



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

## **Report**

**Office of General Auditor**

### **Internal Audit Report for April 2022**

#### **Summary**

---

Two reports were issued during the month:

- 1. Quarterly Consulting and Services Contracts Review Report for Period Ending December 31, 2021**
- 2. Assistance to KPMG on Single Audit for the Fiscal Year 2021**

#### **Discussion Section**

This report highlights the significant activities of the Internal Audit Department during April 2022. In addition to presenting background information and the opinion expressed in the audit report, a discussion of findings noted during the examination is also provided.

---

### **Quarterly Consulting and Services Contracts Review Report for Period Ending December 31, 2021**

We reviewed the reports for consulting and routine services contracts for the period ending December 31, 2021, issued by the Chief Administrative Officer. This review included the Second Quarter Report of Professional Services Agreements (Professional Services Report) and the Report of Contracts for Equipment, Materials, Supplies, and Routine Services of \$250,000 or Above (Contracts Report) for the Second Quarter of the fiscal year 2021/22. The purpose of this review is to gain reasonable assurance that the information included in these reports is accurate, complete, timely, and in compliance with the Metropolitan Water District Administrative Code.

#### **PROFESSIONAL SERVICES AGREEMENTS REPORT**

##### **Background**

Administrative Code Section 2720(e)(2) requires that the General Manager report to the Organization, Personnel and Technology Committee on the employment of any professional and technical consultant, the extension of any professional and technical consulting agreement, and on the Exercise of Authority under Sections 8121(c) and 8122(h) during the preceding calendar quarter. The Administrative Code also requires the Professional Services Report to indicate when a consultant is a former Metropolitan employee. Administrative Code Sections 2721-2723 require the General Counsel, General Auditor, and Ethics Officer to report quarterly to their respective committee concerning any expert or professional service agreements executed pursuant to their authority under the Administrative Code.

The Professional Services Report is prepared on a quarterly and annual basis to comply with these Administrative Code requirements and identify those contracts administered by the General Manager, General Counsel, General Auditor, and Ethics Officer.

During the quarter ending December 2021, the Professional Services Report disclosed that \$23.39 million was paid for consulting and professional services. We compared the amounts expended on professional services during this quarter against the prior fiscal year's second quarter and noted a decrease of \$2.92 million.

It should be noted that totals reported under the General Counsel's authority exclude payments related to the San Diego County Water Authority litigation, which is accounted for under the Self-Insurance Retention Fund.

For the quarter ending December 2021, 36 of 387 agreements were sole-sourced, totaling \$2,252,313. This represents 10% of total fiscal year-to-date expenditures for the fiscal year 2021/22. We also noted that 118 of 387 agreements were small purchases of less than \$74,999, totaling \$890,644. See tables below for detail:

### **Fiscal Year 2021/22**

Fiscal Year-to-Date	General Manager	General Counsel	General Auditor	Ethics Officer
Contract Expenditures	\$22,679,952	*\$555,693	\$460,423	\$246,180
Active Agreements	357	160	1	1
Agreements Terminated	28	8	-	-

\* For agreements with transactions during the current fiscal year.

Govt. Agencies	RFP	RFQ	Small Purchases	Sole Source	Total**
\$186,911	\$11,378,550	\$8,678,136	\$890,644	\$2,252,313	\$23,386,554
9	47	177	118	36	387
1%	49%	37%	4%	10%	100%

\*\*Total does not include General Counsel Expenditures

### **Testing Procedures Performed**

Our procedures included a cursory review of the reasonableness of the professional service expenditures and an analysis of consultants with multiple active agreements to determine whether an agreement was split into smaller contract amounts to circumvent established approval limits. We also evaluated whether statistics in the Professional Services Report were adequately supported and assessed the timeliness of board reporting.

### **Testing results**

Our review did not reveal any agreements that appeared to be unreasonable or split to override established approval limits. In addition, our review did not reveal any material differences between the reported amounts and supporting documentation. Finally, we noted the Professional

Services Report for the quarter ending December 2021 was issued to the Board on March 8, 2022.

## **CONTRACTS FOR EQUIPMENT, MATERIALS, SUPPLIES, AND ROUTINE SERVICES OF \$250,000 OR ABOVE REPORT**

### **Background**

Administrative Code Section 2720(e)(2) requires that the General Manager report quarterly to the Organization, Personnel and Technology Committee on the execution of any contract authorized under Section 8122(g) – Contracts for Equipment, Materials, Supplies and Routine Services. Section 8122(g) states: “The General Manager may execute contracts for the purchase of materials, supplies, other consumable items such as fuels, water treatment chemicals, materials for construction projects and other bulk items, and for routine services such as waste disposal and maintenance services, which are generally identified in the budget, regardless of dollar value, provided that sufficient funds are available within the adopted budget for such materials, supplies, and routine services.”

During the quarter ending December 31, 2022, the Contracts Report disclosed eight contracts that fit these criteria. We noted the total maximum amount payable for these contracts was \$16.23 million. Four of these contracts were awarded as a result of competitive bidding under Administrative code section 8140 – Competitive Procurement; one was a cooperative agreement, whereas three were sole-sourced.

### **Testing Procedures Performed**

Our procedures included a cursory review of the reasonableness of expenditures. We also verified that all contracts of \$250,000 or more for specified items were included in the Contracts Report and adequately supported. Further, we reviewed sole-source agreements for justification and approval. Finally, we assessed the timeliness of board reporting.

### **Testing results**

Our review did not reveal any discrepancies between contracts and amounts shown in the Contracts Report and supporting documentation. We also noted that the policies and procedures for competitive bidding and sole source agreements are in place. Finally, we noted the quarter ending December 31, 2022 Contracts Report was issued to the Board on March 08, 2022.

---

## **Assistance to KPMG on Single Audit for the Fiscal Year 2021**

We began work on the assistance to the external auditors on the Single Audit Report per the terms of the KPMG contract.

The Single Audit, previously known as the OMB Circular A-133 audit, is the primary tool federal agencies use to provide oversight for awards made to non-federal entities. The Audit

encompasses a comprehensive financial statement and federal awards examination that Metropolitan must complete each year in which the District expends \$750,000 or more in federal funds. The Audit ensures the District uses the federal funds appropriately and complies with each grant award's applicable requirements and regulations. KPMG anticipates issuing the results of the Single Audit in May.