



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 1, 2015

FROM: CITY MANAGER'S OFFICE WARDS: ALL

**SUBJECT: PROFESSIONAL SERVICE AGREEMENTS TO CONDUCT FINANCIAL AND
PERFORMANCE AUDITS OF THE FINANCE DEPARTMENT, HUMAN
RESOURCES DEPARTMENT, AND RIVERSIDE PUBLIC UTILITIES – TOTAL
AMOUNT \$375,000 – SUPPLEMENTAL APPROPRIATIONS**

ISSUES:

The issues for City Council consideration are 1) approval of Professional Services Agreements to conduct Financial and Performance Audits of the Finance Department, Human Resources Department and Riverside Public Utilities and 2) authorization for supplemental appropriations to fund the costs associated with these audits.

RECOMMENDATIONS:

That the City Council:

1. Approve a Professional Services Agreement with Matrix Consulting Group (Matrix), of Mountain View, CA, in an amount not to exceed \$135,000 to conduct financial and performance audits of the Finance Department;
2. Approve a Professional Services Agreement with Matrix, in an amount not to exceed \$105,000 to conduct financial and performance audits of the Human Resources Department;
3. Approve a Professional Services Agreement with Baker Tilly Virchow Krause, LLP. (Baker Tilly), of Madison, Wisconsin, in an amount not to exceed \$135,000 to conduct financial and performance audits of Riverside Public Utilities (RPU);
4. Authorize supplemental appropriations to the General Fund and Electric Fund accounts outlined in the fiscal impact section of this report totaling \$375,000, of which \$109,120 will be appropriated from the General Fund reserve; and
5. Authorize the City Manager, or his designee, to execute the Agreements, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transactions.

RPU BOARD RECOMMENDATION:

On November 20, 2015, the Board of Public Utilities voted to recommend that the City Council

approve the Professional Services Agreement with Baker Tilly in an amount not to exceed \$135,000, to conduct financial and performance audits of Riverside Public Utilities.

BACKGROUND:

On July 28, 2015, the City Council endorsed the Financial and Performance Audit Program, providing for comprehensive and independent financial and performance audits of all departments by qualified experts on a five-year rotating basis. The first three departments to be audited are the Human Resources Department, Finance Department and Riverside Public Utilities. On August 11, 2015, the City Council approved, at staff's recommendation, specific items to incorporate into the scopes of work for selection of outside audit firms.

On September 9, 2015, Request for Qualifications (RFQ) 1547 was issued to seek proposals to provide independent, outside audits of the Finance Department, Human Resources Department and Riverside Public Utilities. Eight firms have submitted proposals in response to the RFQ:

Firm	Financial	Performance	Financial	Performance	Financial	Performance
	Finance		Human Resources		Public Utilities	
Arroyo Associates, Inc., Pasadena, CA	X	X				
Baker Tilly, Madison, WI	X		X		X	X
Harvey M Rose Associates, LLC, San Francisco, CA	X	X	X	X	X	
Leidos Engineering, LLC, Granite Bay, CA		X				X
Macias Gini & O'Connell LLP, Los Angeles, CA	X	X	X	X		
Matrix, Mountain View, CA	X	X	X	X	X	X
Navigant Consulting, Inc., Los Angeles, CA					X	X
Vasquez & Company LLP, Los Angeles, CA	X	X	X	X	X	X

A panel of City experts reviewed all proposals based on the criteria described in RFQ 1547. The panel unanimously determined there were efficiencies gained by issuing a single contract for each department to perform both the financial and performance audits.

Based on the review and ranking of the proposals by the panel, and considering the interest in having one firm for both performance and financial audits for each department, the panel interviewed two firms for each RPU and Finance, and three firms for HR. Based on the interviews' scores and subsequent reference checks, staff recommends:

Department	Firm	Not to Exceed Amount
Finance	Matrix	\$ 135,000.00
Human Resources	Matrix	\$ 105,000.00
Riverside Public Utilities	Baker Tilly	\$ 135,000.00
	Total	\$ 375,000.00

Staff expects all audits to commence in January 2016, with reports presented publicly to the City Council in June 2016. The City Manager's office has retained Lee C. McDougal to serve as a

project manager for this work, reporting to the City Manager through Assistant City Manager Marianna Marysheva-Martinez.

FISCAL IMPACT:

The total fiscal impact of the three Professional Service Agreements is \$375,000. Supplemental appropriations to the General Fund (\$240,000) and Electric Fund (\$135,000) accounts outlined in the table below will be required. Because both the Finance and Human Resources Departments serve all City Departments, the cost associated with the audits of these Departments will be charged to various City funds in the same proportions as those Departments' budgets were allocated in the current fiscal year's cost allocation plan. The net General Fund impact of the audits following these cost allocations will be \$109,120. This amount is to be appropriated from the General Fund reserve. Similarly, costs associated with the Water Fund-related portion of the RPU audit will be charged from the Electric Fund to the Water Fund.

Department	Account Number	Total Contract Amount	General Fund Impact	Other Funds Impact
Finance	2300000-421000	\$135,000	\$35,924	\$99,076
Human Resources	2100000-421000	\$105,000	\$73,196	\$31,804
Public Utilities	6000000-421000	\$135,000	\$0	\$135,000
Total		\$375,000	\$109,120	\$265,880

Prepared by: Marianna Marysheva-Martinez, Assistant City Manager
 Approved by: John A. Russo, City Manager
 Certified as to
 availability of funds: Brent A. Mason, Finance Director/Treasurer
 Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Professional Services Agreement, Finance Department Audit – Matrix
2. Professional Services Agreement, Human Resources Department Audit – Matrix
3. Professional Services Agreement, Public Utilities Department Audit – Baker Tilley
4. Presentation