



Financial & Performance Audit Program Contract

City Manager's Office

**Board of Public Utilities
November 20, 2015**

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BACKGROUND

- On July 28, 2015, the City Council endorsed the City Manager's Financial and Performance Audit Program
- Five-year, rotating comprehensive and independent financial and performance audits of all departments
- Riverside Public Utilities is in the first round



2

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BACKGROUND

- On August 7, 2015, the Board made recommendations to City Council regarding the scope of the audits
- On August 11, 2015, the City Council approved the scope of services
- On September 9, 2015, RFQ 1547 was issued to seek proposals



3

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REVIEW OF PROPOSALS

Six firms responded to the request for qualifications for the Public Utilities Department:

Firm	Financial	Performance
Baker Tilley, Madison, WI	X	X
Harvey M Rose Associates, LLC, San Francisco, CA	X	X
Leidos Engineering, LLC, Granite Bay, CA		X
Matrix, Mountain View, CA	X	X
Navigant Consulting, Inc., Los Angeles, CA	X	X
Vasquez & Company LLP, Los Angeles, CA	X	X



4

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REVIEW OF PROPOSALS

- A panel of City experts reviewed all proposals, evaluated the responses, the quality of the proposals and the pricing
- The panel determined that efficiencies would be gain by hiring a single firm for each department for both the financial and performance audits
- Two firms were interviewed for Public Utilities
- Staff recommends awarding the contract to Baker Tilly for an amount not to exceed \$135,000



5

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SCOPE OF SERVICES

The financial audit will include:

- A review of financial transactions from FY2013, FY2014 and FY2015
- Testing of financial transactions for accuracy, consistency with policies, compliance, adequate documentation, and appropriate business purposes



6

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SCOPE OF SERVICES

The financial audit deliverables:

1. Summary of transactions tested by area
2. Exceptions found
3. Statistical extrapolation of the review to the population
4. Comments on internal controls
5. Recommendations for any control improvements



7

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SCOPE OF SERVICES

The performance audit will include :

- Systematic, in-depth audits of the performance of the department, its programs, activities and functions
- An evaluation of appropriate decision-making authority, effectiveness, efficiency, best practices, and compliance with policies, laws and regulations
- Comparison of best practices in the industry for comparably sized/complex organizations



8

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SCOPE OF WORK

The performance audit deliverables:

1. Process maps documentation of controls reviewed
2. Weaknesses in processes & controls
3. Recommendations for process improvement
4. Comparison to industry best practices
5. Presentation to management and governing bodies



9

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TIMELINE

1. Commencement in January 2016
2. Draft audits for review by April 15, 2016.
3. Anticipate presenting the final audits to the Board of Public Utilities on June 17 and the City Council on June 21, 2016.



10

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BAKER TILLY QUALIFICATIONS

- Public Sector and Energy and Utilities teams with 80 professionals dedicated entirely to serving only users and providers of public sector and energy and utility services
- Energy and Utilities team currently provides assurance and risk advisory services to nearly 400 utilities
- More than forty years of experience
- Specialization allows for deeper understanding of issues faced by the energy and utility industry



11

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FISCAL IMPACT

Funds are available in the RPU budget for an amount not to exceed \$135,000



12

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RECOMMENDATION

That the Board of Public Utilities:

1. Approve the expenditure of \$135,000 for the financial and performance audits;
2. Recommend that the City Council approve a Professional Services Agreement with Baker Tilly, in an amount not to exceed of \$135,000 to conduct a financial and performance audit of Riverside Public Utilities; and
3. Recommend that the City authorize the City Manager, or his designee, to execute the Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transactions.



13

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