

File Number

06-0740-s1

Last Changed Date

05/30/2007

Title

CH2MHILL AGREEMENTS / DWP / MISMANAGED EXPENDITURES

Initiated by

Huizar Mover 2007 / Greuel

Subject

Motion - An audit conducted by the Board of the Department of Water and Power (DWP) recently reported that the DWP and its contractor, CH2MHill, mismanaged project costs associated with the contractor's work in the Owen's Valley. CH2MHill had been hired by the Department in the late 1990's to mitigate dangerous dust levels emanating from the dry lake bed of Owen's Lake. The Lake had been dry since the 1930's as a result of the City diverting water from the region to support its growth needs.

The audit showed that the firm had been awarded \$106 million to conduct work related to the Lake and that it likely overcharged the Department approximately \$4.5 million. The audit found that the \$4.5 million in unnecessary costs were related to excessive project mark-ups, charges for unauthorized work and double billings. It also stated that the Department's lax billing controls contributed to the problem, as well as not seeking competitive bids for any additional work.

It is critical that Board's audit findings be reviewed by the City Council in order to fully understand the matter and assess options for recovering any inappropriate expenditures under the CH2MHill agreements. Additionally, the DWP should report to the Council on mechanisms it will employ to ensure that future contractor expenditures are carefully monitored and controlled.

THEREFORE MOVE that the Department of Water and Power report to the Audits and Governmental Efficiency Committee in 30 days relative to its audit findings of mismanaged expenditures associated with the CH2MHill agreements pertinent to the Owen's Lake dust mitigation efforts.

FURTHER MOVE that the Department of Water and Power concurrently report on its efforts to recover unnecessary expenditures associated with the CH2MHill agreements, and mechanisms it will put in place to ensure that future contractor expenditures are closely monitored.

REFER TO COUNCIL FILES 05-2252 AND SUPPLEMENTS

Date Received

05/30/2007

File History

- 5-30-07 - This day's Council session
- 5-30-07 - Ref to Audits and Governmental Efficiency and Energy and Environment Committees
- 5-30-07 - File to Audits and Governmental Efficiency Committee Clerk