

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JULY 25, 2016

ITEM NO: 6

SUBJECT: PUBLIC UTILITIES FINANCIAL AND PERFORMANCE AUDITS PREPARED BY BAKER TILLY VIRCHOW KRAUSE, LLP – REVIEW OF CONSULTANTS' FINDINGS AND RECOMMENDATIONS

ISSUES:

The items for Board of Public Utilities consideration are: 1) review the findings and recommendations of the external auditor on the City Council directed Performance Audit for the Public Utilities Department; 2) review the findings and recommendations of the external auditor on the City Council directed Financial Audit for the Public Utilities Department; 3) receive and file the initial assessment of the findings and recommendations; and 4) direct staff to return in September 2016 with an Action Plan.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Review the findings and recommendations of the external auditor on the City Council directed Performance Audit;
2. Review the findings and recommendations of the external auditor on the City Council directed Financial Audit;
3. Receive and file staff's initial assessment of the findings and recommendations; and
4. Direct staff to return in September 2016 with an Action Plan.

BACKGROUND:

The Performance Audit and the Financial Audit for the three year period ending June 30, 2015 have been completed by the outside firm Baker Tilly Virchow Krause, LLP (Attachments 1 and 2).

Baker Tilly Partner Russ Hissom will provide a summary report to the City Council. Staff from the Public Utilities Department, as well as Finance, Human Resources and Innovation Technology Departments will be available to answer questions, along with Project Manager Lee McDougal, Assistant City Manager Marianna Marysheva-Martinez, and Internal Audit Manager Cheryl Johannes.

The initial response to the audit recommendations has been prepared (Attachments 3 and 4). A more detailed timeline and action plan will be prepared and presented to the Public Utilities Board and City Council in September 2016.

FISCAL IMPACT:

There is no fiscal impact associated with review of the audit findings and recommendations at this time. Baker Tilly has provided high level cost estimates to implement recommendations. Public Utilities staff in collaboration with Finance, Human Resources and Innovation Technology staff will further review each item and recommend actions to address them, including the financial impact and timing within the Action

Plan presented to the Public Utilities Board in September 2016. Authorization for expenditure of funds, subject to Public Utilities Board oversight, will be brought back at a later date on a case by case basis.

Prepared by: Kevin Milligan, Utilities Deputy General Manager
Approved by: Girish Balachandran, Utilities General Manager
Concurs with: Marianna Marysheva-Martinez, Assistant City Manager
Scott G. Miller, Interim Finance Director
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance

Attachments:

1. Baker Tilly Performance Audit of Riverside Public Utilities – Final Report
2. Baker Tilly Financial Review of Expenditures for Riverside Public Utilities – Final Report
3. RPU Management Response to Financial Review – Initial Response
4. RPU Management Response to Performance Audit – Initial Response
5. Presentation