richardson and Company for audit of the State Water Project for a maximum amount payable of \$3.4 million

Options

Option # 2

- **Adopt CEQA determination**

Authorize the General Manager to enter into a three-year contract with Richardson and Company for audit of the State Water Project for a maximum amount payable of \$2.04 million

Option # 3

- **Reject the recommendation to award the proposed contract for audit services and direct staff to reissue the RFQ**

Staff Recommendation

- **Option # 1**