



# Update on Request for Proposal for the Annual Audit of the State Water Project Charges

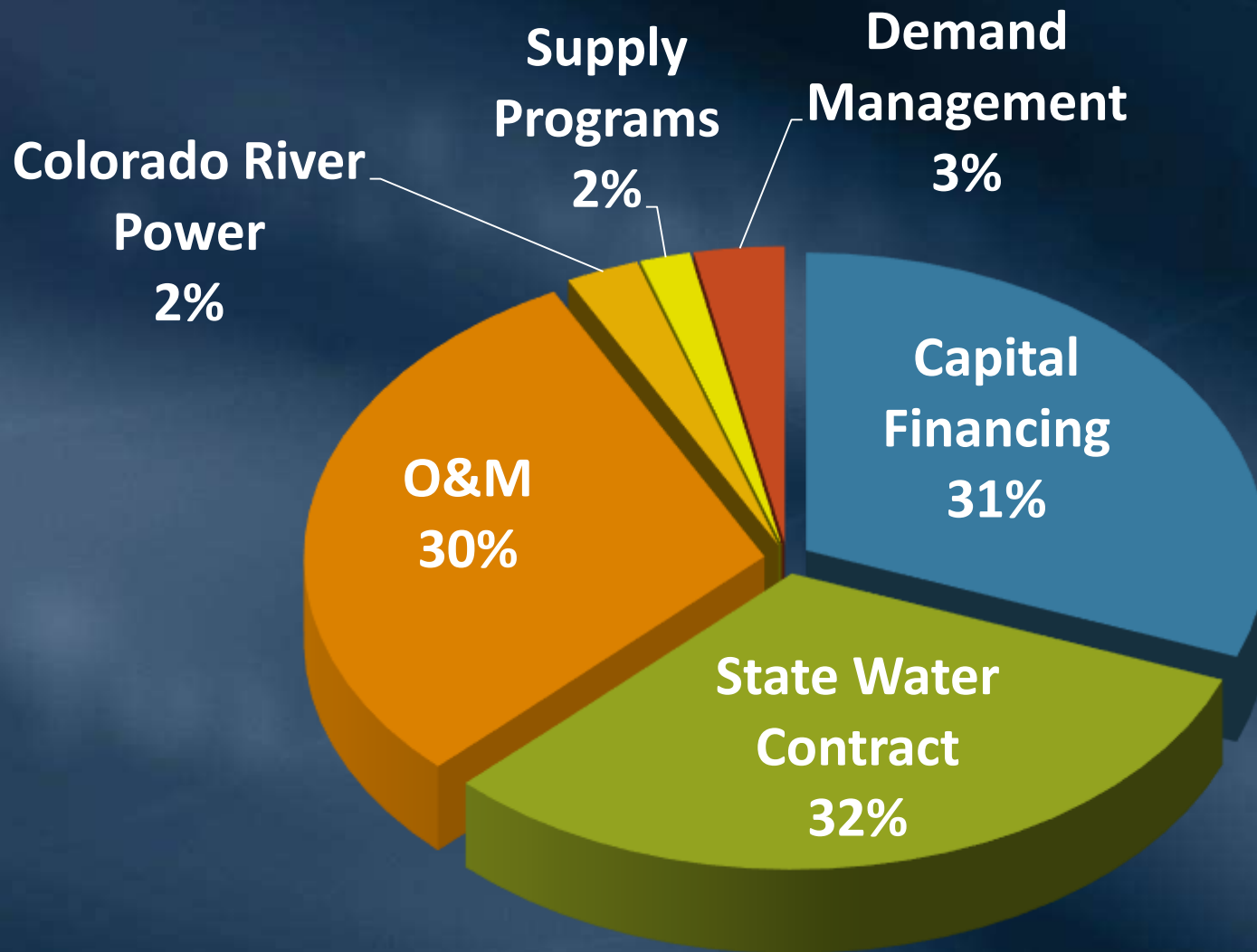
Water Planning and Stewardship Committee  
Item 6a

February 10, 2020

# Overview

- Background on the State Water Project contract and audit of contract charges
- Request for Proposal response factors
- Request for Proposal response

# Metropolitan's 2018/2019 Expenditures



# State Water Project Contract

- Cost recovery contract
  - Pay first – dispute later
- Statement of Charges (SOC)
  - Six invoices to recover Metropolitan's share of State Water Project costs
- Audit provision
  - Contract article allows Metropolitan to inspect books and records pertaining to the Contract to verify accuracy of the charges

# Audit Background

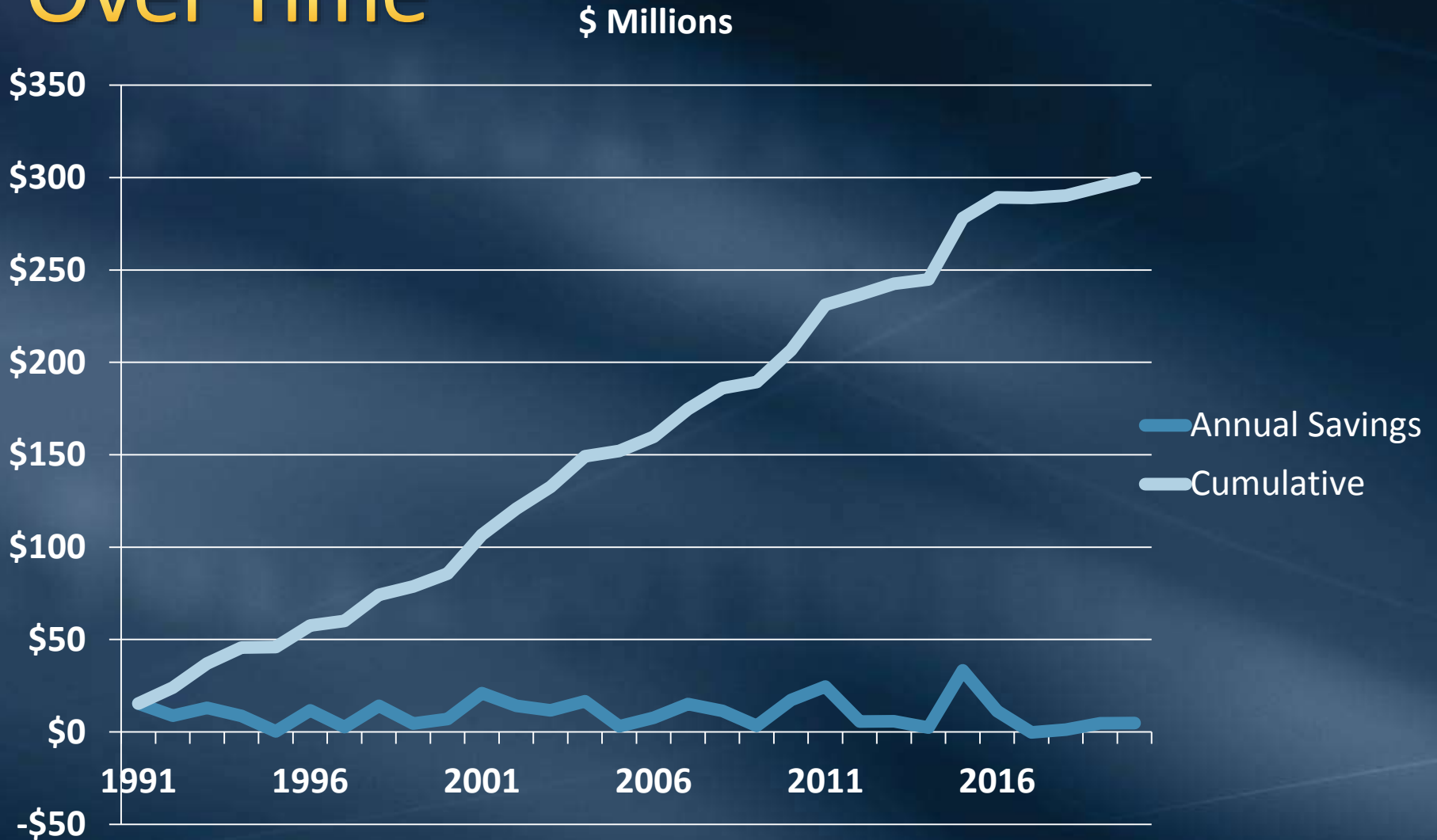
- Annual audit review verifies charges comply with Metropolitan's State Water Contract
- Complex charges computation
- Audit value
  - Cost savings
  - Expenditure insight
  - Technical support



# Scope of Audit Services Contract

- Verify the Statement of Charges
- Review and estimate annual refunds/credits
- Explanation of SOC changes from the prior year
- Prepare summary and detailed audit reports
- Provide analyses and advice
- Attend technical meetings

# Audit Results in Substantial Savings Over Time





# Current State Water Project Audit Contract

- Metropolitan's consultant contract with Richardson and Company's ends March 31, 2020
- Request for Proposal released November 20, 2019
- Closed December 23, 2019



# Comparison of Financial Statement and Contract Compliance Audits

<b>Consideration</b>	<b>Financial Statement</b>	<b>Contract Charges</b>
<b>Auditee</b>	<b>Metropolitan</b>	<b>DWR</b>
<b>Audience</b>	<b>Bondholders, Rating Agencies, Directors</b>	<b>Staff, Member Agencies, Directors</b>
<b>Procedures</b>	<b>Professional requirements</b>	<b>Agreed upon procedures</b>
<b>Emphasis</b>	<b>Professional standards compliance</b>	<b>Contract compliance and cost savings</b>
<b>Focus</b>	<b>Balance Sheet, Income &amp; Expenses, Cash Flow</b>	<b>Cost accounting system, Project charges, Procedures</b>
<b>Knowledge</b>	<b>Widely held</b>	<b>Narrowly held</b>

# Request For Proposal Evaluation Criteria

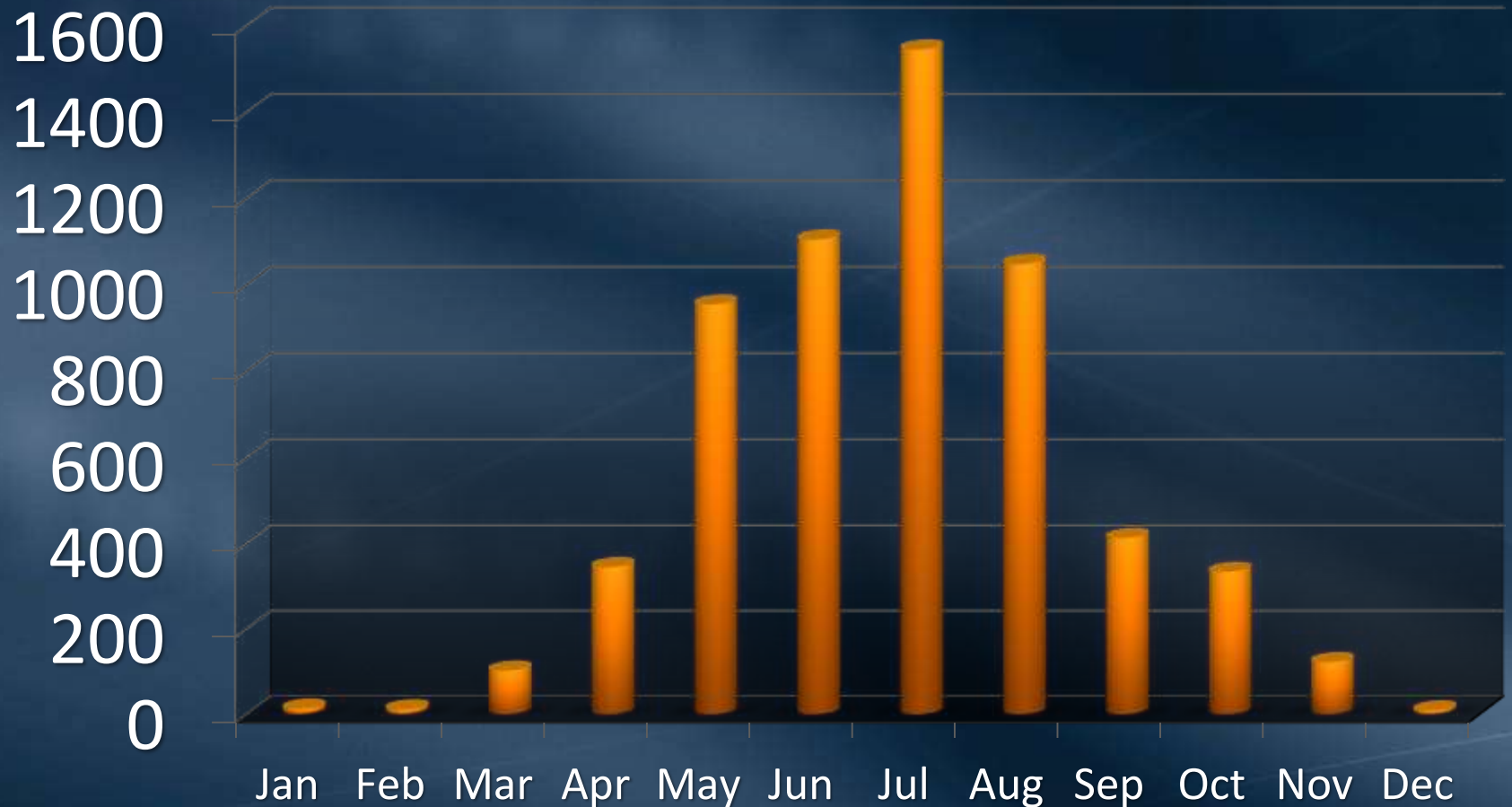
- Established provider of contract audit services
- Experience auditing similar projects
- State of California contracting experience
- Sufficient qualified and experienced staff
- Proven written communication skills
- American Institute of Certified Public Accountants peer review program participant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

# Factors for a Potential Respondent to Consider

Factor	Consideration
Work location	Sacramento
Audit size and staffing	Large
Incumbent	Experts
Technical complexity	Very high
Apply knowledge to other clients	No
Knowledge investment recovery period	Short
Price competition	Very strong

# Staffing Requirements

Labor hours



# Efforts to Broaden RFP Interest

- Lengthen contract term from 3 to 5 years
- Contact Sacramento area CPA firms
- National solicitation

# Request for Proposal Participation Level

- RFP process administered by Contracting Services Unit

Bidders notified	712
RFP package downloads	16
Bidders with questions	1
Respondents	1

# Next Steps

- Evaluate response
- Complete negotiations
- Request authorization to award contract in March



