



- Board of Directors
Water Planning and Stewardship Committee

3/10/2020 Board Meeting

8-3

Subject

Award five-year contract to Richardson & Company, LLP in an amount not-to-exceed \$5.125 million for annual audit of State Water Project charges; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Authorize the General Manager to enter into a contract with Richardson & Company, LLP to audit Metropolitan's State Water Project (SWP) charges based on the scope of work described in **Attachment 1**. The proposed term is for five years with a maximum payable amount of \$5.125 million. The selected firm is a small business and the only respondent to Request for Proposal (RFP) No. 1238. The SWP audit benefits Metropolitan with cost savings, expenditure insight and technical support.

Details

Background

Metropolitan contracts with an independent certified public accounting firm to audit each year's SWP charges billed by the Department of Water Resources (DWR). The audit is unique and highly specialized, providing Metropolitan's Board with an independent third-party opinion regarding the consistency of actual charges with the terms of the SWP contract. Richardson & Company, LLP has audited the SWP charges for the past 29 years. During that time, Richardson & Company, LLP has identified errors and adjustments that reduced Metropolitan's charges by \$294 million. Metropolitan is currently negotiating additional unresolved errors of \$143 million, including a projected \$115 million Water Systems Revenue Bond Surcharge item, in discussions with DWR. Richardson & Company, LLP also delivers detailed reports on the changes in Metropolitan's charges, the expenditures causing the changes, and provides technical support for protested charges and dispute resolution discussions.

Based on a recently concluded RFP No. 1238, staff proposes to award a contract to Richardson & Company, LLP to carry out the annual audit. Richardson & Company, LLP meets all of the requirements included in RFP No. 1238. Staff proposes a five-year contract period. A five-year period allows Metropolitan to obtain favorable rates for a longer period, reduces overall costs, and maintains continuity for monitoring of identified errors over a longer period.

Metropolitan staff evaluated respondent's qualifications to ensure compliance with the RFP's form and content requirements. The RFP solicitation, sent out to more than 700 prospective respondents, provided for minimum requirements and evaluation criteria in specific areas including:

- Organizational strength, areas of expertise, and number of years in business.
- Experience providing complex auditing services to large public agencies of comparable size and scope.
- Experience auditing activities of governmental agencies of the state of California within the past five years.
- Demonstrated experience and competence in preparing technical reports.

- Proposed staffing plan, qualifications and relevant professional licenses of team members.
- California Certified Public Accounting firm and participation in the American Institute of Certified Public Accountants peer review programs.
- Sacramento area office.

Richardson & Company, LLP is a small business and has 29 years of experience auditing SWP charges. Since 2001, Metropolitan has conducted five solicitations for SWP charges audit services. Richardson & Company, LLP was the successful respondent for each of those solicitations due to their specialized expertise in this area.

Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and 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 defined as a project under CEQA because it involves the creation of government funding mechanisms or 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).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to enter into a five-year contract with Richardson & Company, LLP for the required State Water Project related audit services commencing April 2020, in an amount not-to-exceed \$5.125 million.

Fiscal Impact: Average annual expenditure over the five-year contract is \$1.025 million. The total contract amount is not-to-exceed \$5.125 million during the five-year term of the agreement. These annual expenditures have been included in the proposed budgets for FY 2020/21 and FY 2021/22.

Business Analysis: The five-year option allows Metropolitan to obtain favorable rates for a longer period, is likely to have lower overall cost, and maintains continuity for settlement discussions and monitoring of identified errors over a longer period.

Option #2

Reject the recommendation to award the proposed contract for audit services and

- Direct staff to reissue the RFP; and
- Amend existing contract with Richardson and Company, LLP and extend contract through March 31, 2021, to allow reissuance of RFP.

Fiscal Impact: Dependent on new contract

Business Analysis: This option will result in reissuance of the RFP, delay in processing the new contract, and potentially higher costs.

Staff Recommendation

Option #1



Brad Coffey
Manager, Water Resource Management

2/19/2020

Date



Jeffrey Kightlinger
General Manager

2/24/2020

Date

Attachment 1 – RFP 1238 Scope of Services

Ref# wrm12675043