



# FORENSIC REVIEW OF THE CITY OF RIVERSIDE PARTICIPATION IN THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

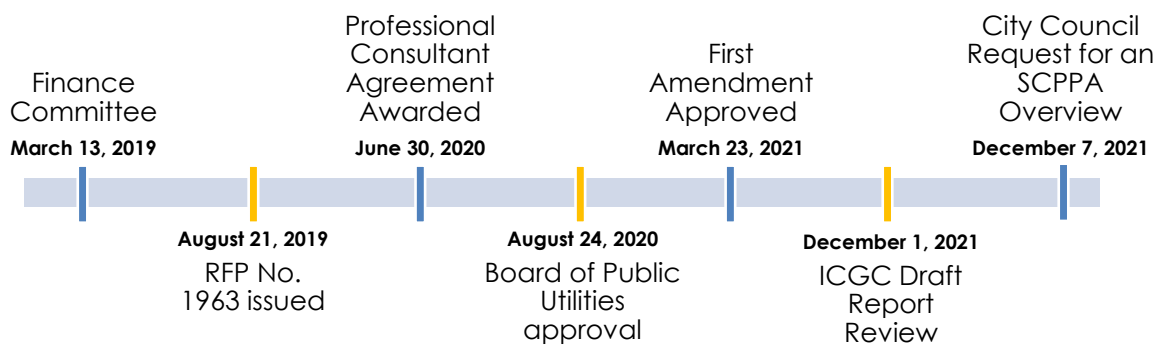
**City Manager's Office**

**City Council**  
June 21, 2022

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## BACKGROUND



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## DISCUSSION

- Expanded scope of services for Public Input – Call for Public input
- On January 11, 2022, City Council received and filed an update on the Public Utilities Department participation in SCPPA
- Public Respondent Interview



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## DRAFT REPORT

- On November 17, 2021, staff received a draft forensic report
- On November 18, 2021, staff identified several points of clarification and edits that needed to be made to the report
- On December 1, 2021, staff conducted the editing process in a public forum at the ICGC meeting



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## CITY OF RIVERSIDE

Forensic Review of City of Riverside's Participation in Southern California Public Power Authority ("SCPPA")  
June 2022 Update

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## PRESENTERS



**Brandon Waldren**, CPA, CFE, CFI  
Senior Manager



**Kaustuv Chakrabarti**, CFE, CFA  
Manager



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## SCOPE OF THE ENGAGEMENT

- Conduct interviews with City Council Members, the City Manager, the Public Utilities General Manager, and the Chief Financial Officer to discuss any concerns regarding SCPPA-related matters.
- Review and analyze SCPPA resolutions and associated documents that include participation with Riverside, from January 1, 2009, through December 31, 2018 (the “review period”).
- Review and analyze expenses paid by Riverside for contracts authorized under SCPPA for the review period.
- Analyze previously presented SCPPA audits to verify the information provided and conclusions reached and determine if the reports were appropriate at the time they were provided to the City Council.
- Assist Riverside with distributing a call for public input related to this engagement and conduct interviews with the respondent who provided input.



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## PUBLIC COMMENTS PROVIDED IN RESPONSE TO CALL FOR PUBLIC INPUT AND DURING FOLLOW-UP INTERVIEW PROCESS

- Riverside distributed a call for written public input related to this engagement through social media, to which one respondent provided comments in three main areas.
- Our scope for this engagement was later expanded to include two follow-up interviews with this respondent to document all respondent concerns, including those not submitted in the response to the call for written public input, and provide a summary of these concerns to the City Manager to determine if further investigation would be needed to identify facts to refute or support the concerns.



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## MATERIAL UPDATE TO REPORT BASED ON RESPONDENT INTERVIEWS

- We made one material update to the report based on the interviews with the respondent:
  - Various City Council resolutions were effective at different times throughout the review period.
  - Resolution No. 20943, which refers to the Administrative Manual, sets monetary limits of authority to enter into contracts of \$50,000 needing City Council or RPU approval for professional services. Sec 1202.b of the Riverside Code of Ordinances states RPU has authority for contracts over \$50,000.
  - Prior to the use of task orders in 2017, the City Council approved the creation of new energy efficiency programs and also approved Riverside's annual or biennial budget, which included budgets for numerous line items, including energy efficiency programs.
  - At times, RPU also sent letters of authorization to SCCPA requesting SCCPA retain the services of a particular energy efficiency vendor that SCCPA had already selected for authorized dollar amounts.



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## MATERIAL UPDATE TO REPORT BASED ON RESPONDENT INTERVIEWS (CONTINUED)

- We note that prior to the use of task orders in 2017, for energy efficiency services we did not observe the City Council providing approvals for spending subsequent to approving the creation of the program and its approval of the annual budget. It should be noted that SCCPA was the entity executing the contracts on behalf its members. As a result, it is unclear to us as to whether this approval process should have been followed for these contracts given SCCPA was executing the contracts.
- In addition to the approvals mentioned above, beginning in 2017, Riverside began to also use task orders for energy efficiency services. For energy efficiency contracts, starting in 2017 and the use of task orders, the RPU Board recommended the City Council approve a task order, followed within a month or two by the City Council approving the task order.



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## CONCERNS RAISED BY RESPONDENT OUTSIDE SCOPE OF ENGAGEMENT

- At Riverside's request, we list the remaining concerns along with an estimate of hours and fees, where possible, that would be required to address those concerns.

Item	Respondent's Assertions 1/	Tasks	Estimated Hours	Estimated Fees
1	The City Council was not approving energy efficiency contracts prior to 2017. The signatures were actually being provided by SCPPA.	Interview individuals signing the approvals.	40	\$10,000
2	The former City Attorney was allowing fraud to occur by not speaking out against the spending limits. This process was shut down in 2016/2017, which is a de facto admittance.	Outside the scope of forensic accounting services.		
3	City Finance was not doing a proper review of the payments before they were going out. This was verified by the current CFO, who also postulated that RPU Finance was rubber stamping approvals of invoices. It's not clear that RPU Finance was even reviewing the resolutions that were listed on the invoice and payment documents.	Interview current CFO and others within RPU Finance and City Finance (current and former) to understand process, internal controls, and review appropriate documentation, as necessary.	100	25,000
4	The SCPPA JPA allows for power and transmission projects only. The fact it doesn't specifically disallow other services does not mean it allows those services to be procured. A former City Attorney will confirm what I'm saying is true. The current City Manager agrees that energy efficiency, internship, and lobbying programs are not allowed.	Outside the scope of forensic accounting services.		
5	Outside counsel, or legal opinions prior to 2015, when I brought up this issue, should have been obtained. After that time any staff reports and legal opinions would be worthless since it was after my accusation and these subsequent opinions would be covering up for past actions.	Outside the scope of forensic accounting services.		

1/ The assertions listed in this table reflect our understanding of the assertions made by the respondent during the two follow-up interviews and are being provided here at Riverside's request. By doing so we are not implying agreement with the assertions.



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## CONCERNS RAISED BY RESPONDENT OUTSIDE SCOPE OF ENGAGEMENT (CONTINUED)

Item	Respondent's Assertions 1/	Tasks	Estimated Hours	Estimated Fees
6	Most of these other types of services are being inappropriately billed through the Palo Verde Contract.	Request from City of Riverside detailed invoices and conduct interviews with Riverside, SCPPA, and vendors for a sample of lobbying, internship, and other services billed through the Palo Verde contract.	60	15,000
7	Just because something is in the City's budget doesn't mean it's okay if it's still not allowed under the SCPPA JPA. For instance, in that case, the former General Manager could have done anything as long as it was in the budget. Also, the budgets may have carve-outs for SCPPA-specific projects.	Outside the scope of forensic accounting services.		
8	Staff reports were manipulated by the former General Manager and former City Attorney. Just because the staff reports were received and filed, does not mean that what they were doing was okay or that the City or Council agreed with what was in them. In addition, there should be a RPU Board Memo stating that it approved it before it went to City Council. There is no sign of proof from the RPU Board.	Outside the scope of forensic accounting services.		
9	The notion that energy efficiency is a generation resource is "garbage." Energy efficiency is not a generation resource, it's not a power plant, it's not a transmission line.	Outside the scope of forensic accounting services.		
10	The author of a 2019 report questions why human resource investigations are being run through SCPPA.	Outside the scope of forensic accounting services.		

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## CONCERNS RAISED BY RESPONDENT OUTSIDE SCOPE OF ENGAGEMENT (CONTINUED)

Item	Respondent's Assertions 1/	Tasks	Estimated Hours	Estimated Fees
11	Internships were provided to the children of two individuals associated with Riverside and SCPPA without the internships being posted to the public and interviews conducted. These interns hardly ever showed up to work.	Conduct a review of the internship program. Interview current and former individuals at SCPPA and City of Riverside. Obtain internship program documents to identify interns, relationships to employees, process used in selection process, and work done as interns.	120	30,000
12	The prior audit was forged by a particular individual.	Outside the scope of forensic accounting services.		
13	The LADWP investigation has revealed that a former General Manager was using family members' contact information as runners. Not sure if this was happening at RPU.	Outside the scope of forensic accounting services.		
14	I was told MBMC was called in to write policy on procurement system related to resource adequacy, which is not true.	Interview the individuals who performed the work and review the contract information through SCPPA.	60	15,000
15	Any SCPPA rate that is more than \$0.19 per kilowatt is overpriced.	Recommend asking SCPPA to conduct a rate study.		
16	Lime Energy was charging \$2,000 to change light bulbs at businesses.	Conduct interviews and obtain documentation on Lime Services and appropriateness of charges.	60	15,000

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## CONCERNS RAISED BY RESPONDENT OUTSIDE SCOPE OF ENGAGEMENT (CONTINUED)

Item	Respondent's Assertions 1/	Tasks	Estimated Hours	Estimated Fees
17	Was SCPPA performing a bidding process every year or just at the beginning of the contract or not all?	Review SCPPA Board minutes, bidding documentation and conduct interviews to verify bid process.	60	15,000
18	You may want to consider adding to the scope. It would be good for the City to see overhead at SCPPA and how it's grown since 1980. My guess is we will see rapid expansion of SCPPA overhead and billing due to increased scope since the time of the charter. It would show why SCPPA would go along with it, since it's like building kingdoms, in that the more people the CEO can say is in the organization and he is overseeing, the more compensation he gets.	Conduct analysis of SCPPA overhead expense over time.	80	20,000

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## STRATEGIC PLAN ALIGNMENT

**Strategic Priority No. 5 – *High Performing Government***

**Goal No. 5.3** – Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision-making.

**Cross-Cutting Threads**

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Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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## RECOMMENDATIONS

That the City Council:

1. Receive and file a report from Eide Bailly, LLP on the Forensic Review of the City of Riverside's Participation in the Southern California Public Power Authority;
2. Determine whether to retain forensic accounting services to investigate Respondent's assertions at an estimated cost of \$145,000; and
3. Determine whether to obtain outside counsel to investigate Respondent's assertions found outside of the Forensic Review scope of work at an estimated cost to be determined.



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