

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: APRIL 22, 2019

ITEM NO: 15

SUBJECT: PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH EADIE AND PAYNE, LLP, IN RESPONSE TO RFP NO. 1880 FOR AUDIT SERVICES OF RIVERSIDE PUBLIC UTILITIES ELECTRIC AND WATER FUNDS FOR A TERM ENDING JUNE 30, 2020 IN AN AMOUNT NOT-TO-EXCEED \$60,000

ISSUE:

Approve and recommend that the City Council approve a Professional Consultant Services Agreement for audit services of Riverside Public Utilities Electric and Water Fund with Eadie and Payne, LLP, for a term ending June 30, 2020, in an amount not to exceed \$60,000 in response to RFP No. 1880.

RECOMMENDATIONS:

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

1. Approve a Professional Consultant Services Agreement for audit services of Riverside Public Utilities Electric and Water Fund with Eadie and Payne, LLP, of Riverside, California, in response to RFP No. 1880 for a term ending June 30, 2020 in an amount not to exceed \$60,000; and
2. Authorize the City Manager, or designee, to execute all documents pursuant to the Professional Consultant Services Agreement with Eadie and Payne, LLP, and any other documents as necessary to effectuate the agreement including making minor non-substantive changes.

BOARD RECOMMENDATION:

On March 25, 2019, the Board of Public Utilities considered the Professional Consultant Services Agreement with Eadie and Payne, LLP. After discussion, the Board unanimously voted to 1. Continue this item for 30 days or less; 2. Request staff provide a summary of all the audits in FYs 2013-2018 that were conducted on the Public Utilities, including the cost of such audits and the staff time expended for such audits (Attachment 2); and 3. Request staff provide an estimate cost of staff time to prepare for this audit.

BACKGROUND:

On May 14, 2018, the Board of Public Utilities (Board), with all members present, conducted a Public Hearing to receive public input related to the electric and water utility five-year rate proposal. Following discussion, the Board recommended that the City Council adopt a resolution approving the 2018-2022 Electric and Water Rules and Rates and conduct an annual review of the adopted rates.

On May 22, 2018, following discussion, the City Council received input on the 2018-2022 Electric and Water Rules and Rates and adopted a resolution approving the 2018-2022 Electric and Water Rules and

Rates as outlined in the staff report, with water rates effective July 1, 2018 and Electric Rates effective January 1, 2019. The Council also approved an annual review of the adopted rates.

During the May 22, 2018 City Council meeting, a request was made by Councilmembers for an external financial audit to be conducted of the Riverside Public Utilities (RPU) Water and Electric funds. Subsequent to the meeting, additional requests for an audit of the RPU funds have been received.

DISCUSSION:

On December 6, 2018, RFP No. 1880 for Audit Services of Riverside Public Utilities Electric and Water Funds was issued. The intent of the RFP was to seek qualified entities or individuals to provide audit services of the RPU Electric and Water Funds. The purpose of the audit is to determine whether RPU is providing services in an economical, efficient, and effective manner, whether its goals and objectives are being achieved, and whether it is complying with applicable City and Public Utilities Department procedures in areas of operations, billings, cash, revenues, and fees.

On January 8, 2019, two proposals were received in response to RFP No. 1880. After an extensive evaluation process, Eadie and Payne, LLP, was selected as the most responsive proposer based on qualifications, pricing, and industry experience.

Proposals	Location	Amount	Rank
Eadie and Payne, LLP	Riverside, CA	\$60,000	1
Baker Tilly	Austin, TX	\$121,260	2

Eadie and Payne, LLP, is a 100-year-old California CPA Firm with extensive experience in providing auditing and consulting services to government agencies. Their approach to the audit will include developing and refining the scope and a more detailed project plan in conjunction with RPU and City representatives, interviewing City Council members, auditing total revenues for the fiscal years ended in June 30, 2013 through 2018 and the partial fiscal year of July 1, 2018 through December 31, 2018, completing a comparative analysis of non-potable versus potable water uses for the fiscal years ended June 30, 2013 through 2018 and the partial fiscal year of July 1, 2018 through December 31, 2018, and presenting findings to RPU, City Management, and City Council. The initial findings are anticipated to be presented to the Board of Public Utilities on July 22, 2019.

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23256.

RPU staff prepared the summary of audits performed of RPU during Fiscal Years 2013/14 – 2017/18 (Attachment 2) as requested by the Board of Public Utilities. While the expense for each audit is based on contracted costs, the employee hours provided are estimated as there is no formal tracking mechanism for this information.

RPU has not been involved in an audit such as the one under consideration at this time. However, based on previous large scope audits, it is estimated that the staff hours will be approximately 800 to 1,000. The cost involved with those hours depends on the level of details and RPU and City staff requested to respond to the auditor, which cannot be determined at this time. Staff will track the hours spent and will provide the Board with the final staff time following the completion of the audit.

FISCAL IMPACT:

The total fiscal impact is \$60,000. Sufficient funds are available in the Public Utilities Administration Professional Services Account No. 6000000-421000.

Prepared by: Carlie Myers, Deputy City Manager
Approved by: Todd M. Corbin, Utilities General Manager
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Aileen Ma, Interim Utilities Assistant General Manager/Finance & Administration

Attachments:

1. Draft Minutes of Board Meeting - March 25, 2019
2. Summary of Audits Completed During Fiscal Years 2013/14 – 2017/18
3. RFP Award Recommendation
4. RFP No.1880 Specifications
5. Professional Consultant Services Agreement with Eadie and Payne LLC