



CONSULTING ENGAGEMENT

Southern California Public Power Authority (SCPPA) Three Fiscal Year Financial Transactions Review

February 2018

Office of Organizational Performance
and Accountability
Cheryl Johannes, Manager

BACKGROUND

At the request of the Governmental Affairs Committee on December 6, 2017, the Office of Organizational Performance and Accountability (OOPA) performed an assessment of Riverside Public Utilities (RPU) financial transactions related to the Southern California Public Power Authority (SCPPA). The specific objective was to determine if SCPPA transactions were consistent with SCPPA contract guidelines, and applicable City procurement policies and practices.

To address the objective, our assessment included the following review elements:

- SCPPA Joint Powers Agreement dated November 1, 1980;
- City Council Resolution 14183 dated September 16, 1980;
- City Council Memorandum Reports (8-26-1980, 8-14-2007 and 2-21-2017);
- Riverside City Charter sections 406, 419, 1109 and 1202;
- City Council Resolution number 22576 dated September 10, 2013;
- California Government Code 6500-6539, Joint Powers Agreements;
- Senate Bill (SB) 1037, Energy Efficiency;
- RPU/SCPPA power purchase agreements;
- SCPPA Board resolutions/agreements;
- Interviews/discussions with RPU staff;
- Interviews/discussions with Office of the City Attorney representatives;
- SCPPA resolution billing invoices;
- RPU budgetary data and annual independent financial reports for fiscal years 2013/14 to 2015/16;
- SCPPA annual financial reports for fiscal years 2013/14 to 2015/16;
- RPU Request for Wire Transfers;
- Various RPU task order forms; and
- City's financial system (IFAS) account detail data.

RIVERSIDE SCPPA REVIEW SUMMARY

On September 16, 1980, the Riverside City Council adopted a resolution, authorizing Riverside's participation in SCPPA, and approved the SCPPA agreement. The 1980 SCPPA agreement with the City of Riverside Public Utilities (RPU) appoints the RPU General Manager as the voting board member of the authority representing RPU (Sections 9 and 10). The SCPPA agreement authorizes the authority to enter into contracts of every kind with or on behalf of its members (Section 5).

Our review determined that RPU's procurement of energy efficiency programs and other SCPPA member services have been conducted in compliance with the terms of the SCPPA agreement² and applicable City procurement policies and practices.

In addition, RPU implemented the following internal controls to ensure transparency and accountability:

- 1) An RPU SCPPA Procurement form is submitted to the RPU Chief Financial Officer to ensure budget availability;
- 2) A SCPPA task order to accept services is approved by the RPU General Manager (or designee);
- 3) RPU Board of Utilities and City Council approval is now required for SCPPA purchases over \$50K (purchases between \$25K and \$50K are approved by the City Manager; purchases up to \$25K are approved by the RPU General Manager); and
- 4) A bi-annual report is provided to the Board of Public Utilities and the City Council of all SCPPA financial transactions for the most recent period. The last report was submitted to the Board and the City Council on September 12, 2017.

Please contact the Office of Organizational Performance and Accountability if you have any questions regarding this assessment. We sincerely appreciate the cooperation extended by RPU staff during our assessment.

Respectfully,

Vincent Price, CGAP, CICA
Senior Internal Auditor
Office of Organizational Performance and Accountability

² OOPA reviewed the City Council Memorandum dated February 21, 2017 (Update on Participation in Southern California Public Power Authority), and upon review of applicable City Charter sections, concurred with the report that RPU activities related to SCPPA are in compliance with the City Charter.