

# WP&S Committee

Item 9-1

Subject: Update on SWP Charges Audit Contract

Purpose: Project Status

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Subject: Update on renewal of contract for the annual audit of the State Water Project Charges



# Update on Renewal of Contract for the Annual Audit of the State Water Project Charges

Water Planning and Stewardship Committee

Item 9-1

February 13, 2017

# State Water Project Charges Audit Contract Background

- First audit contract coincided with initial water deliveries in 1972
- Audit is a specialized contract compliance review
- Consultants are California Certified Public Accountants
- Work location is the Sacramento offices of the California Department of Water Resources
- Large audit - workload is 6,300 to 6,700 hrs, peak staffing of 6-10 individuals
- Current contract expires March 31, 2017

# Service Objective and Consultants History

- Service Objectives
  - Technical competency
  - Institutional knowledge
  - Audit continuity
  - Benefit of independent 3<sup>rd</sup> party opinion on accuracy of the charges

# Contracting History

- 1972-2001 Specialized professional agreements
  - Administrative code Section 8140(1)(h)
  - Annual rollover with 6 month cancellation notice
- 2001 – 2012 Four Competitive Request for Proposal or Request of Qualifications
  - Very limited response
  - 2012 one response
  - Richardson and Company successful bidder each cycle

# RFQ Response Considerations

- Cost of acquiring specialized knowledge
  - Substantial investment
  - Non recoverable in a competitive contract
  - Non transferrable to other clients
- Incumbent
  - Acknowledged expert
  - Low cost
- Conflict of interest clause
  - Restricts ability to work for DWR or other Contractors
- Staffing requirements

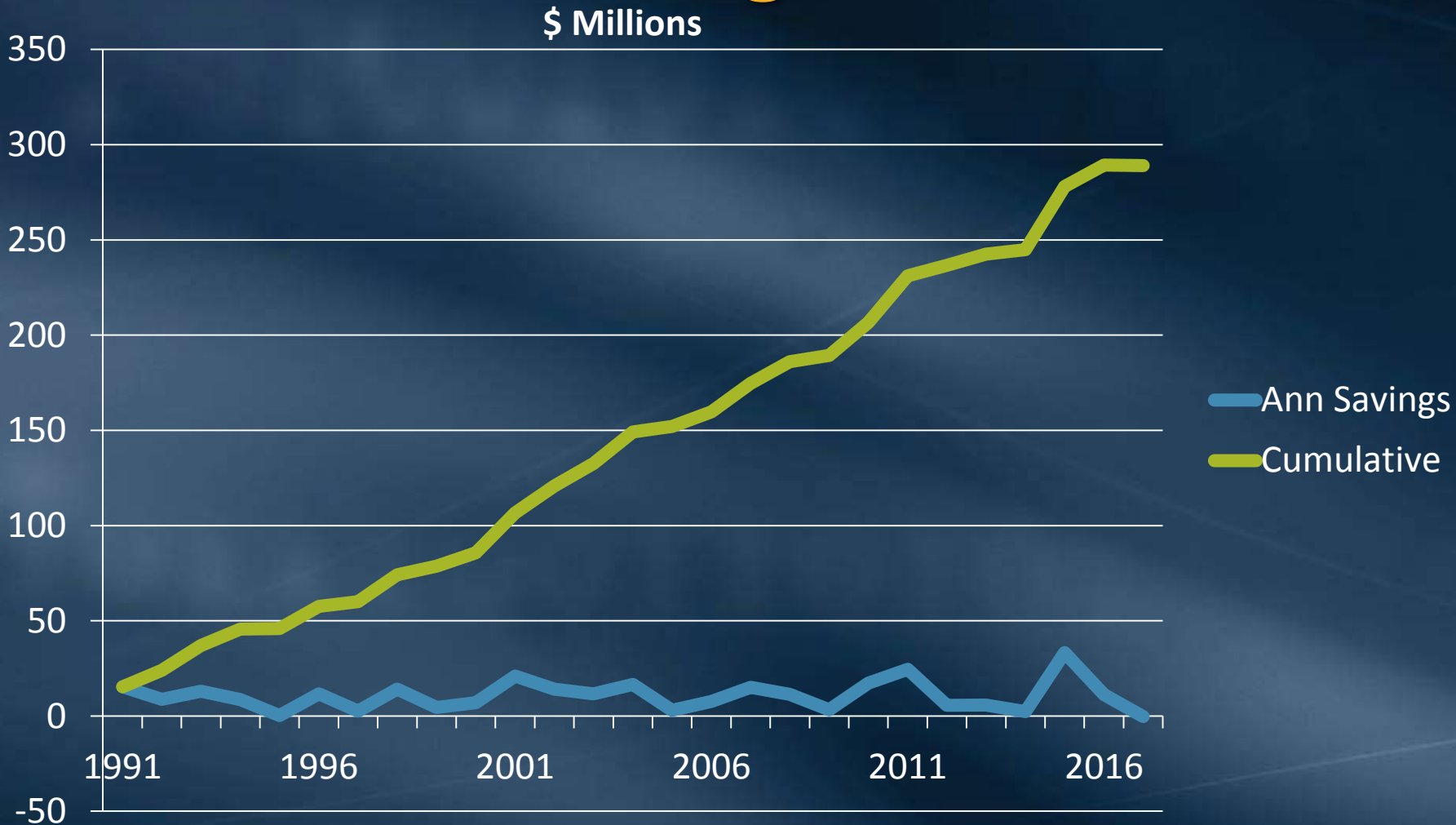


# Benefits of Extending Richardson Contract

- Reduced staff costs associated with RFP process
- Continued support for claims against DWR
- Expert technical support to assist in reviewing implementation of the Contract Extension accounting system changes
- Independent 3<sup>rd</sup> party opinion



# State Water Contract Audit Results in Substantial Savings



# Next Contract Cost Considerations

- Fiscal year 2017 annual audit budget \$840,000
- Additional WSRB claims support \$100,000
- Anticipated additional Contract Extension implementation and transition work
  - Contract Extension effective with 2018 or 2019 SOC?
  - New systems and revised billing procedures
  - Dual cost recovery approach through 2035
    - Past costs continued to be collected through 2035
    - Future costs collected on a Pay as You Go basis

# Next Steps

- Current contract ends March 31, 2017
- March action item for a 3 year extension

