

April 5, 2018

Ms. Cheryl Johannes, Manager
Office of Organizational Performance & Accountability
3900 Main St. 7th Floor
City of Riverside, CA 92522

Dear Ms. Johannes:

We are pleased to present the results of our performance audit of the Riverside Public Utilities (RPU) Overtime for Dispatch and Troubleshooters. The objectives of our engagement were to identify (1) any potential fraud or abuse related to overtime earnings by 10 specific employees in the RPU that may have occurred during the period from January 1, 2012 through December 31, 2016, and (2) any lack of internal controls related to authorization of said overtime.

To meet the objectives of the audit, Macias Gini & O'Connell LLP (MGO) interviewed approximately 20 City employees (which included City and RPU line, management, and executives) and an International Brotherhood of Electrical Workers' labor representative, Local #47. MGO also reviewed and tested 96 percent of overtime data for the 10 employees under review for calendar years (CY's) 2015 and 2016, and used a testing criterion of a 90 percent confidence level for overtime that occurred in prior years (CY's 2012 through 2014). In addition, MGO also reviewed other payroll data, policies and procedures, budget data, and timesheets; performed data and model analyses; and conducted physical observations of RPU timekeeping information systems. The results of our audit are as follows:

- Overall, MGO found that RPU relied on increasing levels of overtime to meet its operational needs without adjustments to existing staffing levels.
- Audit testing found no evidence to support the conclusion that employee compensation was obtained by either creating overtime where none was needed, or submitting timekeeping records for overtime not worked; however, we found internal controls specifically surrounding overtime monitoring were not in place.
- Since the time period covered by the audit, we noted the City and RPU have hired additional staff, and made significant improvements to strengthen internal controls, such as new policies and procedures, and implemented overtime monitoring procedures.

We thank you for the opportunity to serve you and appreciate those at RPU and the City that participated in this project.

Sincerely,

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Macias Gini & O'Connell LLP