


REPORT FROM

OFFICE OF PUBLIC ACCOUNTABILITY

Date: September 24, 2019

To: The Board of Water & Power Commissioners
Martin L. Adams, General Manager & Chief Engineer, Department of
Water & Power

From: Frederick H. Pickel, Ph.D., Executive Director/Ratepayer Advocate

Reference: Annual Audits By An Audit Firm
Agenda Item #__ 

RECOMMENDATIONS

OPA recommends that the Board of the Department of Water & Power (DWP) direct the management to conduct a nationwide Request for Information, and seek an appropriately skilled municipal utility team for audit services.

DISCUSSION

The DWP has for 6 years informed OPA that no other accounting services firm are locally available and appropriate for its accounting needs. OPA does not agree; however, cultivating other options has not been successful after a substantial amount of time and effort.

In OPA's opinion, the issue before the Board is not what minimum standard will achieve compliance with California law. Rather, if the Board and management wish to be even more credible in the public's opinion, the question is how the Department of Water & Power can strengthen its accounting and become the best in its practice of rotating accounting firms.

With that goal in mind, OPA recommends that DWP concede that the resources it wants will need to be brought to its location. DWP is one of the largest publicly owned water and power utilities in the nation. It is 16th in revenue of approximately 3,000 U.S. power utilities. DWP should do a nationwide RFI, and indicate a willingness to compensating travel expenses fairly. Given the extremely long time with one accounting firm, it is not surprising that other viable

competitors do not consider there to be truly any opportunity to service DWP, and are discouraged from responding to solicitations.

If there are problems with the form of agreement for these services, the Board should be presented with the options for revising its agreement to be more in line with what service providers will accept.

Because of the discouragement of competitors, the inflexibility of DWP procurement, and the failure of over five years of good faith effort to develop other options, it may be useful to consider assembling a group of City experts. These could work with Chief Financial Officer and recommend to the Board further changes to how DWP procures of accounting services, both for the annual audit and for specialties the internal auditor may need rarely.

Increased effort to change auditors is overdue.

cc:

The City Council Committee on Energy, Climate Change & Environmental Justice

The Honorable Eric Garcetti, Mayor

Sharon Tso, Chief Legislative Analyst

Richard H. Llewellyn, City Administrative Officer