



● **Board of Directors**

Finance, Audit, Insurance, and Real Property Committee

4/11/2023 Board Meeting

7-11

Subject

Approve the award of a four-year contract for external audit services with Macias Gini O’Connell, LLP, for the not-to-exceed amount of \$1,600,090; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Action requests approval of a four-year contract with Macias Gini O’Connell, LLP to perform periodic independent audits of Metropolitan’s financial statements, single audit for federal grants, and trustee agency audits; 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 177666 with KPMG LLP expired with the completion of the fiscal year 2021/22 annual audit. External Audit Services Agreement 177666 comprised required audits, including the annual financial audit, single audit for federal grants, and trustee agency audits. The agreement also required an annual review of the Annual Comprehensive Financial Report.

Metropolitan issued Request for Proposal (RFP) for External Audit Services No. 1329 on October 5, 2022, for proposals to perform external audit services for the four fiscal years beginning July 1, 2022, and ending June 30, 2026. RFP 1329 stated that Metropolitan is seeking a qualified Respondent to examine Metropolitan’s annual financial statements in accordance with Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants, Government Auditing Standards promulgated by the Comptroller General of the United States, and any other audit principles relevant to public agencies in the state of California.

Eight proposals were received and reviewed by a panel of members from the Office of the Chief Financial Officer and the Office of the General Auditor, with technical support provided by a member of the Information Technology Group. The panel interviewed two respondents, selecting Macias Gini O’Connell, LLP as the most qualified candidate, and recommends the award of a four-year contract for annual audits commencing with the fiscal year ending June 30, 2023. The hourly billing rates and amounts payable per year by service are provided in **Attachment 1**. Amounts payable under the four-year contract will not exceed \$1,600,090.

Policy

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

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 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

Approve the award of a four-year contract for external audit services with Macias Gini O'Connell, LLP, for the not-to-exceed amount of \$1,600,090.

Fiscal Impact: \$1,600,090 during the four-year contract term

Business Analysis: Approval would enable Metropolitan to remain on schedule and compliant with the required annual financial statement audit, single audit for federal grants, and agency trustee audits for the fiscal year ending June 30, 2023.

Option #2

Reject the recommendation to award the contract to Macias Gini O'Connell LLP and issue another Request for Proposal

Fiscal Impact: Unknown

Business Analysis: This option would delay the execution of the required annual financial statement audit, single audit for federal grants, and agency trust audits, which may result in Metropolitan not meeting required annual financial statement filing requirements, impacting Metropolitan's bond rating and ability to execute transactions in the bond market, and the receipt and use of federal grant funds.

Staff Recommendation

Option #1



Scott Suzuki
General Auditor

3/30/2023
Date

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

Ref# [a12690108]

Macias Gini & O'Connell, LLP Fees Summary

Classification	Hourly Rate
Partner	\$450
Senior Manager	\$335
Manager	\$285
Supervisor	\$245
Senior Associates	\$215
Staff and Experienced Associates	\$165
Global Operations Center	\$135

Classification	Hourly Rate	Projected Hours	2023 Fees	2024 Fees	2025 Fees	2026 Fees
Partners	\$ 450	150	\$ 67,500	\$ 69,530	\$ 71,620	\$ 73,770
Senior Manager	\$ 335	250	\$ 83,750	\$ 86,260	\$ 88,850	\$ 91,520
Manager	\$ 285	200	\$ 57,000	\$ 58,710	\$ 60,470	\$ 62,280
Supervisor	\$ 245	200	\$ 49,000	\$ 50,470	\$ 51,980	\$ 53,540
Senior Associates	\$ 215	280	\$ 60,200	\$ 62,010	\$ 63,870	\$ 65,790
Staff and Experienced Associates	\$ 165	900	\$ 148,500	\$ 152,960	\$ 157,550	\$ 162,280
Global Operations Center	\$ 135	300	\$ 40,500	\$ 41,720	\$ 42,970	\$ 44,260
Subtotal		2,280	\$ 506,450	\$ 521,660	\$ 537,310	\$ 553,440
Less: MWD Internal Audit Assistance	\$ 155	(800)	\$ (124,000)	\$ (127,720)	\$ (131,550)	\$ (135,500)
Grand Total		1,480	\$ 382,450	\$ 393,940	\$ 405,760	\$ 417,940