



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JULY 26, 2016**  
**FROM: CITY MANAGER'S OFFICE** **WARDS: ALL**  
**SUBJECT: PUBLIC UTILITIES PERFORMANCE AND FINANCIAL AUDITS PREPARED  
BY BAKER TILLY VIRCHOW KRAUSE, LLP – REVIEW OF CONSULTANTS'  
FINDINGS AND RECOMMENDATIONS**

## **ISSUES:**

Review the findings and recommendations of the external auditor on the City Council directed Performance and Financial Audit for the Public Utilities Department; receive and file the initial assessment of the findings and recommendations; and direct staff to return in September 2016 with an Action Plan.

## **RECOMMENDATIONS:**

That the City Council:

1. Review the findings and recommendations of the external auditor on the City Council directed Performance Audit of the Public Utilities Department;
2. Review the findings and recommendations of the external auditor on the City Council directed Financial Audit of 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.

## **BOARD RECOMMENDATION:**

This report is published on July 14, 2016, for the July 26, 2016, City Council meeting.

On July 25, 2016, the Riverside Public Utilities' Board will hear this item for consideration to recommend to City Council review the findings and recommendations of the external auditor on the City Council directed Performance and Financial Audit for the Public Utilities Department; receive and file the initial assessment of the findings and recommendations; and direct staff to return in September 2016 with an Action Plan.

If the Board approves to forward this to City Council, we respectfully request the City Council consider the item at the July 26, 2016, City Council meeting.

## **BACKGROUND:**

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

Russ Hissom, Partner at Baker Tilly, 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 responses to the audit recommendations have been prepared (Attachments 3 & 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:	Cheryl Johannes, Internal Audit Manager
Concurs With:	Girish Balachandran, Public Utilities General Manager Marianna Marysheva-Martinez, Assistant City Manager Scott G. Miller, Interim Finance Director
Certified as to	
Availability of funds:	Scott G. Miller, Interim Finance Director
Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

## **Attachments:**

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