

Memorandum

City of Arts & Innovation

TO: LEE McDOUGAL, INTERIM CITY MANAGER

DATE: March 23, 2015

FROM: CHERYL JOHANNES, INTERNAL AUDIT MANAGER

**CC: STEVE BADGETT, INTERIM ASSISTANT CITY MANAGER
DEANNA LORSON, ASSISTANT CITY MANAGER
AL ZELINKA, ASSISTANT CITY MANAGER
GIRISH BALACHANDRAN, PUBLIC UTILITIES GENERAL MANAGER
KRISTI SMITH, INTERIM CITY ATTORNEY**

SUBJECT: Gary Nolff Professional Consultant Services Agreement

At the request of the Interim City Manager, we have completed a review of payments made to date by the City of Riverside directly or indirectly to Gary Nolff, retired Riverside Public Utilities Assistant General Manager/Resources and currently the principal of ENERGY MANAGEMENT LLC.

BACKGROUND

Mr. Gary Nolff served the City of Riverside for 21 years; at the time of his retirement from Riverside Public Utilities (RPU) December 23, 2011, he was the Assistant General Manager/Resources.

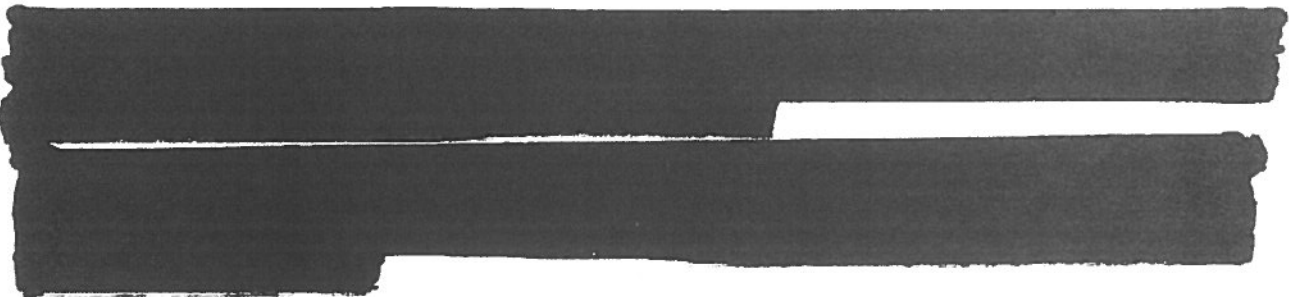
[REDACTED] In November 2012 the City retained Mr. Nolff, dba as ENERGY MANAGEMENT LLC, for consulting services. The Professional Consultant Services Agreement (PSA) entered into with ENERGY MANAGEMENT LLC and approved by then RPU General Manager, David Wright, was for the total sum not to exceed (NTE) \$25,000, for a term of one year. Services were to be rendered on a time and material basis at an hourly rate of \$200. Payments were to be made in accordance with the City's standard accounting procedures upon receipt and approval of an itemized invoice. The expenditures were funded by RPU.

[REDACTED]

FINDINGS

To date the City has remitted \$104,807 directly to Mr. Nolff/ENERGY MANAGEMENT LLC and \$105,095 indirectly via BB&K; total to date, \$209,902 for consulting services. (Refer to the attached detailed chart of expenditures.)

The PSA in the amount NTE \$25K with Mr. Nolff/ENERGY MANAGEMENT LLC was *not amended* once the invoices exceeded the agreement amount of \$25K. Monthly payments for invoices referencing the PSA continued through 2013, with RPU management authorization/approval. Payments directly from the City of Riverside to Mr. Nolff/ENERGY MANAGEMENT LLC ended with the December 2013 invoice.



SUMMARY

RPU management and the CAO acknowledge that the initial PSA in the amount of NTE \$25K with Mr. Nolff/ENERGY MANAGEMENT LLC should have been amended once monthly invoices surpassed the consulting agreement amount. *Internal Audit will be reviewing the citywide PSA process in the coming months and make recommendations based on our findings at that time to improve internal controls.*


The CAO is in the process of formalizing litigation engagement letters/agreement procedures with the various approved panel of law firms. *Implementation of web-based document management system/application (on a secure server) to manage and store litigation and client documents in one central location would improve internal controls and provide for more efficient access and retrieval of information within various case files.*

Should you have any questions regarding this review and assessment, please feel free to contact me.

- Cheryl
X5688

TO DATE EXPENDITURES ~ G. Nolff dba ENERGY MANAGEMENT LLC

RPU PSA with ENERGY MANAGEMENT LLC (G Invoice Date	Services Provided	Payment Date	Amount \$
NTE \$25K dated Nov. 6, 2012	12/03/2012 November 2012 consulting ser	12/28/2012	5,630.00
Approved by RPU GM, Dave Wright	01/03/2013 December 2012 consulting ser	02/01/2013	2,400.00
Consulting - expert witness for matters	02/07/2013 January 2013 consulting servic	04/05/2013	2,920.00
related to SONGS	03/02/2013 February 2013 consulting serv	03/29/2013	6,879.66
	04/02/2013 March 2013 consulting service	04/26/2013	3,860.00
	05/02/2013 April 2013 consulting services	05/24/2013	2,300.00
	07/02/2013 May 2013 consulting services	07/12/2013	8,500.35
	07/02/2013 June 2013 consulting services	07/19/2013	3,541.99
	08/01/2013 July 2013 consulting services	08/16/2013	7,860.00
	09/03/2013 August 2013 consulting service	09/20/2013	7,260.00
	09/03/2013 August 2013 invoice correctior	10/25/2013	106.56
	10/02/2013 September 2013 consulting ser	10/25/2013	10,613.60
	11/03/2013 October 2013 consulting servic	11/15/2013	14,877.36
	12/04/2013 November 2013 consulting ser	12/20/2013	15,139.84
	01/02/2014 December 2013 consulting ser	01/17/2014	12,917.38
	TOTAL		\$ 104,806.74

			
02/04/2014	January 2014 consulting services		7,289.77
03/01/2014	February 2014 consulting services		9,517.48
04/01/2014	March 2014 consulting services		6,028.31
05/01/2014	April 2014 consulting services		15,106.72
06/01/2014	May 2014 consulting services		14,503.60
07/02/2014	June 2014 consulting services		5,387.04
08/01/2014	July 2014 consulting services		11,366.72
09/02/2014	August 2014 consulting services		11,235.52
10/01/2014	September 2014 consulting services		5,483.52
11/04/2014	October 2014 consulting services		7,286.10
12/04/2014	November 2014 consulting services		2,420.32
01/05/2015	December 2014 consulting services		4,737.92
02/09/2015	January 2015 consulting services		4,732.00
	TOTAL		\$ 105,095.02
TOTAL EXPENDITURES to date			\$ 209,901.76