



Financial & Performance Audit Program Contracts

City Manager's Office

**City Council
December 1, 2015**

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BACKGROUND

- On July 28, 2015, the City Council endorsed the City Manager's Financial and Performance Audit Program
- The Program provides for rotating (every five years) comprehensive financial and performance audits of all departments, by independent experts
- Riverside Public Utilities, the Finance Department and the Human Resources Department are in the first round

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BACKGROUND

- On August 11, 2015, the City Council approved the scope of services for the audit contracts
- On September 9, 2015, RFQ 1547 was issued to seek proposals
- On November 20, 2015, the Board of Public Utilities voted to recommend a Professional Service Agreement with Baker Tilly for RPU's audit



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REVIEW OF PROPOSALS

Eight firms responded to the request for qualifications:

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



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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, two for Finance, and three for Human Resources



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REVIEW OF PROPOSALS

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



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SCOPE OF SERVICES – FINANCIAL

The financial audits for ALL departments include:

1. A review of financial transactions from FY2013, FY2014 and FY2015
2. Testing of financial transactions for accuracy, consistency with policies, compliance with laws and regulations, adequate documentation, and appropriate business purposes



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SCOPE OF SERVICES - PERFORMANCE

The performance audits for ALL departments include:

1. Systematic, in-depth review of the programs, activities and functions
2. Evaluation of decision-making authority, effectiveness, efficiency, use of resources, and compliance with policies, laws and regulations
3. Comparison to best practices in the industry for comparably sized/complex organizations
4. Alignment with Riverside 2.0 Strategic Plan



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PERFORMANCE – PUBLIC UTILITIES

Audit areas include but are not limited to:

1. Account Receivables
2. Contracting and Procurement
3. Reserve Setting & Debt Capacity
4. Asset Management Practices
5. Management Reporting Systems



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PERFORMANCE – PUBLIC UTILITIES

6. Property Leases
7. Economic Development & Contract Rate Programs
8. Scrap/Salvage Inventory & Control
9. UOC Tool Room (Meter) Inventory



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PERFORMANCE - FINANCE

Audit areas include but are not limited to:

1. Financial Leadership & Long Term Financing Management
2. Communication of financial information
3. Financial Policies
4. Accounts Receivable, including Cash Receipts
5. Accounts Payable
6. Payroll



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PERFORMANCE – FINANCE

7. Procurement & Contract Management
8. Grant Management
9. Investment Processes and Practices
10. Debt Management
11. Risk Management and reporting
12. Interfund Loans



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PERFORMANCE - HUMAN RESOURCES

Audit areas include but are not limited to:

1. Employee Engagement
2. Labor Negotiations
3. Employee Grievances
4. Benefits Administration
5. HR Information Technology Infrastructure



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PERFORMANCE - HUMAN RESOURCES

6. Regulatory Compliance
7. HR Policies & Procedures and Compliance Monitoring
8. Classification/Compensation
9. Employee Discipline Administration
10. Recruitment Administration
11. Employee Training and Development



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TIMELINE

1. Commencement in January 2016
2. Draft audits for staff 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.



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FISCAL IMPACT

- The total fiscal impact of the three Professional Service Agreements is \$375,000.
- Costs of the Finance and Human Resources Departments are allocated to other departments; net General Fund impact is \$109,120 (from reserves)

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



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RECOMMENDATION

That the City Council:

1. Approve a Professional Services Agreement with Matrix, 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, in an amount not to exceed \$135,000, to conduct financial and performance audits of Riverside Public Utilities;



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RECOMMENDATION

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.



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