



- **Single Audit Report for the Fiscal Year Ended June 30, 2009**

Summary

Single Audit Report for the Fiscal Year Ended June 30, 2009

Detailed Report

The Federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, requires state or local government units that expend \$500,000 or more of federal financial assistance in any one-year to have an audit conducted for that year. Metropolitan's accrual basis financial statements are audited annually by the firm of KPMG, in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accounts (AICPA). In the event that a so-called "Single Audit" is required to be conducted for a particular year, the cost of such an audit is included as part of the required audit services provided by that firm under its agreement with Metropolitan.

Auditors, who conduct audits pursuant to the Single Audit Act, are required to comply with Government Auditing Standards issued by the Comptroller General of the United States (Yellow Book), as well as requirements of the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. These standards require that the external auditor, in addition to the traditional auditor report on the entity general-purpose financial statements, issue various reports. The AICPA has established authoritative guidance on the form and content of the reports required by the Single Audit Act.

Due to the magnitude of federal sources, moneys expended during the fiscal year ended June 30, 2009; Metropolitan was required to have a Single Audit performed. Staff from KPMG performed the necessary additional auditing procedures and the firm issued the required audit reports. Copies of these audit reports will be transmitted to the agencies that require such reports, namely:

- U.S. Bureau of the Census
- The State Controller of California

A copy of the required Single Audit Report from KPMG is **attached** to this letter for information purposes.

Attachment—Single Audit Report for the Fiscal Year Ended June 30, 2009



**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Single Audit Reports

Year ended June 30, 2009

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

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**Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
The Metropolitan Water District of Southern California:

We have audited the financial statements of The Metropolitan Water District of Southern California (Metropolitan) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Metropolitan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metropolitan's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of management, Metropolitan's board of directors, others within the entity, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 16, 2009



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Directors
The Metropolitan Water District of Southern California:

Compliance

We have audited the compliance of The Metropolitan Water District of Southern California (Metropolitan) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Metropolitan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Metropolitan's management. Our responsibility is to express an opinion on Metropolitan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metropolitan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metropolitan's compliance with those requirements.

In our opinion, Metropolitan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 09-01, 09-02, and 09-03.

Internal Control over Compliance

The management of Metropolitan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metropolitan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.



Accordingly, we do not express an opinion on the effectiveness of Metropolitan's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 09-01, 09-02, and 09-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Metropolitan as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Metropolitan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Metropolitan's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Metropolitan's board of directors, others within the entity, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 30, 2010, except as to
the Schedule of Expenditures
of Federal Awards, which is
as of October 16, 2009.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Federal grantor/pass-through grantor/program title</u>	<u>Catalog of federal and domestic assistance number</u>	<u>Contract number</u>	<u>Federal expenditures</u>
Research and Development Cluster:			
U.S. Environmental Protection Agency:			
Surveys, Studies, Investigations and Special Purpose Grants	66.606		\$ 355
Congressionally Mandated Projects: Biological Treatment for Perchlorate Removal from Groundwater	66.202		228,798
Science to Achieve Results Program: Detecting Pathogens in Water by Ultrafiltration and Microarray Analysis	66.509		54,674
Total U.S. Environmental Protection Agency			<u>283,827</u>
Passed through Water Research Foundation:			
Research and Development Consolidated Research/Training	66.511	3014	14,220
Research and Development Consolidated Research/Training	66.511	3015	138,243
Consolidated Research: Contribution of Wastewater to DBP Formation	66.500	2948	3,025
Total Water Research Foundation			<u>155,488</u>
Total Research and Development Cluster			<u>439,315</u>
U.S. Bureau of Reclamation:			
Soil and Water Conservation Program	15.BBM		48,227
Water Conservation Field Services Program	15.530		160,478
Total U.S. Bureau of Reclamation			<u>208,705</u>
Federal Emergency Management Agency (FEMA):			
Passed through California Emergency Management Agency (CalEMA):			
2004/2005 California Flooding, Debris Flow and Mudslides	97.036	DR 1577	126,629
2005 California Storms	97.036	DR 1585	813,825
California Wildfires October 2007	97.036	DR 1731	458,081
California Winds and Wildfires November 2008	97.036	DR 1810	94,713
Total Public Assistance Grant			<u>1,493,248</u>
Total Federal Expenditures			<u>\$ 2,141,268</u>

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

(1) General

The accompanying schedule of expenditures of federal awards (SEFA) presents all of the activity of federal financial assistance programs of The Metropolitan Water District of Southern California (Metropolitan) for the year ended June 30, 2009.

(2) Basis of Accounting

The accompanying SEFA is presented using the accrual basis of accounting, whereby grant revenues are recognized when they are earned and expenses are recognized when they are incurred.

(3) Grant Expenses

Included in grant expenses on the accompanying SEFA are indirect costs (i.e., overhead) charged to the various programs. These costs aggregate approximately \$405 for the year ended June 30, 2009.

(4) Subrecipients

Of the federal expenditures presented on the SEFA, Metropolitan provided federal awards to various subrecipients in the amounts of \$99,700 under the Water Conservation Field Services Program (CFDA 15.530), \$355 under the Surveys, Studies, Investigations and Special Purpose Grants (CFDA No. 66.606), \$228,798 under the Congressionally Mandated Projects: Biological Treatment for Perchlorate Removal from Groundwater (CFDA No. 66.202), \$3,025 under Consolidated Research: Contribution of Wastewater to DBP Formation (CFDA No. 66.500), \$5,221 under the Research and Development Consolidated Research Training Program (CFDA No. 66.511, contract 3014) and \$101,413 under the Research and Development Consolidated Research Training Program (CFDA No. 66.511, contract 3015).

(5) Prior Year Federal Expenditures

Of the federal expenditures reported on the accompanying SEFA for the Public Assistance Grant Program (CFDA 97.036), the following amounts were incurred in prior fiscal years but recorded in the SEFA as of June 30, 2009:

	Year ended June 30		
	2008	2007	2006
Public Assistance Grant Program Federal Expenditures	\$ 347,653	109,246	660,242

Of the federal expenditures reported on the accompanying SEFA for the Research and Development Cluster (Various CFDA), \$42,973 was incurred in the fiscal year ended June 30, 2008.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

(a) Financial Statements

Type of auditors' report issued on the financial statements:

Unqualified opinion.

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance that is material to the financial statements noted?

yes no

(b) Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs:

Unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

<u>CFDA numbers</u>	<u>Name of federal program or cluster</u>
97.036	Public Assistance Grant Program (PAGP)
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133?

yes no

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 09-01 – Allowable Costs

Federal Program Information

Catalog of Federal Domestic Assistance (CFDA)	97.036, 66.509
Federal Program Names:	Public Assistance Grant Program, Research and Development Cluster
Federal Award Numbers:	Public Assistance Grant Program: DR 1577, DR 1585, DR 1731 Research and Development Cluster: RD-83300401
Federal Agencies:	Public Assistance Grant Program: Federal Emergency Management Agency (FEMA) Research and Development Cluster: U.S. Environmental Protection Agency (EPA)
Pass-through Entities:	Public Assistance Grant Program: State of California Governor's Office of Emergency Services (OES) Research and Development Cluster: Not Applicable
Award Years:	Public Assistance Grant Program: 2006-2009 Research and Development Cluster: 2007-2009

Criteria or Specific Requirement

According to 2 CFR 225, *Cost Principles for State and Local and Indian Tribal Governments*, Appendix A, General Principles for Determining Allowable Costs, to be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of federal awards.
- b. Be allocable to federal awards under the provisions of 2 CFR part 225.

**THE METROPOLITAN WATER DISTRICT
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Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.
- f. Be given consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specifically provided by federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

Condition

Public Assistance Grant Program: Management received \$50,611 in administrative allowances to meet the cost of administering the Public Assistance Grant Program. The administrative allowance for subgrantees covers direct and indirect costs incurred in requesting, obtaining, and administering public assistance. The allowance is calculated as a percentage of total eligible costs that are approved for the subgrantee in a given disaster.

Of the total \$1,493,248 in Public Assistance Grant Program federal expenditures, management was unable to provide supporting documentation such as timecards for the \$50,611 in administrative costs incurred.

Research and Development Cluster: We noted two of the 60 selections tested were not allowable under the grant agreement.

Questioned Costs

Public Assistance Grant Program: \$50,611 – Total known administrative allowances.

Research and Development Cluster: No known or likely questioned costs greater than \$10,000.

Systemic or Isolated

Public Assistance Grant Program: Systemic

Research and Development Cluster: Isolated

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Cause and Effect

Public Assistance Grant Program: Metropolitan was not required by their pass-through entity to submit documentation for the costs incurred related to the administrative allowance. As a result, records were not maintained on how the administrative allowance funds are spent.

Research and Development Cluster: Management did not closely review the invoices paid to one specific vendor and inadvertently included the invoices paid in the reimbursement request submitted to the EPA. Upon further review, management determined that costs were unallowed and refunded the related amount to the EPA.

Recommendation

Public Assistance Grant Program: We recommend that Metropolitan retain supporting documentation for all federal award costs, including administrative allowances.

Research and Development Cluster: We recommend that Metropolitan strengthen their internal controls to ensure only invoices for allowable costs are submitted for reimbursement to the EPA.

Views of Responsible Officials and Planned Corrective Actions

Management concurs with this finding and recommendation. Effective for disasters after November 13, 2007, FEMA requires that supporting documentation be maintained for costs incurred related to the administrative allowance. Accordingly, Metropolitan is maintaining such documentation beginning with the California Winds and Wildfires of November 2008 (DR-1810). For the EPA award, a more structured review of costs will be performed prior to submitting reimbursement requests to the EPA.

Finding 09-02 – Cash Management

Federal Program Information

Catalog of Federal Domestic Assistance (CFDA)	97.036, 66.511
Federal Programs Names:	Public Assistance Grant Program, Research and Development Cluster
Federal Award Numbers:	Public Assistance Grant Program: DR 1577, DR 1585, DR 1731 Research and Development Cluster: 3105
Federal Agencies:	Public Assistance Grant Program: Federal Emergency Management Agency (FEMA) Research and Development Cluster: U.S. Environmental Protection Agency

**THE METROPOLITAN WATER DISTRICT
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Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Pass-through Entities:	Public Assistance Grant Program: State of California Governor's Office of Emergency Services (OES)
	Research and Development Cluster: Water Research Foundation
Award Years:	Public Assistance Grant Program: 2006 – 2009
	Research and Development Cluster: 2006 – 2009

Criteria or Specific Requirement

According to 44 CFR Part 13 Section 21 (Public Assistance Grant Program) and CFR Part 31 Section 21 (Research and Development Cluster), grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. A grantee or subgrantee shall maintain a separate bank account only when required by Federal-State agreement. Grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

Condition

Regarding the Public Assistance Grant Program, Metropolitan was advanced \$50,611 in administrative allowances to meet the cost of administering the program. The administrative allowance for subgrantees covers direct and indirect costs incurred in requesting, obtaining, and administering public assistance. The allowance is calculated as a percentage of total eligible costs that are approved for the subgrantee in a given disaster.

Regarding the Research and Development Cluster, Metropolitan was advanced \$35,000 upon execution of the project funding agreement.

During our cash management testwork, we noted that management does not have internal controls in place to monitor interest earned on advances for the Public Assistance Grant Program and Research and Development Cluster.

Questioned Costs

No known or likely questioned costs greater than \$10,000.

Systemic or Isolated

Systemic

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Cause and Effect

Public Assistance Grant Program: Metropolitan was not required by their pass-through entity to submit documentation for the costs incurred related to its administrative allowance under the Public Assistance Grant Program. Records were not maintained on how the administrative allowance funds were spent. Interest earned in excess of \$100 per year may not have been remitted to the federal agency.

Research and Development Cluster: Management did not track the interest earned on advances. As a result, interest earned in excess of \$100 per year may not have been remitted to the federal agency.

Recommendation

We recommend that Metropolitan establish internal controls to monitor interest earned on advances.

Views of Responsible Officials and Planned Corrective Actions

Management concurs with this finding and recommendation. For each federal program where advances are received, a schedule will be prepared on a quarterly basis that compares the timing of advances received to the expenses incurred. Any interest earned in excess of \$100 will be refunded.

Finding 09-03 – Procurement and Suspension and Debarment

Federal Program Information

Catalog of Federal Domestic Assistance (CFDA)	97.036
Federal Program Name:	Public Assistance Grant Program
Federal Award Numbers:	DR 1577, DR 1585, DR 1731, DR 1810
Federal Agency:	Federal Emergency Management Agency (FEMA)
Pass-through Entity:	State of California Governor's Office of Emergency Services (OES)
Award Years:	2006 – 2009

Criteria or Specific Requirement

According to 44 CFR Part 13, grantees and subgrantees will use their own procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal law.

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold of \$100,000. If small purchases procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

**THE METROPOLITAN WATER DISTRICT
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Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after a solicitation of a number of sources, competition is determined inadequate.

Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals and one of the following applies:

- a. The item is available only from single source;
- b. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- c. The awarding agency authorizes noncompetitive proposals; or
- d. After the solicitation of a number of sources, competition is determined inadequate.

Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profit, is required for procurement by noncompetitive proposals.

In addition, according to 44 CFR Part 13 Section 35, grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, "Debarment and Suspension."

Condition

Prior to May 2009, Metropolitan's procurement policy did not require an informal bidding process or price/cost analysis (i.e., price or rate quotations are not obtained) for purchases under \$25,000. We noted that 17 out of the 33 purchases we tested were not supported by informal bidding process or price/cost analysis.

We also noted that 4 out of the 33 purchases tested were over \$25,000 but the related vendor was not verified for suspension and debarment. However, after verifying with the Excluded Parties List System (EPLS), we noted that the vendors were not suspended or debarred.

Questioned Costs

None noted

Systemic or Isolated

Systemic

Possible Asserted Cause and Effect

We noted that Metropolitan's procurement department was not aware of the procurement policies and procedures of FEMA. As a result, current procurement procedures failed to address the program's procurement and suspension and debarment requirements. Effective May 2009, management revised their procurement policies and procedures to address the program's requirements.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation

We recommend that Metropolitan continue to communicate to its procurement department the procurement and suspension and debarment requirements of the federal program.

Views of Responsible Officials and Planned Corrective Actions

Management concurs with this finding and recommendation. As indicated above, procurement procedures were updated in May of 2009 to require an informal bidding process for all FEMA-related purchases. In addition, the updated procurement procedures now require that, for all purchases in excess of \$25,000, vendors are checked to see if they are suspended or debarred prior to executing a contract. Finally, all suppliers are required to complete a certification that they have not been suspended or debarred from receiving federal funds.