



● **Board of Directors**  
***Audit and Ethics Committee***

9/14/2010 Board Meeting

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**7-1**

**Subject**

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Authorize increase of \$40,000 in maximum amount payable under contract with KPMG LLP for external audit services

**Description**

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On November 20, 2007, Metropolitan retained the firm of KPMG LLP on a three-year contract to perform external audit services. KPMG LLP was selected as the most qualified to perform the annual and quarterly audits for fiscal years beginning July 1, 2007, and ending June 30, 2010, based on a competitive process. Additional hours were incurred by KPMG LLP during completion of the Single Audit reports for Year Ended June 30, 2009. The additional hours relate to work performed on the multiple drafts of the Schedule of Expenditures of Federal Awards (SEFA), and the inclusion of prior year expenditures in the current year SEFA. The amount payable under the three-year contract was not to exceed \$1,035,250. Therefore, authority is being requested to increase the maximum amount payable under the KPMG LLP contract by \$40,000 (see [Attachment 1](#)).

**Policy**

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Metropolitan Water District Administrative Code Section 6452: Authority to Obtain Professional Services

**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

**Board Options**

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**Option #1**

Adopt the CEQA determination and approve amendment of contract for external audit services with KPMG LLP to increase maximum amount payable from \$1,035,250 to \$1,075,250.

**Fiscal Impact:** \$40,000 in current and future invoices

**Option #2**

Do not amend subject contract.

**Fiscal Impact:** Unknown at this time

**Staff Recommendation**

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Option #1

  
Gerald C. Riss  
General Auditor

8/12/2010  
Date

**Attachment 1 – KPMG Professional Project Summary for Additional Hours**

Ref# a12607472

**KPMG PROFESSIONAL PROJECT  
SUMMARY FOR ADDITIONAL HOURS**

**AGREEMENT 91757  
AMENDMENT 2**

The hourly billing rates for additional hours were incurred by KPMG during completion of the Single Audit Reports for Year Ended June 30, 2009. The additional hours relate to work performed on the multiple drafts of the Schedule of Expenditures of Federal Awards (SEFA) and the inclusion of prior year expenditures in the current year SEFA, as follows:

	YE 2009	Hours	Fees
	Hourly Rates		
Partner	\$375	34.0	\$12,750
Senior Manager	\$295	32.2	\$ 9,500
Manager	\$215	12.0	\$ 2,580
Senior	\$185	82.0	\$15,170
<b>Total</b>		160.2	\$40,000