

Management Response to Baker Tilly Observations and Recommendations
June 2016
Riverside Public Utilities Performance Audit

Audit Item #	Observation	Recommendation	Cost Estimate	Priority (Ranked High to Low)	Management Response
3	2.2.1 Review of access rights for specific purchase requisition actions in UWAM (Utilities Work & Asset Management System, formerly referred to as SPL) is done on an ad hoc basis by Information Technology (IT) and access rights are confirmed with managers.	Access rights should be reviewed quarterly and documentation should be maintained for each review.	Existing Resources	High	Agree
24	6.2.7 During interviews with RPU personnel, it was noted that the City Human Resources department does not have the same information available as RPU. The HR department and RPU show different numbers for hiring needs, available positions, etc. It was noted in interviews that RPU hiring needs are not always met due to lack of dedicated HR resources and information availability.	RPU and the Human Resource function need to share common databases of relevant information. To meet service needs service level agreements between RPU and HR should be considered.	Existing Resources	High	Evaluating
27	6.2.10 Many reports are prepared through manual manipulation of data. This results in a loss of data integrity.	From an internal controls standpoint, this results in a weakness in the integrity of information and a potential significant deficiency or material weakness in internal controls.	Existing Resources	High	Evaluating
31	9.2.1 Currently, there are many pallets of water meters that upon receipt from the vendor are placed in an uncaged/unsecured upstairs area of the Water Meter Shop.	To improve internal controls over physical meter access, RPU should consider creating a caged space for these meters.	Existing Resources	High	Agree
33	9.2.3 Currently, there is no tracking of water meter inventory location until they are entered in enQuesta when installed on a customer's premise.	RPU should consider tracking water meters upon receipt from vendor through their installation.	Existing Resources	High	Agree
35	9.2.5 Baker Tilly performed reconciliation of book values to physical inventory for a select sample of electric meters and water meters. Baker Tilly noted no exceptions related to electric meters to the sample quantity of electric meters that were counted. In regards to the water physical inventory evaluation, there was a slight discrepancy in quantity of meters that were on record from a sample purchase receipt (100) and actual quantity counted (90). The discrepancy was due to the fact that these were construction meters that are not installed permanently on customer premises, so their locations could not be accounted for (i.e., these meters could have been recycled or scrapped after being used).	RPU should consider tracking water meters upon receipt from vendor through their installation either through an existing system or through Excel.	Existing Resources	High	Agree

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36	9.2.6 While the individuals creating work orders can see the min/max inventory levels in UWAM, the Central Stores Warehouseman is not able to see meters listed on work order pick lists, so he has to rush to release the meters from the Central Stores for jobs. RPU is currently in the process of creating compatible units (CUs) for meters and CTs to integrate this equipment into the work order process.	RPU should consider integrating the meter check-out process into the Work Order process to provide appropriate alerts to Central Stores Warehouseman to reduce lag time with staging jobs. Additionally, usage of CUs will increase planning efficiency.	Existing Resources	High	Agree
1	1.2.1 Processing of miscellaneous accounts receivable is highly paper intensive and requires triple-entry of data into multiple systems.	The City should determine if the Integrated Financial and Administrative Solution (IFAS) has the capability to route approvals or set up workflow for miscellaneous accounts receivable. This would enable divisions to enter receivable information directly into IFAS and route to the appropriate people, including Finance for approval and further processing. This would eliminate paper processing and triple-entry of data into multiple systems, which makes greater possibilities for control	Under \$75,000	High	Evaluating
14	5.2.5 RPU has developed an aggressive plan to enhance its asset management function, particularly through the implementation of improved use of the asset management system (i.e., UWAM) for functions including, warehouse inventory and work management. To achieve RPU's goals, Leidos Engineering, RPU's technology planning consultant, recommended the following in the June 2015 Strategic Technology Plan: "To ensure successful adoption of the proposed technology investments and realize their anticipated benefits, RPU must create a new organizational structure, add new resources, and provide training for existing staff to use and maintain newly implemented technologies." To address this concern, RPU created the OT function. It is possible that OT will not be sufficient to meet all of RPU's staffing needs including both day-to-day operations (work order control, scheduling, asset managers) as well as IT support (both day-to-day and implementation support).	RPU should consider conducting an organizational assessment of its asset management function. The assessment should consider overall staffing, workload, and organizational structure of RPU and the asset management function. RPU should request, as a result of the organizational assessment, estimates of the costs and benefits associated with the recommended organizational alternatives.	\$75,000 - \$250,000	High	Evaluating

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21	6.2.4 RPU currently uses IFAS, an integrated financial and administrative solution which does not have the ability to run necessary reports.	RPU should consider acquiring financial statement software that will allow the export of data and creation of reports with minimal data manipulation.	\$500,000 - \$1 million	High	Evaluating
6	2.2.4 The City's purchasing software, UWAM, allows users entering requisitions to pick from a list of people who can approve their requisition, even if that person is in a different department. Most purchasing systems would automatically route the requisition to the appropriate approver based on the person making the requisition and the dollar value of the requisition. This allows for stronger internal controls, reduced mistakes and enhanced efficiencies.	The City should explore whether or not UWAM can be configured to automatically route requisitions instead of users choosing an approver from a drop down list.	Under \$75,000	High	Evaluating
10	5.2.1 RPU does not have a formal asset management policy that establishes standard operating procedures, roles and responsibilities, and key controls.	RPU should document a formal written policy that, at a minimum, covers the following topics: > Asset purchase > Inventory > Inspection > Preventative maintenance > Work order execution > Reporting (internal & compliance) > Retirement, sale, and disposal > Use of the Asset Management System (UWAM) In each of the areas above, the policy should convey the applicable policies, procedures, roles and responsibilities, and key controls related to asset management.	Existing Resources	Medium	Agree
15	5.2.6 RPU personnel expressed concern over various accounting processes related to asset management including the following: > Integration of the financial system (IFAS) to the asset management system (UWAM) > Recording of the sale of an asset > Recording of asset disposal > Documenting the costs associated with work order completion including coding of costs as either O&M or Capital costs RPU expressed that the concerns resulted from the following: > The financial management system (IFAS) does not contain individual asset records	RPU should assess the lifecycle of asset accounting. Where appropriate the assessment should take into consideration Government Accounting Standards Board (GASB) and Federal Energy Regulatory Commission (FERC) standards.	Existing Resources	Medium	Agree

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	> Cost data that is fed into financial management system (IFAS) does not agree to cost data within the asset management system (UWAM), particularly as it relates to the completion of work orders				
17	5.2.8 Currently, a Utility Analyst reviews outstanding work orders to verify that they have been complete and marked as such within the UWAM system for its Water Field assets. This process has also been partially implemented for RPU's Water Operations assets. For Electric Field and Operations assets, however, the frequency of this control is annual, which is not adequate to ensure that work orders, particularly those that may prevent a safety issue, are addressed in a timely manner.	We recommend that this control be performed on a monthly, quarterly, and annual basis for all assets moving forward.	Existing Resources	Medium	Evaluating
18	6.2.1 Most departments do not have formal policies and procedures in place for the creation of management reports.	RPU should develop formal written policies and procedures for the creation of management reports. This will ensure that the reports are created on time and in a consistent manner. In addition, having desktop procedures will allow for a smooth transition when a new employee is responsible for creating the reports.	Existing Resources	Medium	Agree
20	6.2.3 Although RPU reports some KPI's to the Board of Public Utilities, there are many that are not provided to the Board including the reliability metrics (SAIDI, SAIFI, CAIDI).	RPU should provide more KPI's to the Board of Public Utilities. See Appendix C for example KPI's/Dashboards that should be considered.	Existing Resources	Medium	Agree
26	6.2.9 Most of the managers we interviewed were satisfied with the reporting information they received. There were a few instances, however, where managers expressed a desire for more information. Examples include:	We recommend that RPU management determine information needs of managers. Tools that can facilitate this process include surveys, group discussions and direct input from managers. Management should then evaluate these needs on a sensitivity of information basis to ensure that both appropriate reports are developed and distributed and sensitive information is only accessed by appropriate managers and personnel.	Existing Resources	Medium	Agree
	> Energy cost for delivering water > The actionable wasted time due to policies, processes, procedures > More KPI's (information vs. data)	Information to be distributed should be documented in formal policies and procedures. A formal information distribution schedule should be maintained.			

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28	7.2.1 Three of the six leases selected for detailed testing, indicated that the Lease Report from the Microsoft Database had the incorrect lease amount. The proper amount was received from the lessees, however.	For proper controls and segregation of duties, after the Microsoft Database has been updated with new lease information, it should be reviewed by another individual for accuracy.	Existing Resources	Medium	Evaluating
29	7.2.2 Although there is high-level documentation at the City-wide level for the process of entering into leases, there is not specific utility documentation or procedures in place that shows the proper steps to enter into and monitor leases.	RPU should create detailed procedures (desktop checklist) for the steps in entering into and monitoring leases. This will ensure that approved procedures are followed when entering into and monitoring leases.	Existing Resources	Medium	Evaluating
34	9.2.4 While water meters are initiated and checked out through enQuesta for work orders, the quantity of meters located on trucks aren't always accounted for.	While water meters are checked out through enQesta for work orders, the Water Meter Shop Utility Supervisor or Utility Data Control Clerk should review quantities of meters in meter shops and on various trucks on a periodic basis (i.e., weekly, biweekly) to account for meters that are out on trucks.	Existing Resources	Medium	Evaluating
38	9.2.8 Currently, Current Transformers (CTs) are purchased with P-Cards by an assigned Sr. Electric Meter Tech.	RPU should consider procuring CTs through the purchase requisition process instead of purchasing with P-Cards. This would allow for more visibility of the purchases and more competitive pricing on CTs.	Existing Resources	Medium	Agree
39	10.2.1 Currently multiple vendors are being used for recycling scrap metals for Central Stores, UOC Tool Room meter shops, and Distribution Transformers.	RPU should consider competitive solicitations for one vendor to handle/oversee the recycling of multiple scrap metal bins.	Existing Resources	Medium	Evaluating
40	10.2.2 Currently, the scrap metal bins that are recycled by various vendors do not appear to be weighed on-site or inspected.	RPU should consider occasionally weighing on-site at Central Stores/UOC or inspecting the vendors' weighing of scrap metals to ensure proper weight being recorded with proper payment.	Existing Resources	Medium	Evaluating
10	10.2.3 In relation to there being multiple vendors used for recycling of scrap metals, there does not appear to be a consistent approach of how to deal with recycling vendors in their process of emptying bins and providing manifests of the scrap metals.	RPU should consider developing a formal policy for scrap metals that a minimum lays out: 1. What items are covered (i.e., distribution transformers, electric meters/CTs, water meters) 2. Thresholds of what constitutes a "pass"/"fail" of items when they are tested 3. List of items that recycling vendor should provide (i.e., manifest, receipt)	Existing Resources	Medium	Agree

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42	10.2.4 Disbursement allocation percentages to different departmental accounts for recycled metals are pre-determined amounts that have not changed since the early 2000s.	Given the variation in weight and price of different metals being recycled by different departments, RPU should track check amounts that are received currently by recycling vendors and allocate the recycled metal checks in accordance with the metals that are recycled by various departments.	Existing Resources	Medium	Agree
43	11.2.1 Formal reporting requirements for the Utility 2.0 Strategic Plan and RPU commitments in Riverside 2.0 have not been established.	A plan for what type of progress reporting, the frequency of reporting and any key performance indicators that will be tracked should be developed. City Council and Board input should be gathered to help develop the progress reporting plan.	Existing Resources	Medium	Agree
25	6.2.8 The City of Riverside's IT department is used to help with creating queries and solving issues that RPU has in creating reports. The IT department serves many employees throughout the City of Riverside which can cause delays in providing the service needed.	RPU and the City should consider several options in providing IT services for RPU: 1. Service level agreements for City IT services to be provided to RPU 2. RPU dedicated IT personnel to provide services to RPU 3. Enhanced reporting tools for data extraction and report writing 4. Training for RPU managers in developing reports through reporting tools	Under \$75,000	Medium	Evaluating
32	9.2.2 Purchases for water meters are largely based on visual check or purchasing meters as approved in the annual water meter budget. This encourages purchasing of meters as long as there is available budget. In relation to the physical inventory evaluation, a sample purchase receipt indicated purchases of 100 construction meters occurred in 2009, but 90 construction meters still remained in the Water Meter Shop.	RPU should use a Min/Max Inventory feature in enQuesta or other system to set thresholds for various sizes of water meters instead of relying on available funds in the water meter budget to make purchases. The system Min/Max Inventory feature can be updated periodically to coincide with major projects (e.g., meter replacement program).	Under \$75,000	Medium	Evaluating
4	2.2.2 Although interfaced, purchasing information entered in UWAM does not get recorded in the general ledger module of IFAS until a PO number is assigned to the requisition. Therefore, funds are not encumbered at the point of requisition approval. RPU relies on management reporting to check fund balances at the time of requisition. This could potentially lead to budget overages if there are large gaps of time between requisition and PO issuance.	The City should explore the opportunity for a tighter interface between UWAM and IFAS so that funds can be pre-encumbered at the point of requisition.	Under \$75,000	Medium	Evaluating

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5	2.2.3 Commodity codes are not being used for business intelligence purposes and are only used to assign processing tasks to staff within the Purchasing department.	The City should consider using NIGP commodity codes and conducting regular spend analyses to not only provide further insight into purchasing behaviors but identify opportunities for economies of scale and cost savings. Tools such as a "Spend Cube" analysis can provide information into vendors used across multiple cost centers for identified products and services leading to opportunities for combining contracts for more efficiencies and competitive pricing.	Under \$75,000	Medium	Evaluating
19	6.2.2 The report creation process is very manual and labor intensive.	RPU should consider acquiring a new report writing tool and/or train individuals on how to use IBM Cognos. This will reduce the amount of manual data manipulation needed and make the report creation process more effective.	Under \$75,000	Medium	Evaluating
2	1.2.2 Aging reports for years prior to 2014 were unable to be provided from IFAS, the City's financial software.	The City's financial data should be accessible for any year in which data was stored in the system. Consider troubleshooting this issue with the vendor or investing in a system that allows for more robust reporting.	\$75,000 - \$250,000	Medium	Agree
11	5.2.2 Asset management is currently handled by each respective division within RPU (Electric Operations, Electric Field, Water Operations, and Water Field). Historically, each division developed business practices that best suit its needs and leverage the asset management system (UWAM) as needed. At the time of fieldwork, the OTOffice was in the process of addressing this concern. In February 2016, the OT office led the effort to standardize and improve the use of the UWAM system for Water Operations assets. RPU intends to address similar concerns for Water Field assets and all Electric Field and Operations assets thereafter.	RPU should develop a method of ensuring that each of the divisions leverages the asset management system in a way that enables RPU to achieve its overarching strategic objectives. To achieve this goal, RPU, led by the OT office, should continue to re-implement UWAM to standardize and improve system use. During that process, RPU should consider both implementing improved system functionality and re-engineering business processes. In addition to re-implementing the UWAM system, RPU should document and communicate comprehensive asset management policies that cover all functional areas and divisions utilizing the UWAM system. Lastly, RPU must implement a process to monitor compliance with the asset management policies. There are multiple means of accomplishing this, including but not limited to:	\$75,000 - \$250,000 (2-3 FTEs)	Medium	Evaluating

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		> Creating an Asset Management and Work Order Control group that provides independent oversight and management of the various asset management processes > Assigning responsibility of monitoring activities to existing RPU personnel. NOTE: RPU must take into account proper segregation of duties when developing monitoring controls.			
12	5.2.3 Certain electric utility transmission and distribution (T&D) assets were added to the asset management system through the inspection process in the past (i.e., inspected into existence). However, inspection of T&D assets has not taken place since 2012. Thus, certain assets are not captured in the asset management system, and there is no process for capturing them until the inspection program is reinstated.	As indicated in Observation 5.2.1, RPU should document a formal asset management policy. The asset management policy should identify standards of care for asset management, inspection, and reporting. Although the standards may not legally apply to public utilities, RPU should consider implementing policies that recognize GO 165 as the standard for asset management and inspection. Once a standard has been adopted through formal policy, RPU should reinstate the T&D inspection and reporting processes. In addition to benefiting from having complete asset records and being in compliance with applicable regulations, RPU will be able to attribute work orders to those assets and forecast workload.	\$75,000 - \$250,000 (2-3 FTEs)	Medium	Evaluating
13	5.2.4 Currently, RPU does not leverage the work management functionality in the asset management system (UWAM). Not only does this create challenges when assigning and prioritizing work, but it also creates challenges when planning future work.	According to the RPU Strategic Technology Plan, RPU intends to implement a work management tool between 2018 and 2020. In consideration of the potential time savings and reduced costs, RPU should consider expediting the implementation of the system.	\$250,000 - \$500,000	Medium	Evaluating

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	In the current state, the Central Stores checkout of stock items is generated on the same day that work is to be completed. As a result, the personnel responsible for completing the work may have to wait for items to be pulled (i.e., there can be a queue in the morning). In an ideal state, work orders could be scheduled in advance, allowing Central Stores to pick inventory items in advance. This would enable personnel to begin work earlier in the day and lessen the likelihood of waiting for inventory to be pulled, ultimately improving efficiency of RPU Crew and Field Personnel.	If that is not feasible, RPU should create a work around that enables Central Stores to pull inventory items and stage jobs the day prior to work being completed.			
22	6.2.5 RPU does not have an Outage Management System (OMS). As such, all outage information must be manually logged into Excel.	RPU should consider acquiring an OMS system. This will reduce the amount of labor needed to manually log all outage information and make the process more efficient.	\$500,000 - \$1 million	Medium	Agree
23	6.2.6 Although the Water department has water maintenance software (WaterTrax), it has been stated in interviews that this software is archaic and the data is extracted into in a non-usable format.	RPU should consider acquiring new water maintenance software that can provide data in a more user-friendly format to allow RPU employees to be more efficient in creating necessary reports.	\$500,000 - \$1 million	Medium	Agree
8	3.2.1 RPU has a strong reserve balance and bond rating.	RPU should continue to meet the requirements of its reserve policy in order to cover necessary operation and capital costs in the future, especially given the aging infrastructure at RPU.	Existing Resources	Low	Agree
9	4.2.1 RPU's Debt to Total Asset ratio and Debt Service Coverage ratios are comparable to peer utilities.	RPU should continue to monitor its Debt to Total Asset ratio and Debt Service Coverage to ensure it meets internal goals overall strategy	Existing Resources	Low	Agree
16	5.2.7 Assets are removed from use in the field through the use of a Transformer/Equipment Removal form. However, there is no process to reconcile the removal of assets to updates within the IFAS system and to the UWAM system.	RPU should implement a control in which the assets that are removed from the field are reconciled to assets retired in the UWAM and IFAS systems. This control should be performed by an individual who is not involved in the initiation or approval of the Transformer/Equipment Removal forms.	Existing Resources	Low	Evaluating

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30	8.2.1 In its Organizational Assessment report of RPU, Hometown Connections recommended that RPU “develop a more proactive economic development recruitment process for new business customers. While RPU does provide incentives for ED rates and is proactive in working with potential customers, it does not appear that certain industries or business types other than ones designated as “Research, Development, or Technology” are targeted.	Similar to Hometown Connections’ recommendation, Baker Tilly would recommend that RPU consider looking at current and previous ED customers and consider recruiting other business types more proactively.	Existing Resources	Low	Evaluating
37	9.2.7 Currently, the meters and CTs that get transferred from Central Stores to the UOC Tool Room (Caged Inventory) are tracked through a spreadsheet, which is updated weekly by the assigned Electric Meter Tech.	While the Meter Tech is diligent about tracking meters that are in the Caged Inventory, RPU should consider using location (“EM2” for the electric meter warehouse) within UWAM to track meters’ location.	Existing Resources	Low	Evaluating
7	2.2.5 Baker Tilly was asked to review purchases through SCPPA. We had no findings related to the appropriateness of making purchases through SCPPA. However, we did observe that prior to FY16, documentation of approvals of purchases through SCPPA was only documented through letters and emails. Currently, RPU uses an authorization form for SCPPA purchases.	The City should continue to use the SCPPA purchase authorization form as it provides more thorough documentation of and justification for SCPPA purchases.	Existing Resources	Low	Agree