



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MARCH 11, 2019

ITEM NO: 14

SUBJECT: ACTION PLAN UPDATE FOR THE FISCAL YEAR 2016 PERFORMANCE ASSESSMENT AND FINANCIAL EXPENDITURE AUDIT OF RIVERSIDE PUBLIC UTILITIES BY BAKER TILLY AND ORGANIZATIONAL ASSESSMENT BY HOMETOWN CONNECTIONS

ISSUE:

Receive and file an update on the action plans for the Public Utilities Department Fiscal Year 2016 Performance Assessment and Financial Expenditure Audit by Baker Tilly and Organizational Assessment by Hometown Connections.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Receive and file an update on the action plans for the Fiscal Year 2016 Performance Assessment and Financial Expenditure Audit of the Public Utilities Department performed by Baker Tilly;
2. Receive and file an update on the action plan for the Fiscal Year 2016 Organizational Assessment of the Public Utilities Department performed by Hometown Connections; and
3. Direct staff to return to the Board of Public Utilities in one year with a status update on the Action Plan in response to the Fiscal Year 2016 Performance Assessment and Financial Expenditure Audit of the Public Utilities Department performed by Baker Tilly.

BACKGROUND:

On April 25, 2016, the Public Utilities Board (Board), with seven members present, unanimously received an Organizational Assessment (Assessment) of the Public Utilities Department performed by Hometown Connections.

On July 25, 2016, the Board, with six members present, unanimously recommended that the City Council review the findings and recommendations of the Public Utilities Department Performance Audit and Financial Review of Expenditures (Audit) performed by Baker Tilly for the three-year period ending June 30, 2015, receive staff's initial assessment of the findings and recommendations, and direct staff to return in September 2016 with an Action Plan.

On July 26, 2016, the City Council received the findings and recommendations of the Public Utilities Audit, received the initial assessment of the findings and recommendations, and directed staff to return in September 2016 with an Action Plan.

On September 26, 2016, the Board, with six members present, unanimously recommended that the City Council receive and provide input on the Action Plan to implement recommendations from the Audit, and direct staff to return in six months with a status update on the Action Plan. The Board also received and provided input on the Action Plan to implement recommendations from the Assessment and directed staff to return in six months with an update on the Action Plan. Many of the recommendations from the two (2) evaluations overlapped.

On October 25, 2016, the City Council received the Action Plan to implement recommendations from the recently presented Audit and directed staff to return in six months with a status update on the Action Plan.

The last action plan updates were provided to the Board and City Council on October 23, 2017 and November 28, 2017, respectively.

DISCUSSION:

Overall, 53.8% of the recommendations/implementation plans from the Audit and Assessment completed by Baker Tilly and Hometown Connections respectively have been completed; up 11.1% since the last Board update in October 2017.

Baker Tilly – Performance Assessment and Financial Expenditure Audit

Baker Tilly had 53 recommendations from the Audit. A total of 21 recommendations have been addressed. Since the last Board update, six (6) have been completed including:

1. Audit Item F1, which recommended that the City update its policies and procedures related to purchasing. A revised Purchasing Resolution was approved by City Council in December 2017.
2. Audit Items P39 – P42 are all related to recycling of scrap metals. Following a competitive bid process, Riverside Recycling was selected as the scrap metal vendor. The Public Utilities Department coordinates with the Finance Department/Purchasing Division on disposition of all scrap metals.
3. Audit Item P43 recommended that a tracking database be implemented for formal reporting of the Utility 2.0 Strategic Plan. In response, Energy and Water Delivery are now utilizing TRACS to track capital projects with dollars spent updated daily and project status and new projects added on a monthly basis.

The Finance Department recognized that the cost of items and services have continually increased over the years and have addressed department concerns by providing them with the ability to respond to procurement requests in a timely fashion, while remaining in compliance with City policies and procedures. This was achieved by updating the Purchasing Resolution which has increased efficiencies for departments by allowing them to procure services/goods of \$10,000 or less through a single vendor/contractor without requiring the formal procurement process.

Going forward, staff focus will be on the 23 recommendations in progress and summarized in Attachment 1. Several of the recommendations are dependent upon other City departments to complete. RPU will work closely with the necessary departments and follow-up regularly to determine progress. Some of the recommendations in progress include the following:

1. Several audit items, including P10, recommend that a formal asset management policy be developed. The bidding process is complete and Westin has been selected to work on Phase 1 of the Electric Asset Management Program that is estimated to take 12 months. A formalized policy for both Electric and Water will be completed following implementation.
2. Several audit items refer to the financial system, IFAS, which was upgraded to ONESolution in December 2018. The Innovation and Technology (IT) and Finance Departments are working on

remaining items as a part of the transition and identifying additional reporting opportunities that may be available within the financial system.

3. Several audit items, including P34, recommend the use of a UWAM storeroom. A project team has been created and has completed an assessment of inventory levels in conjunction with Central Stores. Currently, procedures are being developed for stock transfer, cycle counting, and purchasing guidelines.

There are nine (9) recommendations that require more research and planning as the action plans call for additional staffing, updated technology systems and software, or updated policies. For example, Audit Item P1 recommends that the paper process for routing of accounts payables/receivables be completed through an electronic workflow that would create efficiencies by reducing paper processing and the need to enter the same data into multiple systems. The City's financial system does not currently have the capability to address this recommendation.

However, the IT and Finance Departments have recently implemented an upgrade from IFAS, the City's financial system, to a newer operating system, ONESolution, which was completed in December 2018. It is unclear what system capabilities are available in ONESolution. The newer operating system may have additional features available to address this recommendation but it will not be known until full implementation of the system.

Staff will return to the Board in the first quarter 2020 with a status update on the Action Plan in response to the Fiscal Year 2016 Performance Assessment and Financial Expenditure Audit of the Public Utilities Department performed by Baker Tilly.

Hometown Connections – Organizational Assessment

Hometown Connections had 64 recommendations from their Assessment. A total of 42 recommendations have been addressed. Since October 2017, an additional six (6) recommendations have been completed including:

1. Audit Item 2 which recommended changes to the utility bill for modernization, as well as historical comparison usage. The utility bill has been redesigned.
2. Audit Item 20 which recommended an overall electric distribution system study tied to the five-year CIP. The Electric System Master Plan was updated in August 2018.
3. Audit Item 21 which recommended that Utility 2.0 provide the necessary financial and manpower resources to change the trajectory of system renewal. A comprehensive resource plan based on the electric rate plan and Utility 2.0 was completed in June 2018.
4. Audit Item 23 which recommended that staff evaluate methods to minimize the total life-cycle cost, including losses, for the electric system. The Electric System Master Plan was completed and issued in August 2018.
5. Audit Item 47 which recommended more frequent and smaller rate increases versus less frequent and larger rate increases. This was addressed in the approved water and electric rate plan.
6. Audit Item 54 which recommended full implementation of the new CIS/billing system. The CIS Closure Plan was completed in September 2018.

Going forward, staff focus will be on the 14 recommendations in progress and summarized in Attachment 2, including the following:

1. Audit Item 6 which recommends staying on top of utility messaging and seeking feedback from customers and stakeholders. Staff is working on appropriate questions to initiate the customer engagement survey for actionable responses. Staff is working with the Community and Economic

Development Department on inclusion of a fiber business plan in all future economic development outreach.

2. Audit Item 9 which recommends a more proactive economic development recruitment process for new business customers.
3. Audit Item 25 which recommends expansion of the GIS system. The RFP was issued and a project team has been assigned with IT as the lead department. This was approved by the Board and City Council in December 2018 and January 2019, respectively.

There are Eight (8) recommendations that require more research and planning as the action plans call for additional staffing or a revised budget. For example, Audit Item 56 recommends a comprehensive Outage Management System. Funding was not identified under the current electric rate plan. Therefore, as an initial step, staff is working with IT to develop an internal notification system.

The audit and assessment have both been valuable tools that have revealed areas where RPU can make operational improvements and efficiencies.

FISCAL IMPACT:

There is no fiscal impact associated with the receipt of the Action Plan updates at this time.

Prepared and
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Attachments:

1. Baker Tilly Action Plan
2. Hometown Connections Action Plan
3. Presentation