



AUDIT SERVICES OF RIVERSIDE PUBLIC UTILITIES ELECTRIC AND WATER FUNDS

City Manager's Office

City Council
May 14, 2019

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BACKGROUND

1. 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.
2. 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 continue the item for 30 days, requested staff provide a summary of all the audits with the associated cost and staff time for FYs 2013-2018 that were conducted on RPU; and requested staff provide an estimate cost of staff time to prepare for this audit .



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DISCUSSION

1. On December 6, 2018, RFP No. 1880 for Audit Services of Riverside Public Utilities Electric and Water Funds was issued
2. On January 8, 2019, two (2) proposals were received:

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

3. After an extensive evaluation process, Eadie and Payne, LLP, was selected as the most responsive proposer based on qualifications, pricing, and industry experience.



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EADIE AND PAYNE, LLP – AUDIT APPROACH

The approach to the audit will include:

1. Developing and refining the scope and a more detailed project plan in conjunction with RPU and City representatives;
2. Interviewing City Councilmembers;
3. 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;
4. 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
5. Presenting findings to RPU, City Management and City Council.



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BOARD OF PUBLIC UTILITIES RECOMMENDATION

On April 22, 2019, unanimously voted to recommend 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. Amending Section 2 of the Agreement, "term", to provide that consultant shall not commence services until:
 - A. The 2019 City Council election results have been certified,
 - B. The new City Council members have assumed office, and
 - C. Riverside Public Utilities has presented its first annual report on the rate plan to the City Council.

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OPTIONS FOR CITY COUNCIL CONSIDERATION

Action	Funding Source	Start Date
Approve the audit agreement as revised by the Board of Public Utilities	Public Utilities Administration Professional Services	Start date after the 2019 City Council election results have been certified, the new City Council members have assumed office, and RPU has presented its first annual report on the rate plan to the City Council
Approve the audit agreement, without the proposed revisions, and fund the audit agreement with a general fund account	City Manager's Financial and Performance Audit Program	Immediately upon Contract execution
Request that the Board reconsider the revisions and approve the audit agreement as originally presented	Unknown	Unknown
Not Approve the Agreement	N/A	N/A

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OPTIONAL CITY COUNCIL DIRECTION

To approve the audit agreement, as revised by the Board of Public Utilities:

1. Approve a the Agreement for audit services of RPU Electric and Water Fund with Eadie and Payne, LLP, for a term ending June 30, 2020, in an amount not to exceed \$60,000, amending Section 2 of the Agreement, "term", to provide that consultant shall not commence services until the 2019 City Council election results have been certified, the new City Council members have assumed office, and Riverside Public Utilities has presented its first annual report on the rate plan to the City Council; and
2. Authorize the City Manager, or his designee, to execute the Professional Consultant Services Agreement with Eadie and Payne, LLP, including making minor and non-substantive changes and the contract extensions.

OR

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OPTIONAL CITY COUNCIL DIRECTION

To approve the audit agreement, without the proposed revisions, and fund the audit agreement with a general fund account:

1. Approve a Professional Consultant Services Agreement for audit services of RPU Electric and Water Fund with Eadie and Payne, LLP, for a term ending June 30, 2020, in an amount not to exceed \$60,000; and
2. Authorize the City Manager, or his designee, to execute the Professional Consultant Services Agreement with Eadie and Payne, LLP, including making minor and non-substantive changes and the contract extensions

OR

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OPTIONAL CITY COUNCIL DIRECTION

Request staff return to the Board of Public Utilities to reconsider the revisions and approve the audit agreement as originally presented.

OR

Decide to not approve the audit agreement at this time.

OR

Provide staff with alternative direction



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RECOMMENDATIONS

That the City Council consider the recommendation from the Board of Public Utilities and provide staff with direction regarding a Professional Services Agreement for audit services of Riverside Public Utilities Electric and Water Funds with Eadie and Payne, LLP, of Riverside, California, in response to Request for Proposal No. 1880, in an amount not to exceed \$60,000, with a term ending June 30, 2020.



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