

PROFESSIONAL CONSULTANT SERVICES AGREEMENT

BAKER TILLY VIRCHOW KRAUSE, LLP

(Riverside Public Utilities Financial and Performance Audit)

THIS PROFESSIONAL CONSULTANT SERVICES AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20____ ("Effective Date"), by and between the CITY OF RIVERSIDE ("City"), a California charter city and municipal corporation, and BAKER TILLY VIRCHOW KRAUSE, LLP, an Illinois limited liability partnership authorized to do business in California ("Consultant").

1. **Scope of Services.** City agrees to retain and does hereby retain Consultant and Consultant agrees to provide the services more particularly described in Exhibit "A," "Scope of Services" ("Services"), attached hereto and incorporated herein by reference, in conjunction with Riverside Public Utilities Financial and Performance Audit ("Project").

2. **Term.** This Agreement shall be effective on the date first written above and shall remain in effect until July 31, 2016, unless otherwise terminated pursuant to the provisions herein.

3. **Compensation/Payment.** Consultant shall perform the Services under this Agreement for the total sum not to exceed One Hundred Thirty-Five Thousand Dollars (\$135,000) payable in accordance with the terms set forth in Exhibit "B." Said payment shall be made in accordance with City's usual accounting procedures upon receipt and approval of an itemized invoice setting forth the services performed. The invoices shall be delivered to City at the address set forth in Section 4 hereof.

4. **Notices.** Any notices required to be given, hereunder shall be in writing and shall be personally served or given by mail. Any notice given by mail shall be deemed given when deposited in the United States Mail, certified and postage prepaid, addressed to the party to be served as follows:

To City

City Manager's Office
City of Riverside
Attn: Carlie Myers
3900 Main Street, 7th Floor
Riverside, CA 92522

To Consultant

Baker Tilly Virchow Krause, LLP
Attn: Russell A. Hissom
Ten Terra Court, PO Box 7398
Madison, WI 53707-7398

5. **Prevailing Wage.** If applicable, Consultant and all subcontractors are required to pay the general prevailing wage rates of per diem wages and overtime and holiday wages determined by the Director of the Department of Industrial Relations under Section 1720 et seq. of the California Labor Code and implemented by Resolution No. 13346 of the City Council of the City of Riverside. The Director's determination is available on-line at:

www.dir.ca.gov/dlsr/DPreWageDetermination.htm and is referred to and made a part hereof; the wage rates therein ascertained, determined, and specified are referred to and made a part hereof as though fully set forth herein.

6. **Contract Administration.** A designee of the City will be appointed in writing by the City Manager or Department Director to administer this Agreement on behalf of City and shall be referred to herein as Contract Administrator.

7. **Standard of Performance.** While performing the Services, Consultant shall exercise the reasonable professional care and skill customarily exercised by reputable members of Consultant's profession practicing in the Metropolitan Southern California Area, and shall use reasonable diligence and best judgment while exercising its professional skill and expertise.

8. **Personnel.** Consultant shall furnish all personnel necessary to perform the Services and shall be responsible for their performance and compensation. Consultant recognizes that the qualifications and experience of the personnel to be used are vital to professional and timely completion of the Services. The key personnel listed in Exhibit "C" attached hereto and incorporated herein by this reference and assigned to perform portions of the Services shall remain assigned through completion of the Services, unless otherwise mutually agreed by the parties in writing, or caused by hardship or resignation in which case substitutes shall be subject to City approval.

9. **Assignment and Subcontracting.** Neither party shall assign any right, interest, or obligation in or under this Agreement to any other entity without prior written consent of the other party. In any event, no assignment shall be made unless the assignee expressly assumes the obligations of assignor under this Agreement, in a writing satisfactory to the parties. Consultant acknowledges that any assignment may, at the City's sole discretion, require City Manager and/or City Council approval. Consultant shall not subcontract any portion of the work required by this Agreement without prior written approval by the responsible City Contract Administrator. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement, including without limitation, the insurance obligations set forth in Section 12. The Consultant acknowledges and agrees that the City is an intended beneficiary of any work performed by any subcontractor for purposes of establishing a duty of care between any subcontractor and the City.

10. **Independent Contractor.** In the performance of this Agreement, Consultant, and Consultant's employees, subcontractors and agents, shall act in an independent capacity as independent contractors, and not as officers or employees of the City of Riverside. Consultant acknowledges and agrees that the City has no obligation to pay or withhold state or federal taxes or to provide workers' compensation or unemployment insurance to Consultant, or to Consultant's employees, subcontractors and agents. Consultant, as an independent contractor, shall be responsible for any and all taxes that apply to Consultant as an employer.

11. Indemnification.

11.1 Design Professional Defined. For purposes of this Agreement, "Design Professional" includes the following:

- A. An individual licensed as an architect pursuant to Chapter 3 (commencing with Section 5500) of Division 3 of the Business and Professions Code, and a business entity offering architectural services in accordance with that chapter.
- B. An individual licensed as a landscape architect pursuant to Chapter 3.5 (commencing with Section 5615) of Division 3 of the Business and Professions Code, and a business entity offering landscape architectural services in accordance with that chapter.
- C. An individual registered as a professional engineer pursuant to Chapter 7 (commencing with Section 6700) of Division 3 of the Business and Professions Code, and a business entity offering professional engineering services in accordance with that chapter.
- D. An individual licensed as a professional land surveyor pursuant to Chapter 15 (commencing with Section 8700) of Division 3 of the Business and Professions Code, and a business entity offering professional land surveying services in accordance with that chapter.

11.2 Defense Obligation for Design Professional Liability. Consultant agrees, at its cost and expense, to promptly defend the City, and the City's employees, officers, managers, agents and council members (collectively the "Parties to be Defended") from and against any and all claims, allegations, lawsuits, arbitration proceedings, administrative proceedings, regulatory proceedings, or other legal proceedings to the extent the same arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of Consultant, or anyone employed by or working under the Consultant or for services rendered to the Consultant in the performance of the Agreement, notwithstanding that the City may have benefited from its work or services and whether or not caused in part by the negligence of an Indemnified Party. Consultant agrees to provide this defense immediately upon written notice from the City, and with well qualified, adequately insured and experienced legal counsel acceptable to City. This obligation to defend as set forth herein is binding on the successors, assigns and heirs of Consultant and shall survive the termination of Consultant's Services under this Agreement.

11.3 Indemnity for Design Professional Liability. When the law establishes a professional standard of care for Consultant's services, to the fullest extent permitted by law, Consultant shall indemnify, protect and hold harmless the City and the City's employees, officers, managers, agents, and Council Members ("Indemnified Parties") from and against any and all claim for damage, charge, lawsuit, action, judicial, administrative, regulatory or arbitration proceeding, damage, cost, expense (including counsel and expert fees), judgment, civil fines and penalties, liabilities or losses of any kind or nature whatsoever to the extent the same arise out of, pertain to, or

relate to the negligence, recklessness or willful misconduct of Consultant, or anyone employed by or working under the Consultant or for services rendered to the Consultant in the performance of the Agreement, notwithstanding that the City may have benefited from its work or services and whether or not caused in part by the negligence of an Indemnified Party.

11.4 Defense Obligation for Other than Design Professional Liability.

Consultant agrees, at its cost and expense, to promptly defend the City, and the City's employees, officers, managers, agents and council members (collectively the "Parties to be Defended") from and against any and all claims, allegations, lawsuits, arbitration proceedings, administrative proceedings, regulatory proceedings, or other legal proceedings which arise out of, or relate to, or are in any way connected with: 1) the Services, work, activities, operations, or duties of the Consultant, or of anyone employed by or working under the Consultant, or 2) any breach of the Agreement by the Consultant.

This duty to defend shall apply whether or not such claims, allegations, lawsuits or proceedings have merit or are meritless, or which involve claims or allegations that any or all of the Parties to be Defended were actively, passively, or concurrently negligent, or which otherwise assert that the Parties to be Defended are responsible, in whole or in part, for any loss, damage or injury. Consultant agrees to provide this defense immediately upon written notice from the City, and with well qualified, adequately insured and experienced legal counsel acceptable to City. This obligation to defend as set forth herein is binding on the successors, assigns and heirs of Consultant and shall survive the termination of Consultant's Services under this Agreement.

11.5 Indemnity for Other than Design Professional Liability. Except as to the sole negligence or willful misconduct of the City, Consultant agrees to indemnify, protect and hold harmless the Indemnified Parties from and against any claim for damage, charge, lawsuit, action, judicial, administrative, regulatory or arbitration proceeding, damage, cost, expense (including counsel and expert fees), judgment, civil fine and penalties, liabilities or losses of any kind or nature whatsoever whether actual, threatened or alleged, which arise out of, pertain to, or relate to, or are a consequence of, or are attributable to, or are in any manner connected with the performance of the Services, work, activities, operations or duties of the Consultant, or anyone employed by or working under the Consultant or for services rendered to Consultant in the performance of this Agreement, notwithstanding that the City may have benefited from its work or services. This indemnification provision shall apply to any acts, omissions, negligence, recklessness, or willful misconduct, whether active or passive, on the part of the Consultant or anyone employed or working under the Consultant.

12. Insurance.

12.1 General Provisions. Prior to the City's execution of this Agreement, Consultant shall provide satisfactory evidence of, and shall thereafter maintain during the term of this Agreement, such insurance policies and coverages in the types, limits, forms and ratings required herein. The rating and required insurance policies and coverages may be modified in writing by the City's Risk Manager or City Attorney, or a designee, unless such modification is prohibited by law.

12.1.1 Limitations. These minimum amounts of coverage shall not constitute any limitation or cap on Consultant's indemnification obligations under Section 11 hereof.

12.1.2 Ratings. Any insurance policy or coverage provided by Consultant or subcontractors as required by this Agreement shall be deemed inadequate and a material breach of this Agreement, unless such policy or coverage is issued by insurance companies authorized to transact insurance business in the State of California with a policy holder's rating of A or higher and a Financial Class of VII or higher.

12.1.3 Cancellation. The policies shall not be canceled unless thirty (30) days prior written notification of intended cancellation has been given to City by certified or registered mail, postage prepaid.

12.1.4 Adequacy. The City, its officers, employees and agents make no representation that the types or limits of insurance specified to be carried by Consultant pursuant to this Agreement are adequate to protect Consultant. If Consultant believes that any required insurance coverage is inadequate, Consultant will obtain such additional insurance coverage as Consultant deems adequate, at Consultant's sole expense.

12.2 Workers' Compensation Insurance. By executing this Agreement, Consultant certifies that Consultant is aware of and will comply with Section 3700 of the Labor Code of the State of California requiring every employer to be insured against liability for workers' compensation, or to undertake self-insurance before commencing any of the work. Consultant shall carry the insurance or provide for self-insurance required by California law to protect said Consultant from claims under the Workers' Compensation Act. Prior to City's execution of this Agreement, Consultant shall file with City either 1) a certificate of insurance showing that such insurance is in effect, or that Consultant is self-insured for such coverage, or 2) a certified statement that Consultant has no employees, and acknowledging that if Consultant does employ any person, the necessary certificate of insurance will immediately be filed with City. Any certificate filed with City shall provide that City will be given ten (10) days prior written notice before modification or cancellation thereof.

12.3 Commercial General Liability and Automobile Insurance. Prior to City's execution of this Agreement, Consultant shall obtain, and shall thereafter maintain during the term of this Agreement, commercial general liability insurance and automobile liability insurance as required to insure Consultant against damages for personal injury, including accidental death, as well as from claims for property damage, which may arise from or which may concern operations by anyone directly or indirectly employed by, connected with, or acting for or on behalf of Consultant. The City, and its officers, employees and agents, shall be named as additional insureds under the Consultant's insurance policies.

12.3.1 Consultant's commercial general liability insurance policy shall cover both bodily injury (including death) and property damage (including, but not limited to, premises operations liability, products-completed operations liability, independent contractor's liability, personal injury liability, and contractual liability) in an amount not less than \$1,000,000 per occurrence and a general aggregate limit in the amount of not less than \$2,000,000.

IN WITNESS WHEREOF, City and Consultant have caused this Agreement to be duly executed the day and year first above written.

CITY OF RIVERSIDE, a California charter
city and municipal corporation

By: _____
City Manager

Attest: _____
City Clerk

Approved as to Form:

By: *Juan Wilson*
Deputy City Attorney
assistant

BAKER TILLY VIRCHOW KRAUSE, LLP,
an Illinois limited liability partnership
authorized to do business in California

By: *Russell A Hissom*

Russell A Hissom

Printed Name

Partner, CPA

Title

By: *Jodi L. Dobson*

Jodi L Dobson

Printed Name

Partner, CPA

Title

EXHIBIT "A"
SCOPE OF SERVICES

Riverside Public Utilities (RPU)
Financial and Performance Audit
Scope of Services

The RPU financial audit includes the following:

1. A review of three prior fiscal years of financial transactions (i.e. FY2013, FY2014 and FY2015).
2. Testing of a selected statistically significant sample of potentially high-risk financial transactions for accuracy in processing and in payment, consistency with policies, compliance with procurement practices, adequate documentation / support, and appropriate business purposes.

The RPU performance audit includes the following:

1. Systematic, in-depth audits of the performance of the department, its programs, activities and functions, including but not limited to:
 - a. Account Receivables.
 - b. Contracting and Procurement Policies and Practices.
 - c. Reserve Setting.
 - d. Debt Capacity.
 - e. Asset Management Practices.
 - f. Management Reporting Systems.
 - g. Property Leases Monitoring and Control.
 - h. Economic Development and Contract Rate Programs.
 - i. Scrap/Salvage Inventory and Control.
 - j. UOC Tool Room (Meter) Inventory.
 - k. Alignment with Riverside 2.0 Strategic Plan
 - l. Alignment with Utilities 2.0 Strategic Plan
2. The evaluation will include appropriate decision-making authority, effectiveness in achieving desired results, efficiency and economy in the use of resources, conformity with best practices, and compliance with relevant policies, laws and regulations.
3. Review of best practices in the industry for comparably sized/complex organizations

Audits are to be conducted in conformance with the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, most recent revision, published by the U.S. General Accounting Office (Yellow Book), and as specified by generally accepted governmental auditing standards.

Firm to work closely with the Audit Program project managers: Lee C. McDougal, Contract Project Manager, Marianna Marysheva-Martinez, Assistant City Manager, and Public Utilities' Department personnel assigned to assist with the audits.

Timeline

1. Commencement of the audits will begin January 2016. Draft audits must be complete for internal City staff review by April 15, 2016.
2. City staff will have two weeks to review and provide comments back to consultant on the draft audits.
3. Consultants shall review and where appropriate incorporate comments and submit to City staff the final draft of the audit by May 20, 2016.
4. Staff anticipates presenting the final audits to the Board of Public Utilities on June 17 and the City Council on June 21, 2016. Consultant attendance at both of these meetings is required.

Deliverables

The project deliverables for the Financial Audit for RPU are as follows:

Any exceptions and recommendations for improvements will be noted in the deliverable report which will comment on the following:

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

The project deliverables for the Performance Audit for RPU are as follows:

1. Communication plan
2. Process maps documentation of controls reviewed
3. Report on any determinations of weaknesses in processes and controls
4. Report on recommendations for improvement in processes for greater efficiencies
5. Detailed report on information reviewed, individuals interviewed, comparable industry best practices for consideration by RPU
6. Presentation to management and governance bodies

The Baker Tilly Work Plan

Financial Audit

Our approach to the audits

Our techniques will include:

- > Identifying key risk areas, allowing us to properly concentrate our efforts and select appropriate samples
- > Designing statistical tests of attributes
- > Designing the tests to provide an opinion as to whether RPU is in compliance with its various procurement practices, that amounts paid are properly documented and supported, paid correctly and have an appropriate business purpose
- > Providing insightful recommendations to improve business processes and controls

Our work plan and approach will be based on *Generally Accepted Auditing Standards* of the American Institute of Certified Public Accountants (AICPA) and the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. We anticipate that these audits will include an examination opinion of management's assertions that the transactions meet all of the requirements of #2 above.

Sample sizes

We will review 200 transactions from each department for each of the years under review. The results of our sampling will be extrapolated to the financial transaction population, allowing us to opine on controls and the assertions above.

Deriving value from the financial audits

Our approach will include a review of the internal controls in each area in order to identify key risk points that will guide our sample selection process. We will perform documentation and walk-throughs of key controls to ensure they are working as designed, and make recommendations for any improvements we feel will strengthen the controls and provide greater operational efficiencies.

Specifically, we will test for the following attributes:

1. Key controls are in place
2. Controls are operating as designed and are effective
3. The City and Utilities are in compliance with its various procurement practices
4. Amounts paid are adequately documented and supported and are paid correctly
5. Transactions have an appropriate business purpose.

Any exceptions and recommendations for improvements will be noted in our deliverable report which will comment on the following:

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

Performance Audit

1. Specific project plan approaches

The specific project plan approaches are detailed in this section of our proposal.

A. Contract and procurement policies implementation

Project areas of review: Contract management combines the functions of procurement and contract monitoring. Determine whether general contract management (contract procurement process, the award process, and contract monitoring) adhere to City policy/procedures.

A. Contract and Procurement Policies			
Task	Major activity	Detailed work plan steps	Deliverables
A.1	Project Planning and Interview Preparation	1. Contact RPU's Project Manager for further information regarding RPU's contract management and procurement policies.	✓ Interview guide
		2. Obtain contact information and organizational charts for RPU's procurement department.	
		3. Develop interview guide for key individuals involved in procurement	
		4. Schedule interviews/meetings with appropriate RPU personnel	
		5. Submit data requests to include information around the following:	
		a) Policies and procedures for purchasing	
		b) Organizational charts with job descriptions	
		c) Flowchart and narrative description of the purchasing process from initiation of a requisition to a payment of an invoice	
		d) Narrative description of vendor selection process	
		e) Narrative description of contract management process	
		f) Competitive bidding policy	
		g) Sample of competitive bid documents	
A.2	Conduct Interviews/Walkthroughs of contract and procurement policies and procedures	1. Conduct interviews/meetings with personnel involved in contract and procurement services to gain an understanding of current processes in place around the following:	✓ Summary of interviews and interview notes
		a) General management functions within the purchasing area	✓ Process maps of current processes
		b) Purchase order process including internal controls	
		c) Vendor approval process	
		d) Competitive bidding process	
		e) Contract management	

A. Contract and Procurement Policies			
Task	Major activity	Detailed work plan steps	Deliverables
		<ol style="list-style-type: none"> 2. Perform detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above 	
A.3	GAP Analysis	<ol style="list-style-type: none"> 1. Document current state practices based on task A.2 and identify areas that are not in compliance with the City's policies and procedures. 2. Identify key controls in place or areas where controls could be improved 	<ul style="list-style-type: none"> ✓ Identification of risks/control deficiencies with any current processes ✓ GAP Analysis ✓ Recommendations for Process improvements
A.4	Reporting	<ol style="list-style-type: none"> 1. Provide written report summary documenting: <ol style="list-style-type: none"> a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures are not in compliance with the City's policies and procedures c) A GAP analysis identifying areas where RPU is not but could be employing "best practices" in the industry 	<ul style="list-style-type: none"> ✓ Report that includes summary of interviews, current business processes compared to City's policies and procedures, and recommended process improvements

B. Asset management practices

Project areas of review: Evaluate the effectiveness of RPU's asset management practices, including whether the department effectively implements best practices in infrastructure asset management and whether the practices allow efficient identification of the location and the condition of its physical assets in order to minimize risk of failures/breaks and maximize life of assets.

B. Asset Management Practices			
Task	Major activity	Detailed work plan steps	Deliverables
B.1	Project Planning and Interview Preparation	<ol style="list-style-type: none"> 1. Contact RPU's Project Manager for further information regarding RPU's asset management practices 2. Obtain contact information and organizational charts for RPU's fixed asset department. 3. Develop interview guide for key individuals involved in asset management 4. Review interview questions with RPU's project manager for approval and to determine additional questions that may need to be added 5. Schedule interviews/meetings with appropriate RPU personnel 	<ul style="list-style-type: none"> ✓ Interview guide

B. Asset Management Practices			
Task	Major activity	Detailed work plan steps	Deliverables
		6. Submit data requests to include information around the following: <ol style="list-style-type: none"> Policies and procedures regarding asset management Organizational charts with job descriptions Flowchart and narrative description of the asset management process Continuing Property Records (CPRs) List of systems used in asset management (fixed asset accounting, GIS) 	
B.2	Conduct Interviews/ Walkthroughs with asset management personnel	<ol style="list-style-type: none"> Conduct interviews/meetings with personnel involved in asset management to gain an understanding of current processes in place around the following: <ol style="list-style-type: none"> Recording of fixed assets CPR maintenance GIS process Perform detailed process walkthroughs of the key business processes identified above Review current policy and procedure documentation in the areas listed above Discuss any applications of the principles of <i>ISO 55000:2014</i> in application for life cycle asset management practices 	✓ Summary of interviews and interview notes ✓ Process maps of current processes
B.3	GAP Analysis	<ol style="list-style-type: none"> Document current state practices based on task B.2 Identify key controls in place or areas where controls could be improved Develop a GAP analysis showing current practices compared to best practices 	✓ Identification of risks/control deficiencies with any current processes ✓ GAP Analysis ✓ Recommend Process Improvements
B.4	Reporting	<ol style="list-style-type: none"> Provide written report summary documenting: <ol style="list-style-type: none"> Summaries of interviews/meetings Identification of areas where business practices, functions and procedures could be improved A GAP analysis identifying areas where RPU Public Utilities is not but could be employing "best practices" in the industry 	✓ Report that includes summary of interviews, current business processes and recommended process improvements

C. Management reporting systems

Project areas of review: Valuate the current state of management reports; frequency; content; effectiveness; systems; utilization of technology; dashboards; and project management updates at various levels of supervisory management.

C. Management Reporting Systems			
Task	Major activity	Detailed work plan steps	Deliverables
C.1	Project Planning and	1. Contact RPU Project Manager for	✓ Interview guide

C. Management Reporting Systems			
Task	Major activity	Detailed work plan steps	Deliverables
	Interview Preparation	further information regarding the different departments at RPU 2. Obtain contact information and organizational charts the different departments at RPU including the managers of each department 3. Develop interview guide for the managers of the different departments 4. Schedule interviews/meetings with appropriate RPU management 5. Submit data requests to include information around the following: a) Types of management reports currently being used at RPU b) The frequency the management reports are prepared c) The information included in the management reports d) The systems involved in creating the management reports e) Dashboards that are currently used by RPU management f) Organizational charts with job descriptions	
C.2	Conduct Interviews/Walkthroughs with asset management personnel	1. Conduct interviews/meetings with managers and those involved in creating management reports to determine the following: a) How management reports are created b) The frequency of reports, information included, and systems used to develop the reports c) Manual process included in creating the reports d) Review process for management reports e) Dashboards utilized by RPU management f) Any management requirements not currently being met 2. Perform detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above	✓ Summary of interviews and interview notes ✓ Process maps of current processes
C.3	GAP Analysis	1. Document current state practices based on task C.2 2. Identify key controls in place or areas where controls could be improved 3. Develop a GAP analysis showing current practices compared to best practices in reporting 4. Provide examples of management reports that could enhance reporting at RPU 5. Provide a discussion and narrative on	✓ Identification of risks/ control deficiencies with any current processes ✓ GAP Analysis ✓ Recommend Process Improvements

C. Management Reporting Systems			
Task	Major activity	Detailed work plan steps	Deliverables
		the current use of technology in the utility industry for best practices 6. Provide examples of dashboard reporting current done in the industry that could improve reporting practices at RPU	✓ Report on the state of the utility industry regarding technology usage, trends and solutions ✓ Example reports and dashboards
C.4	Reporting	2. Provide written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures could be improved c) A GAP analysis identifying areas where RPU Public Utilities is not but could be employing "best practices" in the industry	✓ Report that includes summary of interviews, current business processes and recommended process improvements

D. Property leases monitoring and control

Project areas of review: Evaluate the effectiveness of RPU's management over property leases both from a lessor and lessee perspective. Determine if proper revenue/expense is being collected/paid based on lease contracts in place. Determine if proper tracking mechanisms are in place to monitor and control revenue and expenses.

D. Property Leases Monitoring and Control			
Task	Major activity	Detailed work plan steps	Deliverables
D.1	Project Planning and Interview Preparation	1. Contact RPU's Project Manager for further information regarding the different types of property leases RPU has and who is responsible for monitoring them 2. Obtain contact information for individuals involved in property lease monitoring and control 3. Develop interview guide for key individuals involved in the property lease monitoring and control function 4. Schedule interviews/meetings with appropriate RPU personnel 5. Submit data requests to include information around the following: a) Policies and procedures in place for entering into leases b) A listing of current property leases that RPU has (a sample of property leases will be selected for detailed testing of revenues and expenses) c) Tracking mechanisms used to monitor and control revenues and expenses for property leases d) Approval process for property leases	✓ Interview guide

D. Property Leases Monitoring and Control			
Task	Major activity	Detailed work plan steps	Deliverables
D.2	Conduct Interviews/Walkthroughs with appropriate personnel	1. Conduct interviews/meetings with key individuals involved in property lease monitoring and control to determine the following: a) What is the process for entering into a lease? b) What is the approval process for lease agreements? c) What accounts are used to record lease revenue and expenses? d) What tracking mechanisms are used for monitoring and control?	✓ Summary of interviews and interview notes ✓ Process maps of current processes
		2. Perform detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above	
D.3	Detailed Testing	1. Document current state practices based on task D.2	✓ Identification of risks/ control deficiencies with any current processes
		2. Identify key controls in place or areas where controls could be improved 3. Develop a GAP analysis showing current practices compared to best practices 4. Review appropriate general ledger accounts to ensure that proper expenses and revenues have been recorded for property leases. 5. Confirm that all leases entered into were properly approved.	✓ GAP Analysis ✓ Recommend Process Improvements ✓ Results of detailed testing
D.4	Reporting	1. Provide written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures could be improved c) A GAP analysis identifying areas where RPU is not but could be employing "best practices" in the industry d) Results of detailed testing of revenues and expenses for property leases	✓ Report that includes summary of interviews, current business processes and recommended process improvements

E. Economic development and contract rate programs

Project areas of review: Evaluate RPU's current economic development and contract rate programs to determine consistency amongst criteria, cost of service and application of rates. Review rebates and any other incentives provided. Review reporting mechanisms. Identify if the processes utilized to evaluate and develop such rates are effective and suggest improvements, as needed.

E. Economic Development and Contract Rate Programs			
Task	Major activity	Detailed work plan steps	Deliverables
E.1	Project Planning and Interview Preparation	<ol style="list-style-type: none"> 1. Contact RPU's Project Manager for further information regarding the different types of economic development and contract rate programs at RPU 2. Obtain contact information for individuals involved in the economic development and contract rate programs 3. Develop interview guide for key individuals involved in the economic development and contract rate programs 4. Schedule interviews/meetings with appropriate RPU personnel 5. Submit data requests to include information around the following: <ol style="list-style-type: none"> a) Any policy or process documentation around the economic development and contract rate program b) The different types of economic development and contract rate programs c) Detailed information regarding all of the programs including the following: <ol style="list-style-type: none"> i. Criteria ii. Cost of service iii. Application of rates d) Rebates and any other incentives provided e) Reporting mechanisms in place around the economic development and contract rate programs 	✓ Interview guide
E.2	Conduct Interviews/Walkthroughs with appropriate personnel	<ol style="list-style-type: none"> 1. Conduct interviews/meetings with key individuals involved in the economic development and contract rate programs to determine the following: <ol style="list-style-type: none"> a) The different types of programs RPU offers b) The criteria, cost of service, and application of rates for the different programs c) Rebates and other incentives provided by RPU d) Reporting mechanisms in place around the different programs e) Program goals and historical attainment of program goals 	✓ Summary of interviews and interview notes

E. Economic Development and Contract Rate Programs			
Task	Major activity	Detailed work plan steps	Deliverables
		f) Long-term strategy for economic development programs g) Costs incurred in providing economic development programs to customers h) Success in attracting and retaining customers	
E.3	Detailed Testing	1. Document current state practices based on task E.2 2. Identify key controls in place or areas where controls could be improved 3. Identify areas of inconsistency between the programs around the criteria, cost of service, and application of rates 4. Determine if the processes utilized to evaluate and develop the rates are effective 5. Identify and document areas for improvements	✓ Identification of risks/ control deficiencies with any current processes ✓ Detailed list of inconsistencies between the programs ✓ Recommend Process Improvements ✓ A determination as to whether the processes used to evaluate and develop the rates are effective
E.4	Reporting	1. Provide written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where there are inconsistencies between the programs c) A GAP analysis identifying areas where RPU is not but could be employing "best practices" in the industry	✓ Report that includes summary of interviews, current business processes and recommended process improvements

F. Scrap/salvage inventory and control

Project areas of review: Determine that RPU is following City policy as it relates to scrap/salvage of unusable parts, equipment and inventory.

F. Scrap/Salvage Inventory and Control			
Task	Major activity	Detailed work plan steps	Deliverables
F.1	Project Planning and Interview Preparation	<ol style="list-style-type: none"> 1. Obtain contact information for individuals involved in the scrapping/ salvage of inventory and control 2. Develop interview guide for key individuals involved in the inventory process 3. Schedule interviews/meetings with appropriate RPU personnel 4. Submit data requests to include information around the following: <ol style="list-style-type: none"> a) Any policy or process documentation around the following: <ol style="list-style-type: none"> i. Inventory management ii. Obsolete inventory iii. Scrapping of inventory iv. Recording salvage value 	<ul style="list-style-type: none"> ✓ Interview guide
F.2	Conduct Interviews/Walkthroughs with appropriate personnel	<ol style="list-style-type: none"> 1. Conduct interviews/meetings with key individuals involved in the inventory process 2. Perform detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above 	<ul style="list-style-type: none"> ✓ Summary of interviews and interview notes ✓ Business process maps of current processes
F.3	Detailed Testing	<ol style="list-style-type: none"> 1. Document current state practices based on task F.2 2. Identify areas of inconsistency between the processes performed by RPU compared to the City's policy 3. Identify and document areas for improvements 	<ul style="list-style-type: none"> ✓ Identification of risks/ control deficiencies with any current processes ✓ Detailed list of inconsistencies between the City's policy and actual processes ✓ Recommend Process Improvements
F.4	Reporting	<ol style="list-style-type: none"> 1. Provide written report summary documenting: <ol style="list-style-type: none"> a) Summaries of interviews/meetings b) Identification of areas where there are inconsistencies between the City's policy and the actual processes being followed 	<ul style="list-style-type: none"> ✓ Report that includes summary of interviews, current business processes and recommended process improvements

G. UOC tool room (meter) inventory

Project areas of review: Review full process for new meter purchase from vendor procurement to installation. Include receipting of inventory, maintaining proper inventory levels, and safeguarding of assets. Perform book to physical inventory.

G. UOC Tool Room (Meter) Inventory			
Task	Major activity	Detailed work plan steps	Deliverables
G.1	Project Planning and Interview Preparation	<ol style="list-style-type: none"> 1. Obtain contact information for individuals involved in the UOC Tool Room (Meter) Inventory 2. Develop interview guide for key individuals involved in the tool/meter inventory process 3. Schedule interviews/meetings with appropriate RPU personnel 4. Submit data requests to include information around the following: <ol style="list-style-type: none"> a) Any policy or process documentation around the following: <ol style="list-style-type: none"> i. Procurement of inventory from vendors ii. Receipting of inventory iii. Maintaining proper inventory levels iv. Safeguarding of assets v. Process of installing meters 	<ul style="list-style-type: none"> ✓ Interview guide
G.2	Conduct Interviews/Walkthroughs with appropriate personnel	<ol style="list-style-type: none"> 1. Conduct interviews/meetings with key individuals involved in the tool/meter inventory process 2. Perform detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above 	<ul style="list-style-type: none"> ✓ Summary of interviews and interview notes ✓ Business process maps of current processes
G.3	Detailed Testing	<ol style="list-style-type: none"> 1. Document current state practices based on task G.2 2. Identify and document areas for improvements and any control deficiencies 3. Perform reconciliation of book values to physical inventory count 	<ul style="list-style-type: none"> ✓ Identification of risks/ control deficiencies with any current processes ✓ Recommend Process Improvements ✓ Results of book to physical inventory count
G.4	Reporting	<ol style="list-style-type: none"> 2. Provide written report summary documenting: <ol style="list-style-type: none"> a) Summaries of interviews/meetings b) Process improvement recommendations c) Results of book to physical inventory count 	<ul style="list-style-type: none"> ✓ Report that includes summary of interviews, current business processes,

G. UOC Tool Room (Meter) Inventory			
Task	Major activity	Detailed work plan steps	Deliverables
			recommended process improvements, and results of book to physical inventory count

H. Miscellaneous account receivable

Project areas of review: Obtain an understanding of recording, aging and collection of miscellaneous accounts receivable.

H. Miscellaneous Accounts Receivable			
Task	Major activity	Detailed work plan steps	Deliverables
H.1	Project Planning and Interview Preparation	<ol style="list-style-type: none"> 1. Obtain contact information for individuals involved in the miscellaneous accounts receivable process 2. Develop interview guide for key individuals involved in the process 3. Schedule interviews/meetings with appropriate RPU personnel 4. Submit data requests to include information around the following: <ol style="list-style-type: none"> a) Any policy or process documentation including: <ol style="list-style-type: none"> i. The recording of miscellaneous accounts receivable ii. The aging of miscellaneous accounts receivable iii. The collection of miscellaneous accounts receivable 	<ul style="list-style-type: none"> • Interview guide
H.2	Conduct Interviews/Walkthroughs with appropriate personnel	<ol style="list-style-type: none"> 1. Conduct interviews/meetings with key individuals involved in the miscellaneous accounts receivable process 2. Interview key individuals involved with collection of delinquent receivables to document current processes 3. Perform detailed process walkthroughs of the key business processes identified above 4. Review current policy and procedure documentation in the areas listed above 	<ul style="list-style-type: none"> ✓ Summary of interviews and interview notes ✓ Business process maps of current processes
H.3	Detailed Testing	<ol style="list-style-type: none"> 1. Document current state practices based on task I.2 2. Identify and document areas for improvements and any control deficiencies 3. Perform a trend analysis on the aging of miscellaneous accounts receivable to determine the direction of the receivable aging 	<ul style="list-style-type: none"> ✓ Identification of risks/control deficiencies with any current processes ✓ Recommend Process Improvements ✓ Results of

H. Miscellaneous Accounts Receivable			
Task	Major activity	Detailed work plan steps	Deliverables
			trend analysis
H.4	Reporting	1. Provide written report summary documenting: <ul style="list-style-type: none"> a) Summaries of interviews/meetings b) Process improvement recommendations c) Results of trend analysis 	✓ Report that includes summary of interviews, current business processes, recommended process improvements, and results of trend analysis

I, J, K, L: Reserve Setting, Debt Capacity, Alignment with Riverside 2.0 Strategic Plan, Alignment with Utilities 2.0 Strategic Plan

Project areas of review: Perform a high level review of these areas. Provide high level recommendations comparing current practices and industry practices.

This work will involve interviews of management for their views, use of a recent report written to RPU on reserve policies and a high level cross-reference and analysis of the alignment with the Riverside 2.0 Strategic Plan and the RPU portion of that plan.

The deliverables for this step include the following:

1. Reserve policies written for RPU in our recently completed project on reserve policies
2. High level discussion on capitalization and debt capacity
3. High level reporting on alignment with the Riverside 2.0 Strategic Plan

Consultant Qualifications

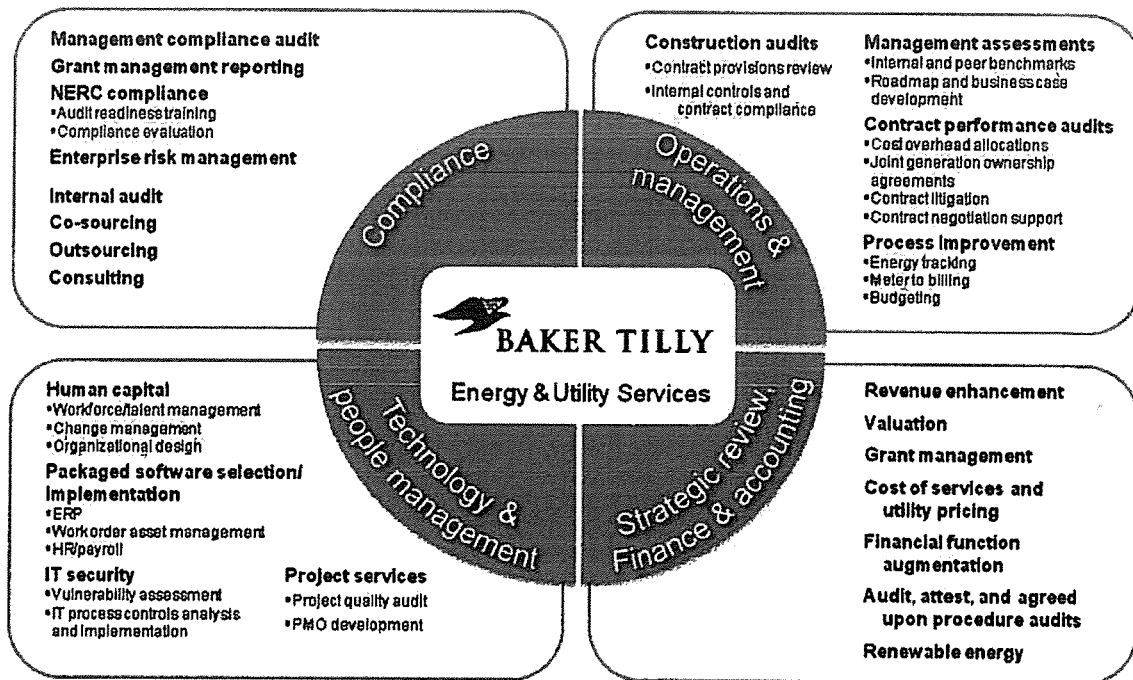
Baker Tilly's firm qualifications:

Our industry specialization approach

You will be served by Baker Tilly's Public Sector and Energy and Utilities teams which consist of 80 professionals dedicated entirely to serving only users and providers of public sector and energy and utility services. Our Energy and Utilities team currently provides assurance and risk advisory services to nearly 400 utilities. With more than forty years of experience serving utilities, our specialization allows us to more deeply understand the unique issues faced by the energy and utility industry. Our industry-specific approach will ensure a team of dedicated energy industry professionals will provide services that meet the needs of and provide value to each project.

Energy and utilities expertise and services

The graphic below provides an overview of the services provided by our Energy and Utilities team:



Our clients have found this blend of services and background to provide value to them in operating their businesses.

Our staff members are skilled in providing assurance, compliance and enterprise risk advisory services—all critical components of this project.

Nationally recognized leadership benefits our clients

Baker Tilly is actively involved in local and national utility associations, keeping us on the leading edge of industry issues. Our memberships in utility organizations and our involvement as authors, speakers, teachers, and promoters of the utility industry means that your project team has the current knowledge needed to assist our clients in meeting the challenges they face in providing utility services and in ensuring that utilities follow regulatory directives in providing those services. These industry organizations include:

- > American Public Power Association (APPA)
- > Edison Electric Institute (EEI)
- > American Wind Energy Association (AWEA)
- > National Association of Manufacturers (NAM) – Joint energy committee
- > Nuclear Non-operating Owner's Group (NNOG)
- > Many state industry associations

Recent articles, seminars and webinars for national utility organizations include:

- Using performance audits to improve efficiencies and operations
- Succession planning for utility workforces
- GASB 68 implementation
- Obtaining value from your audit
- Advanced financial analysis of financial statements
- Work order asset management system accounting
- Cost allocation methodologies
- Information technology governance
- Supply chain management and measurement techniques
- Enterprise risk management program development
- Advanced utility accounting
- Establishing and enhancing the internal audit function at your utility
- Sustainability accounting and reporting standards (Fall, 2014)

Baker Tilly also authors industry specific whitepapers and textbooks that focus on emerging and current issues of interest to the energy industry in the area of financial, compliance and regulatory issues. More information can be found at <http://bakertilly.com/Energy-Utilities>. You can also connect with us on LinkedIn; to join our group query ***Energy and Utilities Enterprise Risk Advisory and Assurance Issues***. We now have over 900 group members.

With our depth of experience, industry-specific knowledge, and commitment to your success, you can count on our proven ability to deliver quality reporting and analysis that your stakeholders and interested parties can rely on.

EXHIBIT "B"
COMPENSATION

The Consultant shall be compensated by the City based on invoices detailing work performed and hours expended by professional, according to the following fee schedule:

Partner: \$245.00 per hour

Manager: \$180.00 per hour

Senior: \$150.00 per hour

Staff: \$245.00 per hour

The total amount expended by the City shall not exceed \$135,000.

EXHIBIT "C"
KEY PERSONNEL

Russell Hissom (Partner)
Amanda Neuman (Manager)
Stacey Gill (Manager)
Caitlin Humrickhouse (Senior)
Brian Kim (Senior)
Kyle O'Rourke (Senior)
Danielle Wakai (Senior)
Gwen Peach (Senior)
Michael Dumke (Senior)