



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

5/9/2017 Board Meeting

7-1

Subject

Adopt CEQA determination and authorize the amendment of the contract with Macias Gini O'Connell, LLP to increase the maximum amount payable by \$324,715, from \$915,096 to \$1,239,811 and extend the term by one year for external audit services

Executive Summary

This action approves the amendment of the contract with Macias Gini O'Connell, LLP to increase the maximum amount payable by \$324,715 and extend the term by one year to perform periodic independent audits of Metropolitan's financial statements, to review accounting procedures used by Metropolitan, to recommend improvements to Metropolitan's accounting procedures and systems of internal control, and to express an opinion on Metropolitan's basic financial statements.

Details

Metropolitan's current External Audit Services Agreement 141596 with Macias Gini & O'Connell, LLP expired with the completion of the fiscal year 2015/16 annual audit. This agreement comprises several required audits including the annual financial audit, single audit for federal grants, and trustee agency audits. The agreement also requires an annual review of the Comprehensive Annual Financial Report. The hourly billing rates payable under the amendment is provided in [Attachment 1](#), and amounts payable under the amendment will not exceed \$1,239,811.

Policy

Metropolitan Water District Administrative Code Section 6453: Authority to Obtain Professional Services

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, such as general policy and procedure making (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). Finally, where it can be seen with certainty that there is no possibility that the proposed actions may have a significant impact on the environment, those actions are not subject to CEQA pursuant to Section 15061(b)(3) of the State CEQA Guidelines.

The CEQA determination for Option #1 is: Determine that the proposed action is not defined as a project and is not subject to CEQA pursuant to Sections 15378(b)(2), 15378(b)(4), and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

Amend a \$324,715 contract to Macias Gini & O'Connell, LLP for annual audits covering fiscal year ending June 30, 2017. The amount payable under this amendment will not exceed \$1,239,811.

Fiscal Impact: \$1,239,811 during amended contract term

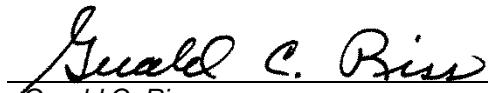
Option #2

Reject the recommendation to amend agreement with Macias Gini & O'Connell, LLP and request staff to issue a Request for Proposal for external audit services and return to Board for authorization.

Fiscal Impact: Unknown, but likely higher than Option #1 for similar quality of services

Staff Recommendation

Option #1



Gerald C. Riss
General Auditor

4/25/2017
Date

Attachment 1 – Macias Gini & O'Connell, LLP Professional Fees Summary

Ref# a12650348

FEES SUMMARY
MACIAS GINI & O'CONNELL LLP

The hourly billing rates and not to exceed amounts for services to be rendered under the External Audit Services Agreement with Macias Gini & O'Connell LLP for annual financial statements commencing with fiscal year 2016/17, will be as follows:

	Discounted Rates	Projected Hours	2017 Fees
Partner	\$294	269	\$79,086
Director	232	60	13,920
Manager	173	515	89,095
Senior	137	730	100,010
Experienced Associate	131	654	85,674
Associate	121	478	57,838
			425,623
Less: Metropolitan Internal Audit Assistance		(800)	(100,908)
Grand Total			\$324,715