



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MAY 9, 2016

ITEM NO: 7

File ID – 16-1414 – Discussion

SUBJECT: FIRST AMENDMENT TO THE AGREEMENT FOR PROFESSIONAL CONSULTANT SERVICES FOR FINANCIAL AND PERFORMANCE AUDIT INCREASING THE AGREEMENT BY \$19,874 FOR A TOTAL NOT TO EXCEED AMOUNT OF \$154,874

ISSUE:

The item for Board of Public Utilities consideration is forwarding a recommendation to the City Council to approve the First Amendment to the Professional Services Agreement with Baker Tilly Virchow Krause, LLP for Financial and Performance Audits of the Riverside Public Utilities (RPU), increasing the agreement by \$19,874 for a total amount not to exceed amount of \$154,874.

RECOMMENDATION:

That the Board of Public Utilities (Board) recommend the City Council approve the First Amendment to the Professional Service Agreement with Baker Tilly Virchow Krause, LLP (Baker Tilly) for Financial and Performance Audits of RPU, increasing the agreement by \$19,874 for a total not to exceed amount of \$154,874.

BACKGROUND:

On November 20, 2015, the Board voted to recommend and December 1, 2015, the City Council approved the Professional Services Agreement (Agreement) with Baker Tilly to perform a Performance Audit and an expanded Financial Audit of RPU expenditures and test compliance by RPU with policies and procedures in effect during the audit period.

Given the City Manager's efforts to ensure that all City departments are running efficiently and effectively a financial audit covering Fiscal Years 2012-13, 2013-14 and 2014-15 was conducted of the Riverside Public Utilities. In order to ensure that the work performed was sufficient in scope, various auditing techniques require a sufficient enough sample size in order to produce value added results. Without first-hand knowledge regarding the volume of transactions processed and related supporting documentation produced during the three year performance audit period, the auditors had to make assumptions regarding the scope and volume of samples needed for testing in order to satisfy the audit objectives. After they were initially engaged to perform the audit, the auditors spent time understanding RPU and the nature and volume of transactional data. Subsequently, the auditors selected over 600 transactions for testing the cash disbursement process in order to satisfy auditing standards. In addition to the 600 transactions, there were at least another 600 corresponding supporting documents that need to be reviewed as well. As a result, the auditors had no way of anticipating the volume of data and amount of additional time needed to complete the audit and provide value added feedback the City Manager and City Council requested. The request for an amendment to the contract appears reasonable.

The anticipated deadline is to provide a draft document to the City Manager's Office by May 13, 2016, present the final report to the Board in June 2016, and to the City Council in July 2016.

FISCAL IMPACT:

The total fiscal impact of the First Amendment to the Professional Service Agreement with Baker Tilly is \$19,874. The revised contract amount of \$154,874 will be funded from the Electric Fund's Professional Services Account (6000000-421000). The costs associated with the Water Fund's share of the RPU

audit will be cost allocated from the Electric Fund to the Water Fund.

Prepared by: Laura Chavez-Nomura, Public Utilities Assistant General Manager/Finance

Approved by: Girish Balachandran, Public Utilities General Manager

Approved by: John A. Russo, City Manager

Approved as to form: Gary G. Guess, City Attorney

Attachment: First Amendment to Professional Consultant Services Agreement – Baker Tilly Virchow Krause, LLP