RIVERSIDE PUBLIC UTILITIES

Performance Audit

May 20, 2016

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EXECUTIVE SUMMARY

0.0 – EXECUTIVE SUMMARY

0.1 – Background

The City of Riverside (City) engaged Baker Tilly to conduct a performance audit[1] of Riverside Public Utilities (RPU) of the performance of certain departments, programs, activities and functions of RPU as outlined in Section 0.0.2.

We would like to thank RPU personnel and City and RPU management for the assistance they provided to us during this project. Their assistance was invaluable and without their help and cooperation completion of this project would not have been possible.

We provide the information and recommendations in this report as an independent evaluator of the areas of review and our recommendations are given with the intent of helping to improve RPU operations and efficiencies in service delivery to their customers and the citizens of Riverside.

0.2 – Audit Scope and Approach

The scope of the performance audit included an evaluation of appropriate decision-making authority, effectiveness in achieving desired results, efficiency and economy in the use of resources, conformity with standard practices for peer utilities and compliance with relevant City and RPU policies. The scope of the areas of focus for the RPU performance audit were detailed by the City in the request for proposal and included:

1. Miscellaneous Accounts Receivable
2. Contracting and Procurement Policies and Practices
3. Reserve Setting
4. Debt Capacity
5. Asset Management Practices
6. Management Reporting Systems
7. Property Leases Monitoring and Control
8. Economic Development and Contract Rate Programs
9. UOC Tool Room (Meter) Inventory
10. Scrap/Salvage Inventory and Control
11. Alignment with City of Riverside 2.0 Strategic Plan and RPU 2.0 Strategic Plan

Our approach was based on *Attestation Standards (AT) Section 101 Attest Engagements* of the Statements on Standards for Attestation Engagements of the American Institute of Certified Public Accountants.

[1] The work done by Baker Tilly on this project and reported in this report does not constitute an "audit" or "review" under generally accepted auditing standards under the definition of the American Institute of Certified Public Accountants and therefore we do not express an audit opinion under auditing standards on the work performed and reporting upon for this project.

During the course of the audit, Baker Tilly submitted 436 data requests to RPU. A list of the data requested is provided in Appendix A of this report. Baker Tilly also conducted interviews with RPU managers and employees who had specific knowledge of operations and policies related to the performance audit. A list of interviews conducted with RPU personnel is shown in Appendix B. We also interviewed City and RPU management, RPU Board Members, City of Riverside Council Members and the Riverside Chamber of Commerce for their insights. Appendix D contains a summary of the information obtained from these interviews.

0.3 – Organization of this Report

This report is organized as follows for each area:

1. Background and current process
2. Observations and recommendations
3. Detailed testing procedures performed by Baker Tilly

This draft report is designed to be viewed using Bookmarks in Adobe. Bookmarks and headers are set to more easily move from section to section of the report.

0.4 – Summary of Observations and Recommendations

Our observations and recommendations are detailed as follows:

Table 1 – Summary of Observations and Recommendations

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
1.	1.0 Miscellaneous Accounts Receivable	1.2.1 Processing of miscellaneous accounts receivable is highly paper intensive and requires triple-entry of data into multiple systems.	The City should determine if the Integrated Financial and Administrative Solution (IFAS) has the capability to route approvals or set up workflow for miscellaneous accounts receivable. This would enable divisions to enter receivable information directly into IFAS and route to the appropriate people, including Finance for approval and further processing. This would eliminate paper processing and triple-entry of data into multiple systems, which makes greater possibilities for control weaknesses.	Under $75,000	High		X
2.	1.0 Miscellaneous Accounts Receivable	1.2.2 Aging reports for years prior to 2014 were difficult for City personnel to provide from IFAS, the City's financial software.	The City's financial data should be easily accessible for any year in which data was stored in the system. Consider troubleshooting this issue with the vendor or investing in a system that allows for more robust reporting.	$75,000 - $250,000	Medium		X
3	2.0 Contracting and Procurement Policies and Practices	2.2.1 Review of access rights for specific purchase requisition actions in UWAM (Utilities Work & Asset Management System, formerly referred to as SPL) is done on an ad hoc basis by Information Technology (IT) and access rights are confirmed with managers.	Access rights should be reviewed quarterly and documentation should be maintained for each review.	Existing Resources	High	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
4	2.0 Contracting and Procurement Policies and Practices	2.2.2 Although interfaced, purchasing information entered in UWAM does not get recorded in the general ledger module of IFAS until a PO number is assigned to the requisition. Therefore, funds are not encumbered at the point of requisition approval. RPU relies on management reporting to check fund balances at the time of requisition. This could potentially lead to budget overages if there are large gaps of time between requisition and PO issuance.	The City should explore the opportunity for a tighter interface between UWAM and IFAS so that funds can be pre-encumbered at the point of requisition.	Under $75,000	Medium		X
5	2.0 Contracting and Procurement Policies and Practices	2.2.3 Commodity codes are not being used for business intelligence purposes and are only used to assign processing tasks to staff within the Purchasing department.	The City should consider using NIGP commodity codes and conducting regular spend analyses to not only provide further insight into purchasing behaviors but identify opportunities for economies of scale and cost savings. Tools such as a “Spend Cube” analysis can provide information into vendors used across multiple cost centers for identified products and services leading to opportunities for combining contracts for more efficiencies and competitive pricing.	Under $75,000	Medium		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
6	2.0 Contracting and Procurement Policies and Practices	2.2.4The City's purchasing software, UWAM, allows users entering requisitions to pick from a list of people who can approve their requisition, even if that person is in a different department. Most purchasing systems would automatically route the requisition to the appropriate approver based on the person making the requisition and the dollar value of the requisition. This allows for stronger internal controls, reduced mistakes and enhanced efficiencies.	The City should explore whether or not UWAM can be configured to automatically route requisitions instead of users choosing an approver from a drop down list.	Under $75,000	High		X
7	2.0 Contracting and Procurement Policies and Practices	2.2.5 Baker Tilly was asked to review purchases through SCPPA. We had no findings related to the appropriateness of making purchases through SCPPA. However, we did observe that prior to FY16, documentation of approvals of purchases through SCPPA was only documented through letters and emails. Currently, RPU uses an authorization form for SCPPA purchases.	The City should continue to use the SCPPA purchase authorization form as it provides more thorough documentation of and justification for SCPPA purchases.	Existing Resources	Low	X	
8	3.0 Reserves and Financial Strength	3.2.1 RPU has a strong reserve balance and bond rating.	RPU should continue to meet the requirements of its reserve policy in order to cover necessary operation and capital costs in the future, especially given the aging infrastructure at RPU.	Existing Resources	Low	X	
9	4.0 Debt Capacity	4.2.1 RPU's Debt to Total Asset ratio and Debt Service Coverage ratios are comparable to peer utilities.	RPU should continue to follow their fiscal policy and monitor its Debt to Total Asset ratio and Debt Service Coverage to ensure it meets internal goals overall strategy.	Existing Resources	Low	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
10	5.0 Asset Management Practices	5.2.1 RPU does not have a formal asset management policy that establishes standard operating procedures, roles and responsibilities, and key controls.	RPU should document a formal written policy that, at a minimum, covers the following topics: > Asset purchase > Inventory > Inspection > Preventative maintenance > Work order execution > Reporting (internal & compliance) > Retirement, sale, and disposal > Use of the Asset Management System (UWAM) In each of the areas above, the policy should convey the applicable policies, procedures, roles and responsibilities, and key controls related to asset management.	Existing Resources	Medium	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
11	5.0 Asset Management Practices	5.2.2 Asset management is currently handled by each respective division within RPU (Electric Operations, Electric Field, Water Operations, and Water Field). Historically, each division developed business practices that best suit its needs and leverage the asset management system (UWAM) as needed. At the time of fieldwork, the OT office was in the process of addressing this concern. In February 2016, the OT office led the effort to standardize and improve the use of the UWAM system for Water Operations assets. RPU intends to address similar concerns for Water Field assets and all Electric Field and Operations assets thereafter.	RPU should develop a method of ensuring that each of the divisions leverages the asset management system in a way that enables RPU to achieve its overarching strategic objectives. To achieve this goal, RPU, led by the OT office, should continue to re-implement UWAM to standardize and improve system use. During that process, RPU should consider both implementing improved system functionality and re-engineering business processes. In addition to re-implementing the UWAM system, RPU should document and communicate comprehensive asset management policies that cover all functional areas and divisions utilizing the UWAM system. Lastly, RPU must implement a process to monitor compliance with the asset management policies. There are multiple means of accomplishing this, including but not limited to: > Creating an Asset Management and Work Order Control group that provides independent oversight and management of the various asset management processes > Assigning responsibility of monitoring activities to existing RPU personnel. NOTE: RPU must take into account proper segregation of duties when developing monitoring controls.	$75,000 - $250,000 (2-3 FTE's)	Medium		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
12	5.0 Asset Management Practices	5.2.3 Certain electric utility transmission and distribution (T&D) assets were added to the asset management system through the inspection process in the past (i.e., inspected into existence). However, inspection of T&D assets has not taken place since 2012. Thus, certain assets are not captured in the asset management system, and there is no process for capturing them until the inspection program is reinstated.	As indicated in Observation 5.2.1, RPU should document a formal asset management policy. The asset management policy should identify standards of care for asset management, inspection, and reporting. Although the standards may not legally apply to public utilities, RPU should consider implementing policies that recognize GO 165 as the standard for asset management and inspection. Once a standard has been adopted through formal policy, RPU should reinstate the T&D inspection and reporting processes. In addition to benefiting from having complete asset records and being in compliance with applicable regulations, RPU will be able to attribute work orders to those assets and forecast workload.	$75,000 - $250,000 (2-3 FTE's)	Medium		

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
13	5.0 Asset Management Practices	5.2.4 Currently, RPU does not leverage the work management functionality in the asset management system (UWAM). Not only does this create challenges when assigning and prioritizing work, but it also creates challenges when planning future work. In the current state, the Central Stores checkout of stock items is generated on the same day that work is to be completed. As a result, the personnel responsible for completing the work may have to wait for items to be pulled (i.e., there can be a queue in the morning). In an ideal state, work orders could be scheduled in advance, allowing Central Stores to pick inventory items in advance. This would enable personnel to begin work earlier in the day and lessen the likelihood of waiting for inventory to be pulled, ultimately improving efficiency of RPU Crew and Field Personnel.	According to the RPU Strategic Technology Plan, RPU intends to implement work management functionality within the UWAM system. The implementation will take place between 2018 and 2020. In consideration of the potential time savings and reduced costs, RPU should consider expediting the implementation of the system. If that is not feasible, RPU should create a work around that enables Central Stores to pull inventory items and stage jobs the day prior to work being completed.	$250,000 - $500,000	Medium		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
14	5.0 Asset Management Practices	5.2.5 RPU has developed an aggressive plan to enhance its asset management function, particularly through the implementation of improved use of the asset management system (i.e., UWAM) for functions including, warehouse inventory and work management. To achieve RPU's goals, Leidos Engineering, RPU's technology planning consultant, recommended the following in the June 2015 Strategic Technology Plan: "To ensure successful adoption of the proposed technology investments and realize their anticipated benefits, RPU must create a new organizational structure, add new resources, and provide training for existing staff to use and maintain newly implemented technologies." To address this concern, RPU created the OT function. It is possible that OT will not be sufficient to meet all of RPU's staffing needs including both day-to-day operations (work order control, scheduling, asset managers) as well as IT support (both day-to-day and implementation support).	RPU should consider conducting an organizational assessment of its asset management function. The assessment should consider overall staffing, workload, and organizational structure of RPU and the asset management function. RPU should request, as a result of the organizational assessment, estimates of the costs and benefits associated with the recommended organizational alternatives.	$75,000 - $250,000	High		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
15	5.0 Asset Management Practices	5.2.6 RPU personnel expressed concern over various accounting processes related to asset management including the following: > Integration of the financial system (IFAS) to the asset management system (UWAM) > Recording of the sale of an asset > Recording of asset disposal > Documenting the costs associated with work order completion including coding of costs as either O&M or Capital costs RPU expressed that the concerns resulted from the following: > The financial management system (IFAS) does not contain individual asset records > Cost data that is fed into financial management system (IFAS) does not agree to cost data within the asset management system (UWAM), particularly as it relates to the completion of work orders	RPU should assess the lifecycle of asset accounting. Where appropriate the assessment should take into consideration Government Accounting Standards Board (GASB) and Federal Energy Regulatory Commission (FERC) standards.	Existing Resources	Medium	X	
16	5.0 Asset Management Practices	5.2.7 Assets are removed from use in the field through the use of a Transformer/Equipment Removal form. However, there is no process to reconcile the removal of assets to updates within the IFAS system and to the UWAM system.	RPU should implement a control in which the assets that are removed from the field are reconciled to assets retired in the UWAM and IFAS systems. This control should be performed by an individual who is not involved in the initiation or approval of the Transformer/Equipment Removal forms.	Existing Resources	Low	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
17	5.0 Asset Management Practices	5.2.8 Currently, a Utility Analyst reviews outstanding work orders to verify that they have been complete and marked as such within the UWAM system for its Water Field assets. This process has also been partially implemented for RPU's Water Operations assets. For Electric Field and Operations assets, however, the frequency of this control is annual, which is not adequate to ensure that work orders, particularly those that may prevent a safety issue, are addressed in a timely manner.	We recommend that this control be performed on a monthly, quarterly, and annual basis for all assets moving forward.	Existing Resources	Medium	X	
18	6.0 Management Reporting Systems	6.2.1 Many departments do not have formal policies and procedures in place for the creation of management reports.	RPU should develop formal written policies and procedures for the creation of management reports. This will ensure that the reports are created on time and in a consistent manner. In addition, having desktop procedures will allow for a smooth transition when a new employee is responsible for creating the reports.	Existing Resources	Medium	X	
19	6.0 Management Reporting Systems	6.2.2 The report creation process is very manual and labor intensive.	RPU should consider acquiring a new report writing tool and/or train individuals on how to use IBM Cognos. This will reduce the amount of manual data manipulation needed and make the report creation process more effective.	Under $75,000	Medium		X
20	6.0 Management Reporting Systems	6.2.3 Although RPU reports some KPI's to the Board of Public Utilities, there are many that are not provided to the Board including the reliability metrics (SAIDI, SAIFI, CAIDI).	RPU should provide more KPI's to the Board of Public Utilities. See Appendix C for example KPI's/Dashboards that should be considered.	Existing Resources	Medium	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
21	6.0 Management Reporting Systems	RPU currently uses IFAS, an integrated financial and administrative solution to prepare financial statements which does not have the ability to run necessary reports.	RPU should consider acquiring financial statement software that will allow the export of data and creation of reports with minimal data manipulation.	$500,000 - $1 million	High		X
22	6.0 Management Reporting Systems	6.2.5 RPU does not have an Outage Management System (OMS). As such, all outage information must be manually logged into Excel.	RPU should consider acquiring an OMS system. This will reduce the amount of labor needed to manually log all outage information and make the process more efficient.	$500,000 - $1 million	Medium		X
23	6.0 Management Reporting Systems	6.2.6 Although the Water department has water maintenance software (WaterTrax), it has been stated in interviews that this software is archaic and the data is extracted into in a non-usable format.	RPU should consider acquiring new water maintenance software that can provide data in a more user-friendly format to allow RPU employees to be more efficient in creating necessary reports.	$500,000 - $1 million	Medium		X
24	6.0 Management Reporting Systems	6.2.7 During interviews with RPU personnel, it was noted that the City Human Resources department does not have the same information available as RPU. The HR department and RPU show different numbers for hiring needs, available positions, etc. It was noted in interviews that RPU hiring needs are not always met due to lack of dedicated HR resources and information availability.	RPU and the Human Resource function need to share common databases of relevant information. To meet service needs service level agreements between RPU and HR should be considered.	Existing Resources	High	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
25	6.0 Management Reporting Systems	6.2.8 The City of Riverside's IT department is used to help with creating queries and solving issues that RPU has in creating reports. The IT department serves many employees throughout the City of Riverside which can cause delays in providing the service needed.	RPU and the City should consider several options in providing IT services for RPU: 1. Service level agreements for City IT services to be provided to RPU 2. RPU dedicated IT personnel to provide services to RPU 3. Enhanced reporting tools for data extraction and report writing 4. Training for RPU managers in developing reports through reporting tools	Under $75,000	Medium		X
26	6.0 Management Reporting Systems	6.2.9 Most of the managers we interviewed were satisfied with the reporting information they received. There were a few instances, however, where managers expressed a desire for more information. Examples include: > Energy cost for delivering water > The actionable wasted time due to policies, processes, procedures. More KPI's (information vs. data)	We recommend that RPU management determine information needs of managers. Tools that can facilitate this process include surveys, group discussions and direct input from managers. Management should then evaluate these needs on a sensitivity of information basis to ensure that both appropriate reports are developed and distributed and sensitive information is only accessed by appropriate managers and personnel. Information to be distributed should be documented in formal policies and procedures. A formal information distribution schedule should be maintained.	Existing Resources	Medium	X	
27	6.0 Management Reporting Systems	6.2.10 Many reports are prepared through manual manipulation of data. This results in a loss of data integrity.	From an internal controls standpoint, this results in a weakness in the integrity of information and a potential significant deficiency or material weakness in internal controls.	Existing Resources	High	X	
28	7.0 Property Leases, Monitoring, and Control	7.2.1 Three of the six leases selected for detailed testing, indicated that the Lease Report from the Microsoft Database had the incorrect lease amount. The proper amount was received from the lessees, however.	For proper controls and segregation of duties, after the Microsoft Database has been updated with new lease information, it should be reviewed by another individual for accuracy.	Existing Resources	Medium	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
29	7.0 Property Leases, Monitoring, and Control	7.2.2 Although there is high-level documentation at the City-wide level for the process of entering into leases, there is not specific utility documentation or procedures in place that shows the proper steps to enter into and monitor leases.	RPU should create detailed procedures (desktop checklist) for the steps in entering into and monitoring leases. This will ensure that approved procedures are followed when entering into and monitoring leases.	Existing Resources	Medium	X	
30	8.0 Economic Development and Contract Rate Programs	8.2.1 In its Organizational Assessment report of RPU, Hometown Connections recommended that RPU "develop a more proactive economic development recruitment process for new business customers. While RPU does provide incentives for ED rates and is proactive in working with potential customers, it does not appear that certain industries or business types other than ones designated as "Research, Development, or Technology" are targeted.	Similar to Hometown Connections' recommendation, Baker Tilly would recommend that RPU consider looking at current and previous ED customers and consider recruiting other business types more proactively.	Existing Resources	Low	X	
31	9.0 UOC Tool Room (Meter) Inventory	9.2.1 Currently, there are many pallets of water meters that upon receipt from the vendor are placed in an uncaged/unsecured upstairs area of the Water Meter Shop.	To improve internal controls over physical meter access, RPU should consider creating a caged space for these meters.	Existing Resources	High	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
32	9.0 UOC Tool Room (Meter) Inventory	9.2.2 Purchases for water meters are largely based on visual check or purchasing meters as approved in the annual water meter budget. This encourages purchasing of meters as long as there is available budget. In relation to the physical inventory evaluation, a sample purchase receipt indicated purchases of 100 construction meters occurred in 2009, but 90 construction meters still remained in the Water Meter Shop.	RPU should use a Min/Max Inventory feature in enQuesta or other system to set thresholds for various sizes of water meters instead of relying on available funds in the water meter budget to make purchases. The system Min/Max Inventory feature can be updated periodically to coincide with major projects (e.g., meter replacement program).	Under $75,000	Medium		X
33	9.0 UOC Tool Room (Meter) Inventory	9.2.3 Currently, there is no tracking of water meter inventory location until they are entered in enQuesta when installed on a customer's premise.	RPU should consider tracking water meters upon receipt from vendor through their installation.	Existing Resources	High	X	
34	9.0 UOC Tool Room (Meter) Inventory	9.2.4 While water meters are initiated and checked out through enQuesta for work orders, the quantity of meters located on trucks aren't always accounted for.	While water meters are checked out through enQuesta for work orders, the Water Meter Shop Utility Supervisor or Utility Data Control Clerk should review quantities of meters in meter shops and on various trucks on a periodic basis (i.e., weekly, biweekly) to account for meters that are out on trucks.	Existing Resources	Medium	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
35	9.0 UOC Tool Room (Meter) Inventory	9.2.5 Baker Tilly performed reconciliation of book values to physical inventory for a select sample of electric meters and water meters. Baker Tilly noted no exceptions related to electric meters to the sample quantity of electric meters that were counted. In regards to the water physical inventory evaluation, there was a slight discrepancy in quantity of meters that were on record from a sample purchase receipt (100) and actual quantity counted (90). The discrepancy was due to the fact that these were construction meters that are not installed permanently on customer premises, so their locations could not be accounted for (i.e., these meters could have been recycled or scrapped after being used).	RPU should consider tracking water meters upon receipt from vendor through their installation either through an existing system or through Excel.	Existing Resources	High	X	
36	9.0 UOC Tool Room (Meter) Inventory	9.2.6 While the individuals creating work orders can see the min/max inventory levels in UWAM, the Central Stores Warehouseman is not able to see meters listed on work order pick lists, so he has to rush to release the meters from the Central Stores for jobs RPU is currently in the process of creating compatible units (CUs) for meters and CTs to integrate this equipment into the work order process.	RPU should consider integrating the meter check-out process into the Work Order process to provide appropriate alerts to Central Stores Warehouseman to reduce lag time with staging jobs. Additionally, usage of CUs will increase planning efficiency.	Existing Resources	High	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
37	9.0 UOC Tool Room (Meter) Inventory	9.2.7 Currently, the meters and CTs that get transferred from Central Stores to the UOC Tool Room (Caged Inventory) are tracked through a spreadsheet, which is updated weekly by the assigned Electric Meter Tech.	While the Meter Tech is diligent about tracking meters that are in the Caged Inventory, RPU should consider using location ("EM2" for the electric meter warehouse) within UWAM to track meters' location.	Existing Resources	Low	X	
38	9.0 UOC Tool Room (Meter) Inventory	9.2.8 Currently, CTs are purchased with P-Cards by an assigned Sr. Electric Meter Tech.	RPU should consider procuring CTs through the purchase requisition process instead of purchasing with P-Cards. This would allow for more visibility of the purchases and more competitive pricing on CTs.	Existing Resources	Medium	X	
39	10.0 Scrap/ Salvage Inventory and Control	10.2.1 Currently multiple vendors are being used for recycling scrap metals for Central Stores, UOC Tool Room meter shops, and Distribution Transformers.	RPU should consider competitive solicitations for one vendor to handle/oversee the recycling of multiple scrap metal bins.	Existing Resources	Medium	X	
40	10.0 Scrap/ Salvage Inventory and Control	10.2.2 Currently, the scrap metal bins that are recycled by various vendors do not appear to be weighed on-site or inspected.	RPU should consider occasionally weighing on-site at Central Stores/UOC or inspecting the vendors' weighing of scrap metals to ensure proper weight being recorded with proper payment.	Existing Resources	Medium	X	
41	10.0 Scrap/ Salvage Inventory and Control	10.2.3 In relation to there being multiple vendors used for recycling of scrap metals, there does not appear to be a consistent approach of how to deal with recycling vendors in their process of emptying bins and providing manifests of the scrap metals.	RPU should consider developing a formal policy for scrap metals that a minimum lays out: 1. What items are covered (i.e., distribution transformers, electric meters/CTs, water meters 2. Thresholds of what constitutes a "pass"/"fail" of items when they are tested 3. List of items that recycling vendor should provide (i.e., manifest, receipt)	Existing Resources	Medium	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
42	10.0 Scrap/ Salvage Inventory and Control	10.2.4 Disbursement allocation percentages to different departmental accounts for recycled metals are pre-determined amounts that have not changed since the early 2000s.	Given the variation in weight and price of different metals being recycled by different departments, RPU should track check amounts that are received currently by recycling vendors and allocate the recycled metal checks in accordance with the metals that are recycled by various departments.	Existing Resources	Medium	X	
43	11.0 Alignment with City of Riverside 2.0 Strategic Plan	11.2.1 Formal reporting requirements for the Utility 2.0 Strategic Plan and RPU commitments in Riverside 2.0 have not been established.	A plan for what type of progress reporting, the frequency of reporting and any key performance indicators that will be tracked should be developed. City Council and Board input should be gathered to help develop the progress reporting plan.	Existing Resources	Medium	X	

Table 2 – Summary of Observations and Recommendations by Priority

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
3	2.0 Contracting and Procurement Policies and Practices	2.2.1 Review of access rights for specific purchase requisition actions in UWAM (Utilities Work & Asset Management System, formerly referred to as SPL) is done on an ad hoc basis by Information Technology (IT) and access rights are confirmed with managers.	Access rights should be reviewed quarterly and documentation should be maintained for each review.	Existing Resources	**High**	X	
24	6.0 Management Reporting Systems	6.2.7 During interviews with RPU personnel, it was noted that the City Human Resources department does not have the same information available as RPU. The HR department and RPU show different numbers for hiring needs, available positions, etc. It was noted in interviews that RPU hiring needs are not always met due to lack of dedicated HR resources and information availability.	RPU and the Human Resource function need to share common databases of relevant information. To meet service needs service level agreements between RPU and HR should be considered.	Existing Resources	**High**	X	
27	6.0 Management Reporting Systems	6.2.10 Many reports are prepared through manual manipulation of data. This results in a loss of data integrity.	From an internal controls standpoint, this results in a weakness in the integrity of information and a potential significant deficiency or material weakness in internal controls.	Existing Resources	**High**	X	
31	9.0 UOC Tool Room (Meter) Inventory	9.2.1 Currently, there are many pallets of water meters that upon receipt from the vendor are placed in an uncaged/unsecured upstairs area of the Water Meter Shop.	To improve internal controls over physical meter access, RPU should consider creating a caged space for these meters.	Existing Resources	**High**	X	
33	9.0 UOC Tool Room (Meter) Inventory	9.2.3 Currently, there is no tracking of water meter inventory location until they are entered in enQuesta when installed on a customer's premise.	RPU should consider tracking water meters upon receipt from vendor through their installation.	Existing Resources	**High**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
35	9.0 UOC Tool Room (Meter) Inventory	9.2.5 Baker Tilly performed reconciliation of book values to physical inventory for a select sample of electric meters and water meters. Baker Tilly noted no exceptions related to electric meters to the sample quantity of electric meters that were counted. In regards to the water physical inventory evaluation, there was a slight discrepancy in quantity of meters that were on record from a sample purchase receipt (100) and actual quantity counted (90). The discrepancy was due to the fact that these were construction meters that are not installed permanently on customer premises, so their locations could not be accounted for (i.e., these meters could have been recycled or scrapped after being used).	RPU should consider tracking water meters upon receipt from vendor through their installation either through an existing system or through Excel.	Existing Resources	**High**	X	
36	9.0 UOC Tool Room (Meter) Inventory	9.2.6 While the individuals creating work orders can see the min/max inventory levels in UWAM, the Central Stores Warehouseman is not able to see meters listed on work order pick lists, so he has to rush to release the meters from the Central Stores for jobs. RPU is currently in the process of creating compatible units (CUs) for meters and CTs to integrate this equipment into the work order process.	RPU should consider integrating the meter check-out process into the Work Order process to provide appropriate alerts to Central Stores Warehouseman to reduce lag time with staging jobs. Additionally, usage of CUs will increase planning efficiency.	Existing Resources	**High**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
1	1.0 Miscellaneous Accounts Receivable	1.2.1 Processing of miscellaneous accounts receivable is highly paper intensive and requires triple-entry of data into multiple systems.	The City should determine if the Integrated Financial and Administrative Solution (IFAS) has the capability to route approvals or set up workflow for miscellaneous accounts receivable. This would enable divisions to enter receivable information directly into IFAS and route to the appropriate people, including Finance for approval and further processing. This would eliminate paper processing and triple-entry of data into multiple systems, which makes greater possibilities for control weaknesses.	Under $75,000	**High**		X
14	5.0 Asset Management Practices	5.2.5 RPU has developed an aggressive plan to enhance its asset management function, particularly through the implementation of improved use of the asset management system (i.e., UWAM) for functions including, warehouse inventory and work management. To achieve RPU's goals, Leidos Engineering, RPU's technology planning consultant, recommended the following in the June 2015 Strategic Technology Plan: "To ensure successful adoption of the proposed technology investments and realize their anticipated benefits, RPU must create a new organizational structure, add new resources, and provide training for existing staff to use and maintain newly implemented technologies." To address this concern, RPU created the OT function. It is possible that OT will not be sufficient to meet	RPU should consider conducting an organizational assessment of its asset management function. The assessment should consider overall staffing, workload, and organizational structure of RPU and the asset management function. RPU should request, as a result of the organizational assessment, estimates of the costs and benefits associated with the recommended organizational alternatives.	$75,000 - $250,000	**High**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
		all of RPU's staffing needs including both day-to-day operations (work order control, scheduling, asset managers) as well as IT support (both day-to-day and implementation support).					
21	6.0 Management Reporting Systems	RPU currently uses IFAS, an integrated financial and administrative solution to prepare financial statements which does not have the ability to run necessary reports.	RPU should consider acquiring financial statement software that will allow the export of data and creation of reports with minimal data manipulation.	$500,000 - $1 million	**High**		X
6	2.0 Contracting and Procurement Policies and Practices	2.2.4 The City's purchasing software, UWAM, allows users entering requisitions to pick from a list of people who can approve their requisition, even if that person is in a different department. Most purchasing systems would automatically route the requisition to the appropriate approver based on the person making the requisition and the dollar value of the requisition. This allows for stronger internal controls, reduced mistakes and enhanced efficiencies.	The City should explore whether or not UWAM can be configured to automatically route requisitions instead of users choosing an approver from a drop down list.	Under $75,000	**High**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
10	5.0 Asset Management Practices	5.2.1 RPU does not have a formal asset management policy that establishes standard operating procedures, roles and responsibilities, and key controls.	RPU should document a formal written policy that, at a minimum, covers the following topics: > Asset purchase > Inventory > Inspection > Preventative maintenance > Work order execution > Reporting (internal & compliance) > Retirement, sale, and disposal > Use of the Asset Management System (UWAM) In each of the areas above, the policy should convey the applicable policies, procedures, roles and responsibilities, and key controls related to asset management.	Existing Resources	**Medium**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
15	5.0 Asset Management Practices	5.2.6 RPU personnel expressed concern over various accounting processes related to asset management including the following: > Integration of the financial system (IFAS) to the asset management system (UWAM) > Recording of the sale of an asset > Recording of asset disposal > Documenting the costs associated with work order completion including coding of costs as either O&M or Capital costs RPU expressed that the concerns resulted from the following: > The financial management system (IFAS) does not contain individual asset records > Cost data that is fed into financial management system (IFAS) does not agree to cost data within the asset management system (UWAM), particularly as it relates to the completion of work orders	RPU should assess the lifecycle of asset accounting. Where appropriate the assessment should take into consideration Government Accounting Standards Board (GASB) and Federal Energy Regulatory Commission (FERC) standards.	Existing Resources	**Medium**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
17	5.0 Asset Management Practices	5.2.8 Currently, a Utility Analyst reviews outstanding work orders to verify that they have been complete and marked as such within the UWAM system for its Water Field assets. This process has also been partially implemented for RPU's Water Operations assets. For Electric Field and Operations assets, however, the frequency of this control is annual, which is not adequate to ensure that work orders, particularly those that may prevent a safety issue, are addressed in a timely manner.	We recommend that this control be performed on a monthly, quarterly, and annual basis for all assets moving forward.	Existing Resources	**Medium**	X	
18	6.0 Management Reporting Systems	6.2.1 Many departments do not have formal policies and procedures in place for the creation of management reports.	RPU should develop formal written policies and procedures for the creation of management reports. This will ensure that the reports are created on time and in a consistent manner. In addition, having desktop procedures will allow for a smooth transition when a new employee is responsible for creating the reports.	Existing Resources	**Medium**	X	
20	6.0 Management Reporting Systems	6.2.3 Although RPU reports some KPI's to the Board of Public Utilities, there are many that are not provided to the Board including the reliability metrics (SAIDI, SAIFI, CAIDI).	RPU should provide more KPI's to the Board of Public Utilities. See Appendix C for example KPI's/Dashboards that should be considered.	Existing Resources	**Medium**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
26	6.0 Management Reporting Systems	6.2.9 Most of the managers we interviewed were satisfied with the reporting information they received. There were a few instances, however, where managers expressed a desire for more information. Examples include: > Energy cost for delivering water > The actionable wasted time due to policies, processes, procedures > More KPI's (information vs. data)	We recommend that RPU management determine information needs of managers. Tools that can facilitate this process include surveys, group discussions and direct input from managers. Management should then evaluate these needs on a sensitivity of information basis to ensure that both appropriate reports are developed and distributed and sensitive information is only accessed by appropriate managers and personnel. Information to be distributed should be documented in formal policies and procedures. A formal information distribution schedule should be maintained.	Existing Resources	**Medium**	X	
28	7.0 Property Leases, Monitoring, and Control	7.2.1 Three of the six leases selected for detailed testing, indicated that the Lease Report from the Microsoft Database had the incorrect lease amount. The proper amount was received from the lessees, however.	For proper controls and segregation of duties, after the Microsoft Database has been updated with new lease information, it should be reviewed by another individual for accuracy.	Existing Resources	**Medium**	X	
29	7.0 Property Leases, Monitoring, and Control	7.2.2 Although there is high-level documentation at the City-wide level for the process of entering into leases, there is not specific utility documentation or procedures in place that shows the proper steps to enter into and monitor leases.	RPU should create detailed procedures (desktop checklist) for the steps in entering into and monitoring leases. This will ensure that approved procedures are followed when entering into and monitoring leases.	Existing Resources	**Medium**	X	
34	9.0 UOC Tool Room (Meter) Inventory	9.2.4 While water meters are initiated and checked out through enQuesta for work orders, the quantity of meters located on trucks aren't always accounted for.	While water meters are checked out through enQesta for work orders, the Water Meter Shop Utility Supervisor or Utility Data Control Clerk should review quantities of meters in meter shops and on various trucks on a periodic basis (i.e., weekly, biweekly) to account for meters that are out on trucks.	Existing Resources	**Medium**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
38	9.0 UOC Tool Room (Meter) Inventory	9.2.8 Currently, CTs are purchased with P-Cards by an assigned Sr. Electric Meter Tech.	RPU should consider procuring CTs through the purchase requisition process instead of purchasing with P-Cards. This would allow for more visibility of the purchases and more competitive pricing on CTs.	Existing Resources	**Medium**	X	
39	10.0 Scrap/ Salvage Inventory and Control	10.2.1 Currently multiple vendors are being used for recycling scrap metals for Central Stores, UOC Tool Room meter shops, and Distribution Transformers.	RPU should consider competitive solicitations for one vendor to handle/oversee the recycling of multiple scrap metal bins.	Existing Resources	**Medium**	X	
40	10.0 Scrap/ Salvage Inventory and Control	10.2.2 Currently, the scrap metal bins that are recycled by various vendors do not appear to be weighed on-site or inspected.	RPU should consider occasionally weighing on-site at Central Stores/UOC or inspecting the vendors' weighing of scrap metals to ensure proper weight being recorded with proper payment.	Existing Resources	**Medium**	X	
41	10.0 Scrap/ Salvage Inventory and Control	10.2.3 In relation to there being multiple vendors used for recycling of scrap metals, there does not appear to be a consistent approach of how to deal with recycling vendors in their process of emptying bins and providing manifests of the scrap metals.	RPU should consider developing a formal policy for scrap metals that a minimum lays out: 1. What items are covered (i.e., distribution transformers, electric meters/CTs, water meters) 2. Thresholds of what constitutes a "pass"/"fail" of items when they are tested 3. List of items that recycling vendor should provide (i.e., manifest, receipt)	Existing Resources	**Medium**	X	
42	10.0 Scrap/ Salvage Inventory and Control	10.2.4 Disbursement allocation percentages to different departmental accounts for recycled metals are pre-determined amounts that have not changed since the early 2000s.	Given the variation in weight and price of different metals being recycled by different departments, RPU should track check amounts that are received currently by recycling vendors and allocate the recycled metal checks in accordance with the metals that are recycled by various departments.	Existing Resources	**Medium**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
43	11.0 Alignment with City of Riverside 2.0 Strategic Plan	11.2.1 Formal reporting requirements for the Utility 2.0 Strategic Plan and RPU commitments in Riverside 2.0 have not been established.	A plan for what type of progress reporting, the frequency of reporting and any key performance indicators that will be tracked should be developed. City Council and Board input should be gathered to help develop the progress reporting plan.	Existing Resources	**Medium**	X	
25	6.0 Management Reporting Systems	6.2.8 The City of Riverside's IT department is used to help with creating queries and solving issues that RPU has in creating reports. The IT department serves many employees throughout the City of Riverside which can cause delays in providing the service needed.	RPU and the City should consider several options in providing IT services for RPU: 1. Service level agreements for City IT services to be provided to RPU 2. RPU dedicated IT personnel to provide services to RPU 3. Enhanced reporting tools for data extraction and report writing 4. Training for RPU managers in developing reports through reporting tools	Under $75,000	**Medium**		X
32	9.0 UOC Tool Room (Meter) Inventory	9.2.2 Purchases for water meters are largely based on visual check or purchasing meters as approved in the annual water meter budget. This encourages purchasing of meters as long as there is available budget. In relation to the physical inventory evaluation, a sample purchase receipt indicated purchases of 100 construction meters occurred in 2009, but 90 construction meters still remained in the Water Meter Shop.	RPU should use a Min/Max Inventory feature in enQuesta or other system to set thresholds for various sizes of water meters instead of relying on available funds in the water meter budget to make purchases. The system Min/Max Inventory feature can be updated periodically to coincide with major projects (e.g., meter replacement program).	Under $75,000	**Medium**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
4	2.0 Contracting and Procurement Policies and Practices	2.2.2 Although interfaced, purchasing information entered in UWAM does not get recorded in the general ledger module of IFAS until a PO number is assigned to the requisition. Therefore, funds are not encumbered at the point of requisition approval. RPU relies on management reporting to check fund balances at the time of requisition. This could potentially lead to budget overages if there are large gaps of time between requisition and PO issuance.	The City should explore the opportunity for a tighter interface between UWAM and IFAS so that funds can be pre-encumbered at the point of requisition.	Under $75,000	**Medium**		X
5	2.0 Contracting and Procurement Policies and Practices	2.2.3 Commodity codes are not being used for business intelligence purposes and are only used to assign processing tasks to staff within the Purchasing department.	The City should consider using NIGP commodity codes and conducting regular spend analyses to not only provide further insight into purchasing behaviors but identify opportunities for economies of scale and cost savings. Tools such as a “Spend Cube” analysis can provide information into vendors used across multiple cost centers for identified products and services leading to opportunities for combining contracts for more efficiencies and competitive pricing.	Under $75,000	**Medium**		X
19	6.0 Management Reporting Systems	6.2.2 The report creation process is very manual and labor intensive.	RPU should consider acquiring a new report writing tool and/or train individuals on how to use IBM Cognos. This will reduce the amount of manual data manipulation needed and make the report creation process more effective.	Under $75,000	**Medium**		X
2	1.0 Miscellaneous Accounts Receivable	1.2.2 Aging reports for years prior to 2014 were difficult for City personnel to provide from IFAS, the City’s financial software.	The City’s financial data should be easily accessible for any year in which data was stored in the system. Consider troubleshooting this issue with the vendor or investing in a system that allows for more robust reporting.	$75,000 - $250,000	**Medium**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
11	5.0 Asset Management Practices	5.2.2 Asset management is currently handled by each respective division within RPU (Electric Operations, Electric Field, Water Operations, and Water Field). Historically, each division developed business practices that best suit its needs and leverage the asset management system (UWAM) as needed. At the time of fieldwork, the OToffice was in the process of addressing this concern. In February 2016, the OT office led the effort to standardize and improve the use of the UWAM system for Water Operations assets. RPU intends to address similar concerns for Water Field assets and all Electric Field and Operations assets thereafter.	RPU should develop a method of ensuring that each of the divisions leverages the asset management system in a way that enables RPU to achieve its overarching strategic objectives. To achieve this goal, RPU, led by the OT office, should continue to re-implement UWAM to standardize and improve system use. During that process, RPU should consider both implementing improved system functionality and re-engineering business processes. In addition to re-implementing the UWAM system, RPU should document and communicate comprehensive asset management policies that cover all functional areas and divisions utilizing the UWAM system. Lastly, RPU must implement a process to monitor compliance with the asset management policies. There are multiple means of accomplishing this, including but not limited to: > Creating an Asset Management and Work Order Control group that provides independent oversight and management of the various asset management processes > Assigning responsibility of monitoring activities to existing RPU personnel. NOTE: RPU must take into account proper segregation of duties when developing monitoring controls.	$75,000 - $250,000 (2-3 FTE's)	**Medium**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
12	5.0 Asset Management Practices	5.2.3 Certain electric utility transmission and distribution (T&D) assets were added to the asset management system through the inspection process in the past (i.e., inspected into existence). However, inspection of T&D assets has not taken place since 2012. Thus, certain assets are not captured in the asset management system, and there is no process for capturing them until the inspection program is reinstated.	As indicated in Observation 5.2.1, RPU should document a formal asset management policy. The asset management policy should identify standards of care for asset management, inspection, and reporting. Although the standards may not legally apply to public utilities, RPU should consider implementing policies that recognize GO 165 as the standard for asset management and inspection. Once a standard has been adopted through formal policy, RPU should reinstate the T&D inspection and reporting processes. In addition to benefiting from having complete asset records and being in compliance with applicable regulations, RPU will be able to attribute work orders to those assets and forecast workload.	$75,000 - $250,000 (2-3 FTE's)	**Medium**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
13	5.0 Asset Management Practices	5.2.4 Currently, RPU does not leverage the work management functionality in the asset management system (UWAM). Not only does this create challenges when assigning and prioritizing work, but it also creates challenges when planning future work. In the current state, the Central Stores checkout of stock items is generated on the same day that work is to be completed. As a result, the personnel responsible for completing the work may have to wait for items to be pulled (i.e., there can be a queue in the morning). In an ideal state, work orders could be scheduled in advance, allowing Central Stores to pick inventory items in advance. This would enable personnel to begin work earlier in the day and lessen the likelihood of waiting for inventory to be pulled, ultimately improving efficiency of RPU Crew and Field Personnel.	According to the RPU Strategic Technology Plan, RPU intends to implement a work management tool between 2018 and 2020. In consideration of the potential time savings and reduced costs, RPU should consider expediting the implementation of the system. If that is not feasible, RPU should create a work around that enables Central Stores to pull inventory items and stage jobs the day prior to work being completed.	$250,000 - $500,000	**Medium**		X
22	6.0 Management Reporting Systems	6.2.5 RPU does not have an Outage Management System (OMS). As such, all outage information must be manually logged into Excel.	RPU should consider acquiring an OMS system. This will reduce the amount of labor needed to manually log all outage information and make the process more efficient.	$500,000 - $1 million	**Medium**		X
23	6.0 Management Reporting Systems	6.2.6 Although the Water department has water maintenance software (WaterTrax), it has been stated in interviews that this software is archaic and the data is extracted into in a non-usable format.	RPU should consider acquiring new water maintenance software that can provide data in a more user-friendly format to allow RPU employees to be more efficient in creating necessary reports.	$500,000 - $1 million	**Medium**		X

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
8	3.0 Reserves and Financial Strength	3.2.1 RPU has a strong reserve balance and bond rating.	RPU should continue to meet the requirements of its reserve policy in order to cover necessary operation and capital costs in the future, especially given the aging infrastructure at RPU.	Existing Resources	**Low**	X	
9	4.0 Debt Capacity	4.2.1 RPU's Debt to Total Asset ratio and Debt Service Coverage ratios are comparable to peer utilities.	RPU should continue to follow its fiscal policy and monitor its Debt to Total Asset ratio and Debt Service Coverage to ensure it meets internal goals overall strategy	Existing Resources	**Low**	X	
16	5.0 Asset Management Practices	5.2.7 Assets are removed from use in the field through the use of a Transformer/Equipment Removal form. However, there is no process to reconcile the removal of assets to updates within the IFAS system and to the UWAM system.	RPU should implement a control in which the assets that are removed from the field are reconciled to assets retired in the UWAM and IFAS systems. This control should be performed by an individual who is not involved in the initiation or approval of the Transformer/Equipment Removal forms.	Existing Resources	**Low**	X	
30	8.0 Economic Development and Contract Rate Programs	8.2.1 In its Organizational Assessment report of RPU, Hometown Connections recommended that RPU "develop a more proactive economic development recruitment process for new business customers. While RPU does provide incentives for ED rates and is proactive in working with potential customers, it does not appear that certain industries or business types other than ones designated as "Research, Development, or Technology" are targeted.	Similar to Hometown Connections' recommendation, Baker Tilly would recommend that RPU consider looking at current and previous ED customers and consider recruiting other business types more proactively.	Existing Resources	**Low**	X	
37	9.0 UOC Tool Room (Meter) Inventory	9.2.7 Currently, the meters and CTs that get transferred from Central Stores to the UOC Tool Room (Caged Inventory) are tracked through a spreadsheet, which is updated weekly by the assigned Electric Meter Tech.	While the Meter Tech is diligent about tracking meters that are in the Caged Inventory, RPU should consider using location ("EM2" for the electric meter warehouse) within UWAM to track meters' location.	Existing Resources	**Low**	X	

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Existing Resources?	Additional Budget Item?
7	2.0 Contracting and Procurement Policies and Practices	2.2.5 Baker Tilly was asked to review purchases through SCPPA. We had no findings related to the appropriateness of making purchases through SCPPA. However, we did observe that prior to FY16, documentation of approvals of purchases through SCPPA was only documented through letters and emails. Currently, RPU uses an authorization form for SCPPA purchases.	The City should continue to use the SCPPA purchase authorization form as it provides more thorough documentation of and justification for SCPPA purchases.		**Low**	X	

0.5 – Summary of Cost Estimates

Of the 43 observations and recommendations**, 28** can be implemented using the existing resources at RPU. The remaining **15** require additional resources to implement. The chart below summarizes the cost estimates for those recommendations.

Table 3 – Summary of Cost Estimates

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
1	1.0 Miscellaneous Accounts Receivable	1.2.1 Processing of miscellaneous accounts receivable is highly paper intensive and requires triple-entry of data into multiple systems.	The City should determine if the Integrated Financial and Administrative Solution (IFAS) has the capability to route approvals or set up workflow for miscellaneous accounts receivable. This would enable divisions to enter receivable information directly into IFAS and route to the appropriate people, including Finance for approval and further processing. This would eliminate paper processing and triple-entry of data into multiple systems, which makes greater possibilities for control weaknesses.	Under $75,000	**High**	$25,000	$75,000

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
14	5.0 Asset Management Practices	5.2.5 RPU has developed an aggressive plan to enhance its asset management function, particularly through the implementation of improved use of the asset management system (i.e., UWAM) for functions including, warehouse inventory and work management. To achieve RPU's goals, Leidos Engineering, RPU's technology planning consultant, recommended the following in the June 2015 Strategic Technology Plan: "To ensure successful adoption of the proposed technology investments and realize their anticipated benefits, RPU must create a new organizational structure, add new resources, and provide training for existing staff to use and maintain newly implemented technologies." To address this concern, RPU created the OT function. It is possible that OT will not be sufficient to meet all of RPU's staffing needs including both day-to-day operations (work order control, scheduling, asset managers) as well as IT support (both day-to-day and implementation support).	RPU should consider conducting an organizational assessment of its asset management function. The assessment should consider overall staffing, workload, and organizational structure of RPU and the asset management function. RPU should request, as a result of the organizational assessment, estimates of the costs and benefits associated with the recommended organizational alternatives.	$75,000 - $250,000	**High**	$75,000	$250,000
21	6.0 Management Reporting Systems	RPU currently uses IFAS, an integrated financial and administrative solution to prepare financial statements which does not have the ability to run necessary reports.	RPU should consider acquiring financial statement software that will allow the export of data and creation of reports with minimal data manipulation.	$500,000 - $1 million	**High**	$500,000	$1 million

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
6	2.0 Contracting and Procurement Policies and Practices	2.2.4 The City's purchasing software, UWAM, allows users entering requisitions to pick from a list of people who can approve their requisition, even if that person is in a different department. Most purchasing systems would automatically route the requisition to the appropriate approver based on the person making the requisition and the dollar value of the requisition. This allows for stronger internal controls, reduced mistakes and enhanced efficiencies.	The City should explore whether or not UWAM can be configured to automatically route requisitions instead of users choosing an approver from a drop down list.	Under $75,000	**High**	$25,000	$75,000
25	6.0 Management Reporting Systems	6.2.8 The City of Riverside's IT department is used to help with creating queries and solving issues that RPU has in creating reports. The IT department serves many employees throughout the City of Riverside which can cause delays in providing the service needed.	RPU and the City should consider several options in providing IT services for RPU: 5. Service level agreements for City IT services to be provided to RPU 6. RPU dedicated IT personnel to provide services to RPU 7. Enhanced reporting tools for data extraction and report writing 8. Training for RPU managers in developing reports through reporting tools	Under $75,000	**Medium**	$25,000	$75,000
32	9.0 UOC Tool Room (Meter) Inventory	9.2.2 Purchases for water meters are largely based on visual check or purchasing meters as approved in the annual water meter budget. This encourages purchasing of meters as long as there is available budget. In relation to the physical inventory evaluation, a sample purchase receipt indicated purchases of 100 construction meters occurred in 2009, but 90 construction meters still remained in the Water Meter Shop.	RPU should use a Min/Max Inventory feature in enQuesta or other system to set thresholds for various sizes of water meters instead of relying on available funds in the water meter budget to make purchases. The system Min/Max Inventory feature can be updated periodically to coincide with major projects (e.g., meter replacement program).	Under $75,000	**Medium**	$25,000	$75,000

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
4	2.0 Contracting and Procurement Policies and Practices	2.2.2 Although interfaced, purchasing information entered in UWAM does not get recorded in the general ledger module of IFAS until a PO number is assigned to the requisition. Therefore, funds are not encumbered at the point of requisition approval. RPU relies on management reporting to check fund balances at the time of requisition. This could potentially lead to budget overages if there are large gaps of time between requisition and PO issuance.	The City should explore the opportunity for a tighter interface between UWAM and IFAS so that funds can be pre-encumbered at the point of requisition.	Under $75,000	**Medium**	$25,000	$75,000
5	2.0 Contracting and Procurement Policies and Practices	2.2.3 Commodity codes are not being used for business intelligence purposes and are only used to assign processing tasks to staff within the Purchasing department.	The City should consider using NIGP commodity codes and conducting regular spend analyses to not only provide further insight into purchasing behaviors but identify opportunities for economies of scale and cost savings. Tools such as a “Spend Cube” analysis can provide information into vendors used across multiple cost centers for identified products and services leading to opportunities for combining contracts for more efficiencies and competitive pricing.	Under $75,000	**Medium**	$25,000	$75,000
19	6.0 Management Reporting Systems	6.2.2 The report creation process is very manual and labor intensive.	RPU should consider acquiring a new report writing tool and/or train individuals on how to use IBM Cognos. This will reduce the amount of manual data manipulation needed and make the report creation process more effective.	Under $75,000	**Medium**	$25,000	$75,000
2	1.0 Miscellaneous Accounts Receivable	1.2.2 Aging reports for years prior to 2014 were difficult for City personnel to provide from IFAS, the City’s financial software.	The City’s financial data should be easily accessible for any year in which data was stored in the system. Consider troubleshooting this issue with the vendor or investing in a system that allows for more robust reporting.	$75,000 - $250,000	**Medium**	$75,000	$250,000

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
11	5.0 Asset Management Practices	5.2.2 Asset management is currently handled by each respective division within RPU (Electric Operations, Electric Field, Water Operations, and Water Field). Historically, each division developed business practices that best suit its needs and leverage the asset management system (UWAM) as needed. At the time of fieldwork, the OToffice was in the process of addressing this concern. In February 2016, the OT office led the effort to standardize and improve the use of the UWAM system for Water Operations assets. RPU intends to address similar concerns for Water Field assets and all Electric Field and Operations assets thereafter.	RPU should develop a method of ensuring that each of the divisions leverages the asset management system in a way that enables RPU to achieve its overarching strategic objectives. To achieve this goal, RPU, led by the OT office, should continue to re-implement UWAM to standardize and improve system use. During that process, RPU should consider both implementing improved system functionality and re-engineering business processes. In addition to re-implementing the UWAM system, RPU should document and communicate comprehensive asset management policies that cover all functional areas and divisions utilizing the UWAM system. Lastly, RPU must implement a process to monitor compliance with the asset management policies. There are multiple means of accomplishing this, including but not limited to: > Creating an Asset Management and Work Order Control group that provides independent oversight and management of the various asset management processes > Assigning responsibility of monitoring activities to existing RPU personnel. NOTE: RPU must take into account proper segregation of duties when developing monitoring controls.	$75,000 - $250,000 This estimate assumes 2-3 new FTE's will be needed	**Medium**	$75,000	$250,000

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
12	5.0 Asset Management Practices	5.2.3 Certain electric utility transmission and distribution (T&D) assets were added to the asset management system through the inspection process in the past (i.e., inspected into existence). However, inspection of T&D assets has not taken place since 2012. Thus, certain assets are not captured in the asset management system, and there is no process for capturing them until the inspection program is reinstated.	As indicated in Observation 5.2.1, RPU should document a formal asset management policy. The asset management policy should identify standards of care for asset management, inspection, and reporting. Although the standards may not legally apply to public utilities, RPU should consider implementing policies that recognize GO 165 as the standard for asset management and inspection. Once a standard has been adopted through formal policy, RPU should reinstate the T&D inspection and reporting processes. In addition to benefiting from having complete asset records and being in compliance with applicable regulations, RPU will be able to attribute work orders to those assets and forecast workload.	$75,000 - $250,000 This estimate assumes 2-3 new FTE's will be needed	**Medium**	$75,000	$250,000

#	Review Area	Observation	Recommendation	Cost Estimate	Priority	Low Estimate	High Estimate
13	5.0 Asset Management Practices	5.2.4 Currently, RPU does not leverage the work management functionality in the asset management system (UWAM). Not only does this create challenges when assigning and prioritizing work, but it also creates challenges when planning future work. In the current state, the Central Stores checkout of stock items is generated on the same day that work is to be completed. As a result, the personnel responsible for completing the work may have to wait for items to be pulled (i.e., there can be a queue in the morning). In an ideal state, work orders could be scheduled in advance, allowing Central Stores to pick inventory items in advance. This would enable personnel to begin work earlier in the day and lessen the likelihood of waiting for inventory to be pulled, ultimately improving efficiency of RPU Crew and Field Personnel.	According to the RPU Strategic Technology Plan, RPU intends to implement a work management tool between 2018 and 2020. In consideration of the potential time savings and reduced costs, RPU should consider expediting the implementation of the system. If that is not feasible, RPU should create a work around that enables Central Stores to pull inventory items and stage jobs the day prior to work being completed.	$250,000 - $500,000	**Medium**	$250,000	$500,000
22	6.0 Management Reporting Systems	6.2.5 RPU does not have an Outage Management System (OMS). As such, all outage information must be manually logged into Excel.	RPU should consider acquiring an OMS system. This will reduce the amount of labor needed to manually log all outage information and make the process more efficient.	$500,000 - $1 million	**Medium**	$500,000	$1 million
23	6.0 Management Reporting Systems	6.2.6 Although the Water department has water maintenance software (WaterTrax), it has been stated in interviews that this software is archaic and the data is extracted into in a non-usable format.	RPU should consider acquiring new water maintenance software that can provide data in a more user-friendly format to allow RPU employees to be more efficient in creating necessary reports.	$500,000 - $1 million	**Medium**	$500,000	$1 million
Total cost estimate to implement these recommendations:						**$2,225,000**	**$5,025,000**

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1.0 – MISCELLANEOUS ACCOUNTS RECEIVABLE

1.1 – Background and Current Process

Outside of regular utility billing, RPU issues invoices to customers for miscellaneous accounts receivables including:

Electric
1. Fiber line billing
2. Outside agency billing (i.e. RCTC)
3. CAISO transmission billing
4. Miscellaneous power sales
5. Pole attachments
6. Scheduling coordinator fees
7. City of Corona's cogen transmission line O&M
8. Miscellaneous one time billings requested from other departments (i.e. project liquidated damages)

Water
> Wholesale water
> Water conveyance
> Settlement billings
> Outside agency billing (i.e. RCTC)

Miscellaneous accounts receivable are processed and tracked by the City's Finance Department (Finance). In order to inform Finance of miscellaneous accounts receivable that need to be billed, RPU divisions fill out a billing advice form, attach any required documentation, and send it through interoffice mail to Finance. Finance may reach out to RPU for additional clarification. It is possible that RPU could utilize Integrated Financial and Administrative Solution (IFAS), the Finance system, to enter in invoice information and route electronically to Finance for approval and processing. This would significantly reduce the current reliance on paper, reduce triple entry of data and improve efficiencies.

Payments made against receivables are processed by the Treasury division of City Finance. On a daily basis, the Treasury division produces a daily cash batch of payments received. The Controller reviews this batch and posts daily. Payments not received by the due date automatically flow into RevQ, the City's collections software. Through interviews and process walk-throughs with staff involved in the processing of miscellaneous accounts receivables we did not observe any deviations from the City's written policy.

Collections are also performed by the City's Finance Department, primarily by a collections representative. The City uses RevQ to track collection actions. The City follows a fairly standard collections process but for miscellaneous accounts receivables, the first collection action is not taken until the account is 60 days past due. A more standard process would start at 30 days past due. After 120 days, either legal action is taken by the City Legal Department or the accounts are sent to a collections agency.

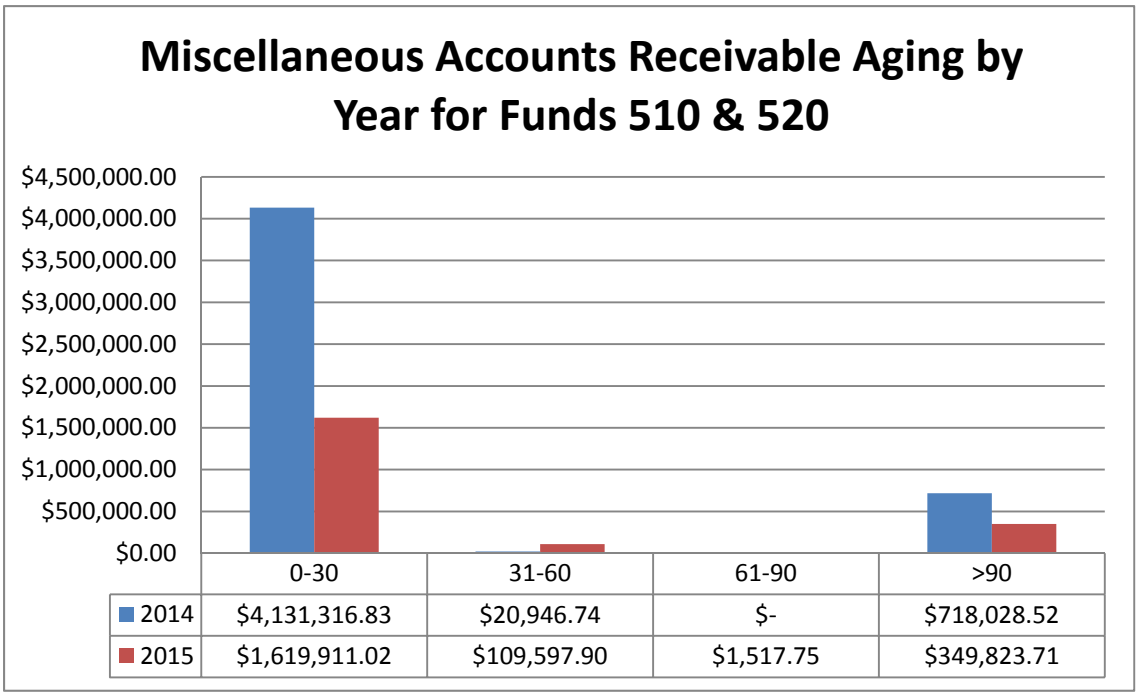
RIVERSIDE PUBLIC UTILITIES

Performance Audit

MISCELLANEOUS ACCOUNTS RECEIVABLE

As part of the performance audit, Baker Tilly was asked to perform a trend analysis for RPU's miscellaneous accounts receivable. Typically, a complete trend analysis uses five years of data but never less than three years of data. Unfortunately, the City was unable to produce reports from RevQ, the City's collection system, for fiscal years prior to 2014. Given this, Baker Tilly was unable to perform a full trend analysis on the data but did perform analysis on the available data for Fiscal Year's 2015 and 2014. The results of this analysis are below. The analysis was performed for Fund 510 (Electric) and Fund 520 (Water).

Figure 1 – Miscellaneous Accounts Receivable Aging by Year for Funds 510 & 520



	0-30	31-60	61-90	>90
2014	$4,131,316.83	$20,946.74	$-	$718,028.52
2015	$1,619,911.02	$109,597.90	$1,517.75	$349,823.71

Figure 2 – FY2014 Misc. Accounts Receivable Aging Class by % of Total

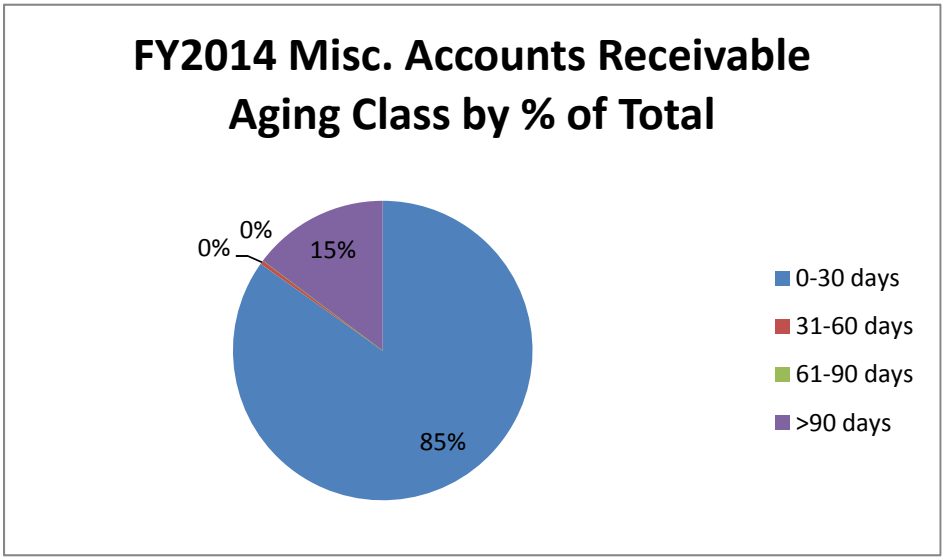
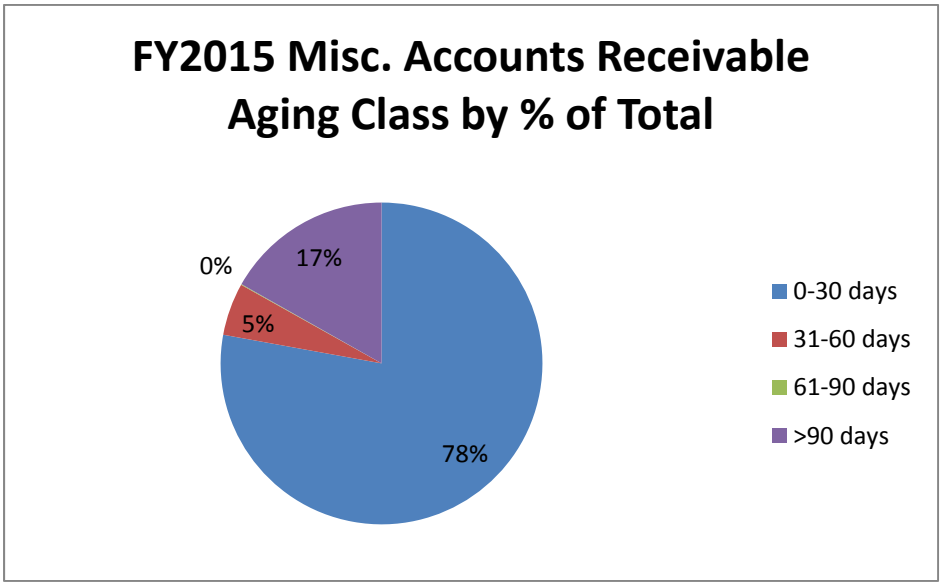


Figure 3 – FY2015 Misc. Accounts Receivable Aging Class by % of Total



Fiscal year 2015 saw a significant decline in receivables despite fairly stable overall revenue in both funds 510 and 520. This decline was due to a $3M invoice being accrued using a journal entry process in 2015 rather than the invoicing process that it went through in 2014. This was processed via journal entry because the credit invoice was received after the end of the fiscal year. Therefore, that additional $3M was not included in the receivables total for 2015.[2] As a percentage of total receivables, miscellaneous receivables older than 90 days increased by 2% in FY2015.

[2] In 2013/14 a $2.8M invoice to Cal ISO went through our A/R billing process and was accrued (510-116000 A/R Misc Invoices). In 2014/15 a $3.0M invoice to Cal ISO was accrued by RPU through a journal entry (510-116010 A/R All Other Misc).

1.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's Miscellaneous Accounts Receivable process:

Table 4 – Observations and Recommendations regarding RPU's Miscellaneous Accounts Receivable Process

Observation #	Observation	Recommendation
1.2.1	Processing of miscellaneous accounts receivable is highly paper intensive and requires triple-entry of data into multiple systems.	The City should determine if IFAS has the capability to route approvals/set up workflow for miscellaneous accounts receivable. This would enable divisions to enter receivable information directly into IFAS and route to the appropriate people, including Finance for approval and further processing. This would eliminate paper processing and triple-entry of data into multiple systems, which makes greater possibilities for control weaknesses.
1.2.2	Aging reports for years prior to 2014 were difficult for City personnel to provide from IFAS, the City's financial software.	The City's financial data should be easily accessible for any year in which data was stored in the system. Consider troubleshooting this issue with the vendor or investing in a system that allows for more robust reporting.
1.2.3	Collection actions for miscellaneous accounts receivables start at 60 days past due. A standard collections process would start collection actions at 30 days past due.	The City should begin their collections process at 30 days past due.

1.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Miscellaneous Accounts Receivable process:

Table 5 – Procedures Performed during the Review of RPU's Miscellaneous Accounts Receivable Process

Workplan Step	Procedures
H.1	1. Obtain contact information for individuals involved in the miscellaneous accounts receivable process 2. Develop interview guide for key individuals involved in the process 3. Schedule interviews/meetings with appropriate RPU personnel 4. Submit data requests to include information around the following: a) Any policy or process documentation including: i. The recording of miscellaneous accounts receivable ii. The aging of miscellaneous accounts receivable iii. The collection of miscellaneous accounts receivable
H.2	1. Conduct interviews/meetings with key individuals involved in the miscellaneous accounts receivable process 2. Interview key individuals involved with collection of delinquent receivables to document current processes 3. Perform detailed process walkthroughs of the key business processes identified above 4. Review current policy and procedure documentation in the areas listed above
H.3	1. Document current state practices based on task I.2 2. Identify and document areas for improvements and any control deficiencies 3. Perform a trend analysis on the aging of miscellaneous accounts receivable to determine the direction of the receivable aging
H.4	1. Provide written report summary documenting: a) Summaries of interviews/meetings b) Process improvement recommendations c) Results of trend analysis

2.0 – CONTRACTING AND PROCUREMENT POLICIES AND PRACTICES

2.1 – Background and Current Process

RPU operates under the purchasing policies laid forth in Resolution No. 22576 which designates how and when different forms of procurement should take place. Purchasing is a function of the City and therefore RPU does not have its own purchasing division. Purchase requisitions are made through UWAM (Utilities Work & Asset Management system, formerly referred to as SPL) purchasing software which has built-in workflow. UWAM and the finance system, IFAS are loosely integrated and purchase requisition information from UWAM can be pulled into IFAS to create purchase orders (POs). Funds are encumbered at the time of PO creation.

Although there are some exceptions, purchasing at RPU follows the general guidelines below:

1. Employees are given an authorized signature level which designates their purchasing authority. A comprehensive list is maintained on a SharePoint site.
2. Procurement cards (P-cards) can generally be used for purchases below $2,500 although some employees have higher purchasing limits. Certain items such as inventory items, alcohol, hotel rooms, computers and some food and beverage purchases, among other items are restricted. The City uses Bank of America to manage the P-card program.
3. Purchases under $2,500 that cannot be purchased using the P-card are submitted as requisitions and require one bid.
4. Purchases between $2,500 and $50,000 are submitted as requisitions and require three bids. These purchases may also require a contract if the purchase is for construction or professional services.
5. Purchases above $50,000 are generally conducted through formal, competitive procurement where an RFP/RFQ/RFB is issued.
    a. There are several exceptions for utilities related purchases where a less formal, open-market procurement can be used and three informal bids must be received. These are for items such as meters, circuit breakers, pipes and pipe fittings, transformers, and several other items.
    b. Purchases over $50,000 are also required to go through formal, competitive procurement but also require Board and potentially City Council approval[3].
6. Annual purchase orders may be issued for goods and services consistently purchased through the same supplier on a regular basis. Individual invoices under annual purchase orders may not exceed $2,500.

[3] Through Measure MM, the City Charter provisions were amended to grant the Board with the authority to award bids and authorize procurement contracts over $50k and eliminate the need for City Council approval. Certain contracts not affected by the Measure, such as property acquisition/dispositions, power and transmission agreements and other negotiated agreements, are approved by City Council after review and recommendation by the Board.

7. RPU uses contractor panels to expedite the procurement process. Panels consist of vetted contractors that can bid on specific types of projects. This facilitates the authorization of work by issuing a PO to the lowest responsible bidder on the contractor panel who responds to the bid documents. There are contractor panels for Electric, Energy Delivery and Water construction as well as paving.

See enclosed Visio documents for detailed process maps of the following processes: annual authorized signatures, requisitioning, formal and informal procurements including competitive bidding, purchase orders, contract management and change orders. During walk-throughs of processes and interviews, we did not note any deviations from the City's written purchasing policies. Additionally, purchase authorization thresholds are appropriate given the size of and amount of purchasing performed at the City. Appropriate controls are in place to authorize purchases without purchasing thresholds being set so low that it impedes the ability of departments to procure necessary goods and services. Finally, the use of P-cards reduces the amount of requisitions and purchase orders that must be approved by the purchasing division, therefore improving efficiencies.

The majority of the purchasing process is paperless since documents can be attached in UWAM and sent via workflow to the appropriate parties. This functionality allows the City and RPU to process requisitions more efficiently and quickly. As noted in the observations and recommendations section, there are additional steps the City can take to improve efficiency and move towards strategic procurement. Notably, the interface between UWAM and IFAS is not seamless so funds are not pre-encumbered. A financial system that included a fully integrated purchasing module would eliminate this issue. Additionally, commodity codes are not used to conduct reporting or spend analysis. Commodity codes are currently used to assign certain types of purchases to staff within the Purchasing division. By using NIGP commodity codes, or a similar framework, more in-depth spend analyses could be performed and opportunities for economies of scale and cost savings could be identified.

The City's purchasing system, UWAM, does not support contract management in terms of tracking insurance expiration, contract milestones and contract expiration. This is a manual process and is handled differently by various divisions. While there have not been any major lapses in contract and insurance expiration dates, it is a time consuming process for the divisions to track themselves. RPU staff are currently investigating a solution for this and the Southern California Public Power Agency (SCPPA) is also researching tools that it could make available to its members.

Purchases made through the Southern California Public Power Agency (SCPPA) were also reviewed as part of the project. The City of Riverside has a Joint Powers Agreement (JPA) with SCPPA which allows RPU to participate in joint projects with the eleven other members and also jointly purchase items, allowing for economies of scale. The majority of purchases made through SCPPA are for generation and transmission projects. For this report, purchases made for public benefit projects and training costs were analyzed to determine if they were valid purchases through SCPPA or if they should have followed the City's procurement process. Additionally, Baker Tilly noted that RPU participates in a cost sharing arrangement for certain legal and other administrative services through SCPPA. These are billed proportionately through Hoover billing and as a member of SCPPA, RPU is compelled to pay a proportionate share of legal and other administrative costs. These are for legal services related to SCPPA specific matters, not legal costs related to RPU specific matters. Therefore, we did not find that any legal matters pertaining directly and specifically to RPU would be purchased through SCPPA.

At the time of this report, RPU had created a SCPPA procurement request form which asks the user to detail the goods and/or services being purchased, justification for obtaining the good and/or service through SCPPA and requires approval by the requester's manager, the Assistant General Manager for Finance and the Assistant General Manager of the requestor's division. This form provides enhanced controls and accountability to the process and should continue to be used. For the fiscal years under review for this report, this form was not in use.

Baker Tilly reviewed several public benefit related purchases for FY13 and FY15[4] including justification and approvals for those purchases. We found no irregularities in the purchases made through SCPPA but note that through use of the current approvals form, justifications for purchases are more thoroughly documented than they were in the fiscal years under review. Additionally, we reviewed SCPPA's purchasing policy and found that it documented best practice procurement policies. We did not meet with anyone from SCPPA or review the actual purchasing process so we cannot conclude whether or not SCPPA adheres to its purchasing policy.

2.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's Contracting & Procurement Policies and Practices:

Table 6 – Observations and Recommendations Regarding RPU's Contracting & Procurement Policies and Practices

Observation #	Observation	Recommendation
2.2.1	Review of access rights for specific purchase requisition actions in UWAM (Utilities Work & Asset Management System, formerly referred to as SPL) is done on an ad hoc basis by Information Technology (IT) and access rights are confirmed with managers.	Access rights should be reviewed quarterly and documentation should be maintained for each review.
2.2.2	Although interfaced, purchasing information entered in UWAM does not get recorded in the general ledger module of IFAS until a PO number is assigned to the requisition. Therefore, funds are not encumbered at the point of requisition approval. RPU relies on management reporting instead of fund balances in IFAS at the time of requisition. Errors on management reports could potentially lead to budget overages if there are large gaps of time between requisition and PO issuance.	The City should explore the opportunity for a tighter interface between UWAM and IFAS so that funds can be pre-encumbered at the point of requisition.

[4] There were no public benefit related purchases through SCPPA in FY14.

Observation #	Observation	Recommendation
2.2.3	Commodity codes are not being used for business intelligence purposes and are only used to assign processing tasks to staff within the Purchasing department.	The City should consider using NIGP commodity codes and conducting regular spend analyses to not only provide further insight into purchasing behaviors but identify opportunities for economies of scale and cost savings. Tools such as a "Spend Cube" analysis can provide information into vendors used across multiple cost centers for identified products and services leading to opportunities for combining contracts for more efficiencies and competitive pricing.
2.2.4	The City's purchasing software, UWAM, allows users entering requisitions to pick from a list of people who can approve their requisition, even if that person is in a different department. Most purchasing systems would automatically route the requisition to the appropriate approver based on the person making the requisition and the dollar value of the requisition. This allows for stronger internal controls, reduced mistakes and enhanced efficiencies.	The City should explore whether or not UWAM can be configured to automatically route requisitions instead of users choosing an approver from a drop down list.
2.2.5	Baker Tilly was asked to review purchases through SCPPA. We had no findings related to the appropriateness of making purchases through SCPPA. However, we did observe that prior to FY16, documentation of approvals of purchases through SCPPA was only documented through letters and emails. Currently, RPU uses an authorization form for SCPPA purchases.	The City should continue to use the SCPPA purchase authorization form as it provides more thorough documentation of and justification for SCPPA purchases.

2.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's contracting and procurement policies and practices:

Table 7 – Procedures Performed during the Review of RPU's Contracting and Procurement Policies and Practices

Workplan Step	Procedures
A.1	1. Contact RPU's Project Manager for further information regarding RPU's contract management and procurement policies. 2. Obtain contact information and organizational charts for RPU's procurement department. 3. Develop interview guide for key individuals involved in procurement 4. Schedule interviews/meetings with appropriate RPU personnel 5. Submit data requests to include information around the following: a) Policies and procedures for purchasing b) Organizational charts with job descriptions c) Flowchart and narrative description of the purchasing process from initiation of a requisition to a payment of an invoice d) Narrative description of vendor selection process e) Narrative description of contract management process f) Competitive bidding policy g) Sample of competitive bid documents
A.2	1. Conduct interviews/meetings with personnel involved in contract and procurement services to gain an understanding of current processes in place around the following: a) General management functions within the purchasing area b) Purchase order process including internal controls c) Vendor approval process d) Competitive bidding process e) Contract management 2. Perform detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above
A.3	1. Document current state practices based on task A.2 and identify areas that are not in compliance with the City's policies and procedures. 2. Identify key controls in place or areas where controls could be improved
A.4	1. Provide written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures are not in compliance with the City's policies and procedures c) A GAP analysis identifying areas where RPU is not but could be employing "best practices" in the industry

3.0 – RESERVES AND FINANCIAL STRENGTH

3.1 – Background and Current Process

Maintaining an adequate level of reserves is necessary to ensure funds are available for operations, ongoing and emergency capital projects, debt service, and for rate stabilization. City Council approved a new cash reserve policy on March 22, 2016 which sets target (minimum) and maximum levels for unrestricted, undesignated reserves. RPU maintains reserves for the following areas:

1. Unrestricted, undesignated reserves
    a. These are reserves that are not restricted for any specific capital or operating purposes or required by bond covenants for debt service
2. Unrestricted – Designated Reserves
    a. These are reserves designated by the Board and City Council for specific purposes
3. Restricted reserves
    a. These are reserves restricted by bond covenants for debt service or legally for other specific purposes

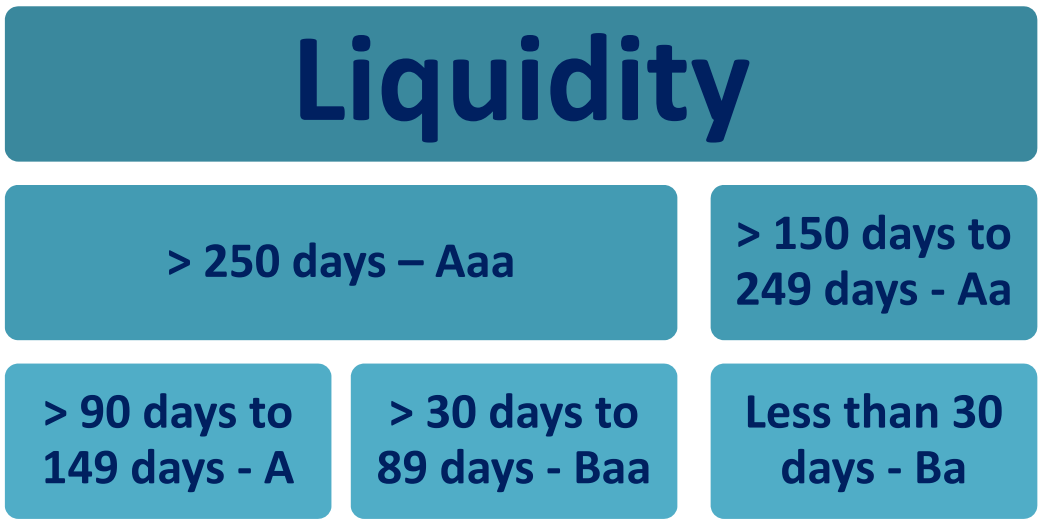
A formal reserve policy also aids in maintaining and improving bond ratings by meeting requirements of the bond rating agencies. A higher level of reserves should result in a higher bond rating when rating agencies evaluate the financial strength of the utility.

Moody's has identified the top 10 ways for a utility to improve its credit rating:

1. Enhance or establish stabilization reserves
2. Establish regular economic and revenue reviews to identify potential budget problems early.
3. Prioritize spending plans and establish contingency plans for operating budgets as a fallback strategy.
4. Have a formalized capital improvement plan
5. Establish a debt affordability model
6. Develop a pay-as-you-go financing strategy
7. Develop a long-range financial forecast to predict future spending and financing needs.
8. Develop plans for funding long-term obligations (such as post-employment benefits).
9. Establish and maintain effective management systems (including enterprise risk management).
10. Have a well-defined rate strategy.

As shown above, one of the most important items to improving your credit rating is having proper reserves on hand.

The graph below shows the ratings from Moody's based on liquidity (Days Cash on Hand).



Fitch and Standard & Poor's have similar ratings. Refer to page 56 for those charts.

The bond rating for RPU is as follows:

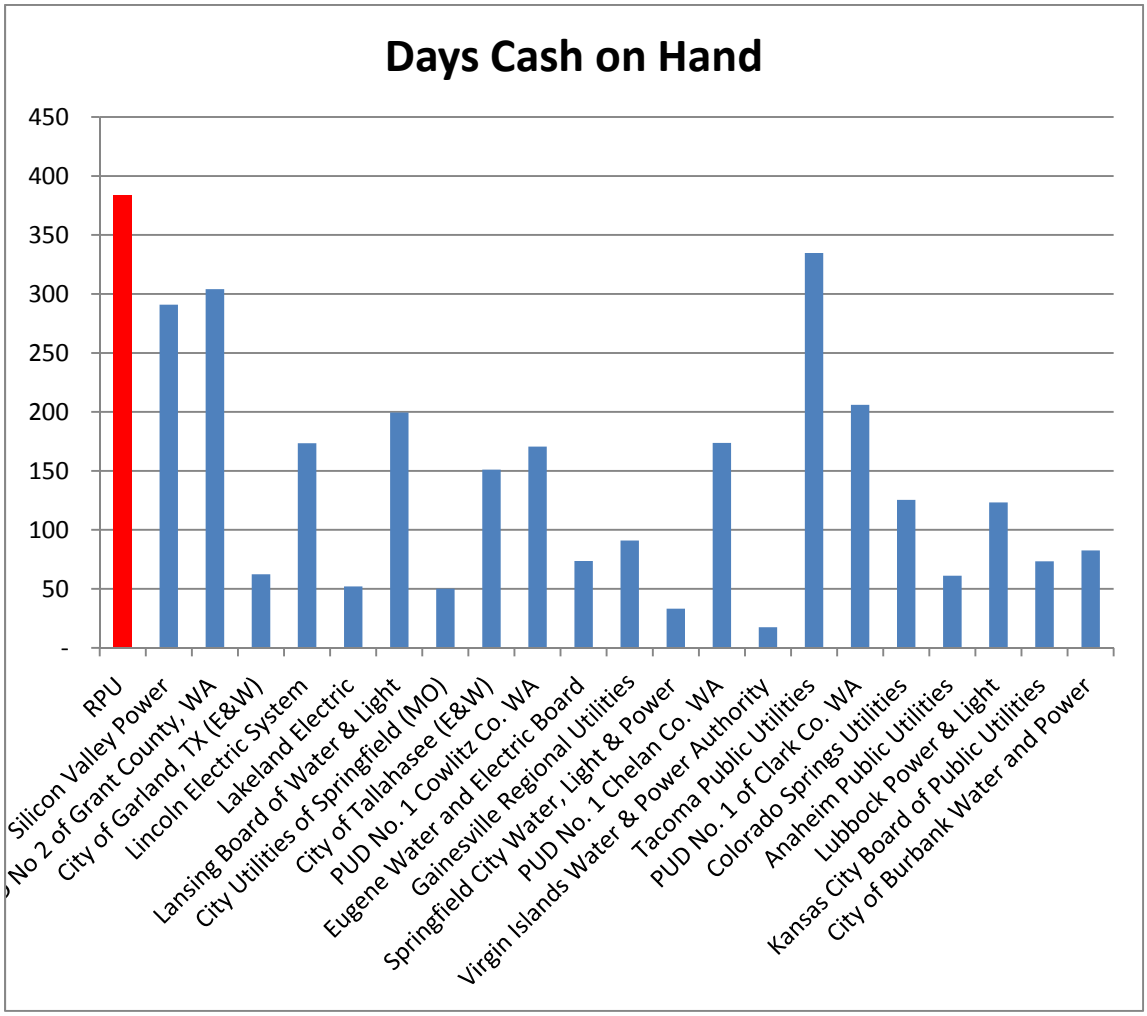
	Fitch	Standard & Poor's
Bond Rating (electric)	AA-	AA-
Bond Rating (water)	AA+	AAA

These ratings are investment grade.

RESERVE SETTING

To show how RPU compares to other utilities, Baker Tilly has calculated the Days Cash on Hand ratio for RPU and compared it to similar sized utilities. The most recent financial statement information available (June 30, 2015 for RPU) was used to calculate the Days Cash on Hand for these utilities. The chart below shows the Days Cash on Hand ratio for RPU (Electric and Water) and 21 similarly sized utilities.

Figure 4 – The Days Cash on Hand Ratio for RPU and 21 Similarly Sized Utilities



The Cash Days on Hand above was calculated as follows:

(Unrestricted Cash and Investment x 365 Days) / (Total O&M Expenses – Depreciation & Amortization).

As shown in the chart above, RPU's reserves exceed those of the peer utility group. Having these reserves has allowed RPU to pay for infrastructure and operations without having to increase customer rates. RPU has not raised rates in the past six years. For example, in May, 2015, all of the water bond proceeds were extinguished so reserve funds were used instead. Similarly, by the end of fiscal year 2016, all of the electric bond proceeds are expected to be extinguished and RPU will be able to use reserve funds for a period of time. RPU also prepared an analysis of cash reserves and peer utilities as follows:

Reserve Policy Results in Levels Consistent with Similarly Rated Utilities

Fitch Rating Category - Days Cash Medians[1]			
Rating Category	**AAA**	**AA**	**A**
Electric Retail Utility Reserve Medians	-	182	92
Water and Sewer Utility Reserve Medians	481	442	366

Peer Utility Days Cash Levels						
Electric Utilities						
	RPU Target/Total Cash	**Pasadena Water & Power**	**LADWP**	**Anaheim Public Utilities**	**Sacramento Municipal Utility District**	**San Francisco Public Utilities Commission**
Rating (M/S/F)	-/AA-/AA-	-/AA-/AA	Aa3/AA-/AA-	-/AA-/AA-	Aa3/AA-/AA-	-/A+/AA-
Days' Cash[1]	186/254	**402**	**203**	**136[4]**	**207**	**560**
Water Utilities						
	RPU Target/Total Cash	**Irvine Ranch Water District**	**Inland Empire Utilities Agency**	**Anaheim Public Utilities**	**Eastern MWD**	**Western MWD**
Rating (M/S/F)	Aa2/AAA/AA+	Aa1/-/AAA	Aa2/AA-/-	-/AAA/AAA	Aa3/AA-/AA	-/AA+/AA
Days Cash	335/677	**934[2]**	**439[2]**	**166[1][4]**	**628[1]**	**644[3]**

[1]Source: S&P/Fitch
[2]Source: Each Utility's respective CAFR
[3]If purchased costs associated with wholesale water sales are included in operating costs, days cash is equal to 314 days
[4]Including $86 million and $14 million for lines of credit for electric and water, respectively, increases days cash to 236 and 268 days, for both utilities respectively; other factors such as limited automatic rate adjustments delegated to the General Manager based on the rate ordinance, purchased water, etc. allow for a lower cash reserve

Rating Agency Views on Cash Reserves						
Moody's						
Rating Category	AAA	AA	A	BBB	BB	B
Reserve Levels (All Utilities)	>250 Days' Cash	150-250 Days' Cash	35-150 Days' Cash	15-35 Days' Cash	7-15 Days' Cash	<7 Days' Cash
Fitch						
Rating Category	Stronger		Midrange		Weaker	
Reserve Levels (Water Utilities)	>365 Days' Cash		~180 Days' Cash		<90 Days' Cash	
Reserve Levels (Retail Electric Utilities)	>120 Days' Cash		60-90 Days' Cash		<60 Days' Cash	
Standard & Poor's[1]						
Rating Category	AAA	AA	A	BBB	BB	B
Reserve Levels (Water Utilities)	>150 Days Cash	90-150 Days' Cash	60-90 Days' Cash	30-60 Days' Cash	15-30 Days' Cash	<15 Days' Cash

- For water utilities, reserves equal to ~365 days (1 year) of operating expenses are a common minimum for AAA or high AA rated enterprises
- For power utilities, reserves equal to ~180 days (1/2 year) of operating expenses are a common minimum for AA category enterprises (there are no AAA or high AA rated retail power utilities in California)
- Rating agencies view California as high risk due to regulatory uncertainty that supports higher reserve levels

As shown in both Baker Tilly's and RPU's analysis above, RPU has appropriate reserves on hand to use for future capital needs.

3.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's Reserve Setting:

Table 8 – Observations and Recommendations Regarding RPU's Reserve Setting

Observation #	Observation	Recommendation
3.2.1	RPU has a strong reserve balance and bond rating.	RPU should continue to fund the requirements of its reserve policy in order to cover necessary operation and capital costs in the future.

3.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Reserve Setting:

Table 9 – Procedures Performed in the Review of RPU's Reserve Setting

Workplan Step	Procedures
1. N/A, not part of original scope.	1. Reviewed RPU's reserve setting policy.
2. N/A, not part of original scope.	2. Performed benchmarking of what other utilities have for Days Cash on Hand.
3. N/A, not part of original scope.	3. Identified proper Days Cash on Hand for good bond ratings.
4. N/A, no part of original scope.	4. Reviewed RPU's analysis of Days Cash on Hand for peer utilities.

4.0 – DEBT CAPACITY

4.1 – Background and Current Process

Debt capacity refers to an organization's ability to borrow and to meet its debt obligations. A common ratio used to measure this is the Debt to Total Assets ratio or Capitalization. This ratio measures a utility's ability to meet its current and long-term liabilities based on the availability of assets.

Debt to Total Assets is calculated as follows:

(Long-term Debt + Current and Accrued Liabilities) / Total Assets and Other Debits

Per the APPA Financial and Operating Ratio Report:

> *Long-term debt includes bonds, advances from the municipality, other long-term debt, any unamortized premium on long-term debt and any unamortized discount on long-term debt. Current and accrued liabilities include warrants, notes and accounts payable, payables to the municipality, customer deposits, taxes accrued, interest accrued, and miscellaneous current and accrued liabilities. Total assets and other debits include utility plant, investments, current and accrued assets and deferred debits.*

RPU's Debt to Total Assets in 2015 was .66 for the Electric Utility. The mean and median Debt to Total Assets by customer class size, Region, and Generation are shown below:

Table 10 – Debt to Total Assets

	Utilities	Mean (weighted)	1st Quartile	Median	3rd Quartile
Total	160	0.583	0.128	0.279	0.514
1. Customer Size Class					
2,000 to 5,000 Customers	6	0.310	a	0.148	a
5,000 to 10,000 Customers	25	0.293	0.092	0.185	0.325
10,000 to 20,000 Customers	38	0.375	0.148	0.234	0.439
20,000 to 50,000 Customers	54	0.342	0.119	0.270	0.465
50,000 to 100,000 Customers	16	0.569	0.234	0.432	0.590
More than 100,000 Customers	21	0.623	0.457	0.579	0.691
2. Region					
Northeast	11	0.751	0.162	0.226	0.421
Southeast	49	0.623	0.200	0.312	0.454
North Central/Plains	41	0.524	0.091	0.243	0.614
Southwest	18	0.502	0.184	0.335	0.474
West	41	0.560	0.131	0.385	0.530
3. Generation					
No generation	79	0.388	0.127	0.243	0.426
more than 0 but less than 10%	36	0.595	0.086	0.239	0.444
10 to 50%	23	0.601	0.362	0.492	0.640
50 to 100%	22	0.610	0.194	0.511	0.666

a Quartiles are not calculated for fewer than 9 responses

DEBT CAPACITY

The Debt to Total Assets ratio for the RPU Electric Utility was calculated as follows:

Per RPU's Electric Utility's Financial Statements – June 30, 2015 (amounts in thousands)

Total Liabilities = $815,250 Total Assets and Deferred Outflows = $1,234,670

$815,250 / $1,234,670 = .66

APPA excludes net pension liability in its Debt to Total Assets calculation; however, rating agencies include it. The above calculation follows the rating agencies method and includes RPU's net pension liability. As shown in the graph above, RPU's ratio of .66 is comparable to the electric utilities in the Western region and is comparable to the Median of electric utilities with more than 100,000 customers. A Debt to Total Assets ratio of .66 would be considered good. If RPU were to exclude the net pension liability, their Debt to Total Assets ratio would be .60.

Another key ratio used to measure the utility's ability to meet its annual long-term debt obligation is the Debt Service Coverage Ratio. This ratio is calculated as follows:

Net Revenues / Total Long-term Debt Service for the year

Per the APPA Financial and Operating Ratio Report:

> *Net revenues available for debt service equal net electric utility operating income (operating revenues minus operating expenses) plus net electric utility non-operating income, plus depreciation. Debt service includes principal and interest payments on long-term debt.*

DEBT CAPACITY

Per RPU's June 30, 2015 financial statements, they had a debt service coverage ratio of 2.39 in 2015 for the Electric Utility. The mean and median Debt Service Coverage by Customer Size Class and Region are shown below:

Table 11 – Debt Service Coverage by Customer Size Class

	Utilities	Mean (weighted)	1st Quartile	Median	3rd Quartile
Total	122	1.72	1.52	2.81	6.52
1. Customer Size Class					
2,000 to 5,000 Customers	3	b	a	b	a
5,000 to 10,000 Customers	18	3.35	1.40	3.37	9.22
10,000 to 20,000 Customers	26	4.14	2.30	4.08	9.04
20,000 to 50,000 Customers	40	3.86	1.37	3.23	7.21
50,000 to 100,000 Customers	16	2.17	1.77	3.64	5.39
More than 100,000 Customers	19	1.52	1.32	2.25	3.19
2. Region					
Northeast	8	1.44	1.03	2.24	6.94
Southeast	38	1.69	1.06	3.50	6.77
North Central/Plains	27	3.29	1.93	3.54	8.71
Southwest	16	0.62	1.39	2.33	11.30
West	33	4.20	1.78	2.48	5.33

a Quartiles are not calculated for fewer than 9 responses
b Means and Medians are not calculated for fewer than 5 responses

Based on the above statistics, RPU's Electric Utility debt service coverage ratio of 2.39 in 2015 was above the median for electric utilities with greater than 100,000 customers and slightly below the median for electric utilities in the Western region. The debt service coverage ratio of 2.39 would be considered good.

4.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's Debt Capacity:

Table 12 – Observations and Recommendations Regarding RPU's Debt Capacity

Observation #	Observation	Recommendation
4.2.1	RPU's Debt to Total Asset ratio and Debt Service Coverage ratios are comparable to peer utilities.	RPU should continue to follow its fiscal policy and monitor its Debt to Total Asset ratio and Debt Service Coverage to ensure it meets internal goals overall strategy

4.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Debt Capacity:

Table 13 – Procedures Performed during Review of RPU's Debt Capacity

Workplan Step	Procedures
N/A, not in original scope	Calculated RPU's Debt to Total Assets ratio in 2015 and compared to Utility averages.
N/A, not in original scope	Determined RPU's Debt Service Coverage Ratio in 2015 and compared to Utility averages.

5.0 – ASSET MANAGEMENT PRACTICES

5.1 – Background and Current Process

RPU has four divisions or organizational functions in which assets are managed. Those areas include:

- **Water Operations** – vertical assets including wells, reservoirs, booster stations, treatment plants, and pressure-reducing valves
- **Water Field** – linear assets including water mains, hydrants, valves, and meters
- **Electric Operations** – substation assets
- **Electric Field** – transmission and distribution assets

In 2005, RPU implemented the SPL Enterprise Asset & Work Management system, now known as Oracle Utility Work and Asset Management (UWAM). The purpose of implementing SPL was to enable RPU to improve performance over the following asset management functions:

- Acquisition and purchase
- Inventory
- Maintenance (preventative and emergency)
- Inspection
- Work order management
- Asset disposal and sale
- Capital planning

For the electric utility, implementation of the system also enabled RPU to conform with the California Public Utilities Commission (CPUC) guidelines as delineated in General Order (GO) 165 and GO 174. The purpose of GO 165 is to establish uniform requirements for inspection of electric distribution and transmission facilities (excluding those facilities contained in a substation), whereas the purpose of GO 174 is to establish uniform requirements for substation inspection programs.

When the UWAM system was implemented in 2005, RPU began the process of inspecting Electric Field assets into existence, notating periodic inspection results within asset records, and attributing work orders to assets in the UWAM system. Additionally, RPU initiated inspection and reporting processes covering both its Electric Field and Electric Operations assets.

In 2012, however, the GO 165 inspection and reporting process was halted. Because Electric Field assets were inspected into existence, the process for adding assets to the UWAM system was halted as a result. RPU is only able to attribute work orders to assets that were previously inspected into existence.

The inspection process related to Electric Operations assets, substation assets covered by GO 174, occurs on a monthly basis. However, reporting the results of those inspections through the annual GO 174 no longer takes place.

The water utility is not subject to specific state or federal inspection and reporting requirements. As such, the development of an inspection program is based on industry best practice and best management practices.

Moving forward, RPU has identified asset management and improved use of the UWAM system as a strategic priority. For instance, Utility 2.0 (RPU's strategic plan) and the RPU Strategic Technology Roadmap each identify asset management as an area of focus for RPU. As such, RPU is in the process of re-implementing functionality of the UWAM system. This process involves adding assets into the UWAM system and beginning to attribute work orders to identified assets. Additionally, a preventative maintenance program will be implemented in the UWAM system to ensure that assets are properly maintained and workload can be forecasted.

In February 2016, RPU went live with its Water Operations assets in the UWAM system. RPU intends to extend UWAM functionality to its Water Field assets thereafter. At the time of our fieldwork, RPU had a draft Project Management Plan in place covering the Water Field assets.

After completing the re-implementation of the UWAM system for its Water Field and Operations assets, RPU will turn its focus on re-implementing UWAM for its electric utility assets.

When RPU extends the functionality of the UWAM system to a new class of assets, the Operational Technology (OT) Office works with subject matter experts to complete the following tasks:

- Define the asset hierarchy
- Prepare and clean asset data
- Configure electronic forms
- Develop the preventative maintenance program
- Scan and clean existing data
- Perform testing including user acceptance testing (UAT)
- Complete user training

Related to the continuing property records (CPRs), RPU maintains the following systems:

- CADME – RPU's GIS department maintains a record of assets including locations, descriptions, and work orders attributed to the asset. Assets are brought into the CADME system through inspection (i.e., inspected into existence) or through the completion of a work order.
- IFAS – Financial data related to each asset, including historical cost and depreciation, are maintained in the City's overall financial system, IFAS.

The CADME system serves as the main repository for all spatial data and enables RPU personnel to review up-to-date maps while completing fieldwork. RPU is in the process of upgrading its CADME system and plans to more tightly integrate the CADME system to both the UWAM system, which includes work management functionality. When integrated, the systems will collectively capture data from the entire lifecycle of an asset – from planning and installation to maintenance and replacement. Given that the process of upgrading the CADME system has begun, we did not note recommendations for improving system use and business process.

Other challenges that result from the use of multiple systems in maintaining RPU's property records are being addressed, to an extent, through the implementation of the UWAM system.

In order to complete our audit procedures, we performed the following high-level tasks:

- Interviewed RPU personnel responsible for asset management
- Reviewed supporting documentation
- Researched best practices including those defined by the International Standards Organization (ISO)

Refer to Section 5.3 to review the detailed procedures performed.

Interviews with RPU personnel focused on the following high level topics:

- Roles and responsibilities in the various asset management processes
- Review of asset management policies and procedures
- Walkthroughs of the following business processes and identification of key controls
  - Requisition and purchase
  - Receipt and inventory
  - Initiation and completion of work orders
  - Asset inspections
  - Disposal, sale, and retirement
  - External reporting
- Use of systems in the asset management process, including but not limited to Oracle Utilities Work and Asset Management (UWAM) system

Throughout the performance audit, we conducted interviews with various RPU personnel. Refer to Appendix B for a summary of the interviews conducted.

In addition to conducting interviews with RPU personnel, we reviewed supporting documentation related to asset management. The documents provided and reviewed throughout the performance audit are listed in Appendix A.

With the information obtained in process conversations and through reviewing existing asset management documentation, we documented the current state the various asset management processes. The following is a list of the asset management processes we documented for the electric utility:

- Purchased Assets
- Work Order Resulting from 311 Call
- Work Order Execution
- Inventory Use
- GIS Record Updates
- Inspection of T&D Assets
- Inspection of Substation Assets
- Compliance Reporting – GO 165 T&D Assets
- Compliance Reporting – GO 174 Substation Assets
- Asset Retirement
- Sale of Assets

NOTE: For three of the processes noted above, we documented a past practice because there is no process currently in place. This pertains to Inspection of T&D Assets, Compliance Reporting – GO 165 T&D Assets, and Compliance Reporting – GO 174 Substation Assets.

ASSET MANAGEMENT PRACTICES

Pertaining to the water utility, we documented the following asset management processes:

- Purchased Assets
- Work Order Dispatch
- Emergency Work Orders
- Engineering Work Orders
- Planned Maintenance
- Preventative Maintenance
- Asset Lifecycle
- Inventory Updates
- GIS Updates – Fieldwork
- GIS Updates – Routine Maintenance
- GIS Updates – Repair Work
- Inspections – Water Operations Assets
- Inspections – Water Field Assets
- Sale of Assets

Refer to the enclosed Visio documents to review the process flow diagrams.

With an understanding of RPU's policies and business processes, we conducted a gap analysis in which we compared RPU to industry best practices. There are several sources of industry best practices; however, we focused on those established by ISO. In 2014, ISO issued its most recent update to its asset management standards, 55000.2014 Overview, Principals, and Terminology.

Overall, ISO 55000:2014 identifies nine (9) benefits of asset management, including some of the following:

- Improved financial performance
- Improved asset investment decisions
- Improved services and outputs
- Demonstrated compliance
- Improved efficiency and effectiveness

ISO 55000:2014 further identifies the following elements of an effective asset management system:

- Organizational context (including financial and regulatory environment)
- Leadership
- Planning
- Support and organizational collaboration
- Operation through policies, standards and plans
- Performance evaluation
- Improvement

Our observations and recommendations stemming from the GAP analysis follow.

5.2 – Observations and Recommendations

We understand that RPU is in the process of inputting assets into the UWAM system, which will enable RPU to track work orders and associated labor against individual assets. RPU's project plan anticipates that this process will be complete in 2017. In recognition that RPU has initiated this process and has a plan in place, we have not recommended that RPU input assets to the UWAM system, to begin tracking work orders against those assets, and to leverage UWAM to schedule preventative maintenance and to track asset inspections.

Baker Tilly makes the following observations and recommendations regarding RPU's Asset Management Practices:

Table 14 – Observations and Recommendations Regarding RPU's Asset Management Practices

Observation #	Observation	Recommendation
5.2.1	RPU does not have a formal asset management policy that establishes standard operating procedures, roles and responsibilities, and key controls.	RPU should document a formal written policy that, at a minimum, covers the following topics: > Asset purchase > Inventory > Inspection > Preventative maintenance > Work order execution > Reporting (internal & compliance) > Retirement, sale, and disposal > Use of the Asset Management System (UWAM) In each of the areas above, the policy should convey the applicable policies, procedures, roles and responsibilities, and key controls related to asset management.
5.2.2	Asset management is currently handled by each respective division within RPU (Electric Operations, Electric Field, Water Operations, and Water Field). Historically, each division developed business practices that best suit its needs and leverage the asset management system (UWAM) as needed. At the time of fieldwork, the OT office was in the process of addressing this concern. In February 2016, the OT office led the effort to standardize and improve the use of the UWAM system for Water Operations assets. RPU intends to address similar concerns for Water Field assets and all Electric Field and Operations assets thereafter.	RPU should develop a method of ensuring that each of the divisions leverages the asset management system in a way that enables RPU to achieve its overarching strategic objectives. To achieve this goal, RPU, led by the OT office, should continue to re-implement UWAM to standardize and improve system use. During that process, RPU should consider both implementing improved system functionality and re-engineering business processes. In addition to re-implementing the UWAM system, RPU should document and communicate comprehensive asset management policies that cover all functional areas and divisions utilizing the UWAM system. Lastly, RPU must implement a process to monitor compliance with the asset management policies. There are multiple means of accomplishing this, including but not limited to:

Observation #	Observation	Recommendation
		> Creating an Asset Management and Work Order Control group that provides independent oversight and management of the various asset management processes > Assigning responsibility of monitoring activities to existing RPU personnel. NOTE: RPU must take into account proper segregation of duties when developing monitoring controls.
5.2.3	Certain electric utility transmission and distribution (T&D) assets were added to the asset management system through the inspection process in the past (i.e., inspected into existence). However, inspection of T&D assets has not taken place since 2012. Thus, certain assets are not captured in the asset management system, and there is no process for capturing them until the inspection program is reinstated.	As indicated in Observation 5.2.1, RPU should document a formal asset management policy. The asset management policy should identify standards of care for asset management, inspection, and reporting. Although the standards may not legally apply to public utilities, RPU should consider implementing policies that recognize GO 165 as the standard for asset management and inspection. Once a standard has been adopted through formal policy, RPU should reinstate the T&D inspection and reporting processes. In addition to benefiting from having complete asset records and being in compliance with applicable regulations, RPU will be able to attribute work orders to those assets and forecast workload.
5.2.4	Currently, RPU does not leverage the work management functionality in the asset management system (UWAM). Not only does this create challenges when assigning and prioritizing work, but it also creates challenges when planning future work. In the current state, the Central Stores checkout of stock items is generated on the same day that work is to be completed. As a result, the personnel responsible for completing the work may have to wait for items to be pulled (i.e., there can be a queue in the morning). In an ideal state, work orders could be scheduled in advance, allowing Central Stores to pick inventory items a day in advance. This would enable personnel to begin work earlier in the day and lessen the likelihood of waiting for inventory to be pulled, ultimately improving efficiency of RPU Crew and Field Personnel.	According to the RPU Strategic Technology Plan, RPU intends to implement work management functionality within the UWAM system. The implementation will take place between 2018 and 2020. In consideration of the potential time savings and reduced costs, RPU should consider expediting the implementation of the system. If that is not feasible, RPU should create a work around that enables Central Stores to pull inventory items and stage jobs the day prior to work being completed.

Observation #	Observation	Recommendation
5.2.5	RPU has developed an aggressive plan to enhance its asset management function, particularly through the implementation of improved use of the asset management system (i.e., UWAM) for functions including, warehouse inventory and work management. To achieve RPU's goals, Leidos Engineering, RPU's technology planning consultant, recommended the following in the June 2015 Strategic Technology Plan: "To ensure successful adoption of the proposed technology investments and realize their anticipated benefits, RPU must create a new organizational structure, add new resources, and provide training for existing staff to use and maintain newly implemented technologies." To address this concern, RPU created the OT function. It is possible that OT will not be sufficient to meet all of RPU's staffing needs including both day-to-day operations (work order control, scheduling, asset managers) as well as IT support (both day-to-day and implementation support).	RPU should consider conducting an organizational assessment of its asset management function. The assessment should consider overall staffing, workload, and organizational structure of RPU and the asset management function. RPU should request, as a result of the organizational assessment, estimates of the costs and benefits associated with the recommended organizational alternatives.
5.2.6	RPU personnel expressed concern over various accounting processes related to asset management including the following: > Integration of the financial system (IFAS) to the asset management system (UWAM) > Recording of the sale of an asset > Recording of asset disposal > Documenting the costs associated with work order completion including coding of costs as either O&M or Capital costs RPU expressed that the concerns resulted from the following: > The financial management system (IFAS) does not contain individual asset records > Cost data that is fed into financial management system (IFAS) does not agree to cost data within the asset management system (UWAM), particularly as it relates to the completion of work orders	RPU should assess the lifecycle of asset accounting. Where appropriate the assessment should take into consideration Government Accounting Standards Board (GASB) and Federal Energy Regulatory Commission (FERC) standards.

Observation #	Observation	Recommendation
5.2.7	Assets are removed from use in the field through the use of a Transformer/Equipment Removal form. However, there is no process to reconcile the removal of assets to updates within the IFAS system and to the UWAM system.	RPU should implement a control in which the assets that are removed from the field are reconciled to assets retired in the UWAM and IFAS systems. This control should be performed by an individual who is not involved in the initiation or approval of the Transformer/Equipment Removal forms.
5.2.8	Currently, a Utility Analyst reviews outstanding work orders to verify that they have been complete and marked as such within the UWAM system for its Water Field assets. This process has also been partially implemented for RPU's Water Operations assets. For Electric Field and Operations assets, however, the frequency of this control is annual, which is not adequate to ensure that work orders, particularly those that may prevent a safety issue, are addressed in a timely manner.	We recommend that this control be performed on a monthly, quarterly, and annual basis for all assets moving forward.

5.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Asset Management Practices:

Table 15– Procedures Performed during the Review of RPU's Asset Management Practices

Workplan St	Procedures
B.1	1. Contacted RPU's Project Manager for further information regarding RPU's asset management practices 2. Obtained contact information and organizational charts for RPU's fixed asset department. 3. Developed interview guide for key individuals involved in asset management 4. Reviewed interview questions with RPU's project manager for approval and to determine additional questions that may need to be added 5. Scheduled interviews/meetings with appropriate RPU personnel 6. Submitted data requests to include information around the following: a) Policies and procedures regarding asset management b) Organizational charts with job descriptions c) Flowchart and narrative description of the asset management process d) Continuing Property Records (CPRs) e) List of systems used in asset management (fixed asset accounting, GIS)
B.2	1. Conducted interviews/meetings with personnel involved in asset management to gain an understanding of current processes in place around the following: a) Recording of fixed assets b) CPR maintenance c) GIS process 2. Performed detailed process walkthroughs of the key business processes identified above 3. Reviewed current policy and procedure documentation in the areas listed above 4. Discussed any applications of the principles of ***ISO 55000:2014*** in application for life cycle asset management practices
B.3	1. Documented current state practices based on task B.2 2. Identified key controls in place or areas where controls could be improved 3. Developed a GAP analysis showing current practices compared to best practices
B.4	1. Provided written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures could be improved c) A GAP analysis identifying areas where RPU is not could be employing "best practices" in the industry

6.0 – MANAGEMENT REPORTING SYSTEMS

6.1 – Background and Current Process

RPU creates multiple reports throughout its departments that are routed to executive management and/or the Board of Public Utilities for decision-making purposes. Although RPU is able to provide the desired information to management, it does not have robust report writing tools. This makes creating reports complex and time-consuming. Most reports require downloading information from multiple sources, exporting this information to Excel, and manually manipulating the data for the desired report appearance. In addition, most departments do not have policies and procedures in place detailing report preparation protocols. This makes many of these departments dependent on one individual who has the background knowledge to set up and run the desired report. The table below shows the key reports prepared by RPU personnel by department:

Table 16 – Key Reports Prepared by RPU Personnel by Department

Key Customer Service/ Public Benefits Reports						
Report #	Name of Report	Created By	Reviewed By	Frequency	Information Included	Systems Used
1	Energy and Water Rebate Report	Management Analyst	Assistant GM of Marketing/ General Manager	Monthly	The various rebate programs and statistics	IFAS, Excel
2	PV Interconnections Report	Senior Program/Service Representative	Customer Relations Manager/ General Manager	Monthly	Customers with solar or grid enhancements	IFAS, Excel
3	Marketing Report	Customer Communications Office Specialist	Customer Relations Manager/ Assistant GM of Marketing	Monthly	How many visitors RPU had to its website, number of advertising impressions, etc.	Website, Excel
4	Customer Service Report	Customer Service Representative	Customer Service Supervisor/ Assistant GM of Marketing	Monthly	Shows inbound calls and payment data for customers	Avaya call system, iNovah, NCR, EBPP, Excel

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Performance Audit

MANAGEMENT REPORTING SYSTEMS

Key Financial Reports						
Report #	Name of Report	Created By	Reviewed By	Frequency	Information Included	Systems Used
5	Report Card Report	Senior Resource Analyst/ Senior Accounting Tech	Senior Analyst/ Principal Analyst/ Management	Monthly	kWh, CCF, and weather data, adjusted sales & revenue forecast	Statistical Analysis Software, enQuesta, IFAS, Excel
6	Sales Statistics Report	Principal Business Systems Support Analyst/ Senior Accounting Technician	Senior Analyst/ Principal Analyst/ Operations Management	Monthly	Sales statistics, revenue summary by class	IFAS, enQuesta, Excel, PDF
7	Electric & Water Funds Financial Reports	Accountant/ Senior Accountant	Principal/Senior Analyst, Fiscal Manager/Assistant GM of Finance/RPU Board	Monthly, Quarterly, and Annually	Revenues, Expenses, and Cash Balances	IFAS, Excel, PPT
8	Bond Reimbursement Report	Accountant	Principal Analyst/ Executive Management	Monthly	Bond funded accounts and memo for reimbursement	IFAS, Excel
9	Budget Status Report	Senior Accounting Technician	Cost Center Managers	Monthly	Budget to Actual by cost center	IFAS, Adobe
10	Accounts Receivable Analysis Report	Accountant	Senior/Principal Analyst/ Executive Management	Quarterly	A/R aging data, revenues, write-offs	IFAS, enQuesta, Excel, PPT
11	Budget to Actual Report	Accountant	Principal Analyst/Executive Management	Quarterly	Actual to budgeted expenses by cost center and explanations for large variances	IFAS, Excel, Adobe
12	Position Control Report	Accountant/ Cost Center Managers	Principal Analyst/ Management	Quarterly	Current filled and vacant positions by cost center	IFAS, Excel
13	Annual Purchase Orders Board Memo Report	Accountant	Fiscal Manager/ Assistant GM/ RPU Board	Annual	Summary of annual purchase orders over $50,000	IFAS, Word, Adobe
14	311 CRM Report	Senior Network Support Specialist	Business System Support Manager/ Management	Monthly	Compliments, suggestions data received from customers	CRM, Excel, PDF

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Key Power Resources Reports						
Report #	Name of Report	Created By	Reviewed By	Frequency	Information Included	Systems Used
15	Resource Adequacy Report	Principal Resource Analyst	Resource Managers/ RPU Board	Annually	Peak demand forecast, outages	Excel, Adobe
16	SCPPA Resolution Billing Report	Resource Analyst	Principal Resource Analyst/Senior Administrative Assistant/ RPU Board	Monthly	SCPPA billings	Excel, Adobe
17	Forward Strategy Report	Power Resource Manager	Risk Management Committee/ Energy Risk Manager	Quarterly	Load forecast, % of load hedged, forward energy pricing, required hedging position	Ascend Analytics, Excel, Adobe
18	Portfolio Risk Report	Power Resource Manager	Risk Management Committee	Quarterly	Portfolio summary metrics, net revenue uncertainty estimates, internal generation report, open energy position, market exposure	Ascend Analytics, Excel, Adobe
19	Power Supply Report	Planning & Analytics Staff/Manager	Market Operations Staff & Manager	Monthly	Expected generation energy profiles	Ascend Analytics, Excel Adobe

Key Water Reports						
Report #	Name of Report	Created By	Reviewed By	Frequency	Information Included	Systems Used
20	Daily Report	Engineering Technician	Water Quality Manager & Chief Operator/ Executive Management	Daily	Prior days water production, temperature, rainfall	SCADA, website, field logs, Excel
21	Watermaster Production Report	Water Quality Manager	Executive Management	Annual	Basin production data	Excel database, Adobe
22	Water Highlights Report	Engineering Technician	Water Quality Manager/ Executive Management	Monthly	Temperature data, conservation reporting information, production data	Word, Excel
23	PHG Report	Water Quality Manager	Executive Management/ RPU Board	Every 3 years	PHG compliance data	WaterTrax Water Quality Database, Adobe
24	Contractor Panel Activities Report	Water Engineer	Contractor Panel, Principal Engineer, RPU Board	Monthly	CIP projects (description, contractor, value, issues, updates, status)	Excel

Key Electric Reports						
Report #	Name of Report	Created By	Reviewed By	Frequency	Information Included	Systems Used
25	Daily Electric Operations Report	Supervising Dispatcher	Executive Management	Daily	Prior day electric operations data, outage information	Excel, Daily Log, MS Word, Adobe
26	Year End Reliability Graphs Report	Dispatch Superintendent and Analyst	Executive Management	Annual	SAIDI, SAIFI, CAIDI	SCADA Historian, Excel, Adobe
27	Distributed Generation Status Report	Energy Delivery Engineering	Senior & Middle Management	As new interconnections come on	PV permit information	Permits Plus, Excel
28	Energy Delivery Engineering Report	Energy Delivery Engineering Staff	Engineering Manager/ Assistant GM	Monthly	Updates on staff related issues, staff training, permit activity, electric vehicles, CIP spend	IFAS, Permits Plus, EV system, Excel, Word
29	Street Light Service Request Response Time Report	Dispatch Analyst	Electric Engineering manager/ Assistant GM of Energy Delivery	Monthly	Work order data, response time information	UWAM, Excel, Adobe

As shown in the tables above, the systems used to create the RPU management reports are not user-friendly and require extensive manual data manipulation. From an internal controls standpoint, this results in a weakness in the integrity of information and a potential significant deficiency or material weakness in internal controls. A utility should try to limit the amount of manual manipulation needed and should strive to have the appropriate technology available to readily provide the necessary information in a centralized location.

Examples of technology that should be used in the utility industry include the following:

- Financial Software that includes the ability to run financial statement reports.
- Outage Management System (OMS) – Assist in restoration of power and can be used to provide outage information for reliability reporting.
- Work Order Asset Management System – Used to plan, schedule, dispatch and track all work. Allows for tracking and managing asset and location data throughout the asset lifecycle. Inventory, contract, and procurement management are also achieved through use of this software.
- Utility Billing – Provides billing and customer information management – generates bills, receives and tracks payments, maintains historical information regarding services, stores accounts and customers, and tracks and verifies consumption.

Many utilities choose to implement an enterprise resource planning (ERP) solution. ERP systems are software applications that support an organization's finance, human resources, purchasing, and payroll functions. It includes:

- Transactions
- Reporting
- Workflow
- Approvals
- Controls

ERP transitions an organization from one with disconnected, redundant data contained in multiple systems to one with a single point of data entry, increased information management capacity, and reduced systems and processing time. Because the software is all integrated (all data is available in one place), it takes much less time to create reports.

Having the appropriate software will allow for the easy creation of management reports and dashboards without having to collect data from multiple sources and having to manually create the report/dashboard. Although RPU has many reports and dashboards that are utilized by the executive management and/or the Board of Public Utilities, we have provided some example KPI's and dashboards that RPU may wish to begin creating. See Appendix C for example KPI's/dashboards.

See Enclosed Visio documentation for process maps showing how these reports are created.

6.2 – Observations and Recommendations

During our discussions on creating reports, many process improvements were identified. Baker Tilly makes the following observations and recommendations regarding RPU's Management Reporting Systems:

Table 17 – Observations and Recommendations Regarding RPU's Management Reporting Systems

Observation #	Observation	Recommendation
6.2.1	Many departments do not have formal policies and procedures in place for the creation of management reports.	RPU should develop formal written policies and procedures for the creation of management reports. This will ensure that the reports are created on time and in a consistent manner. In addition, having desktop procedures will allow for a smooth transition when a new employee is responsible for creating the reports.
6.2.2	The report creation process is very manual and labor intensive.	RPU should consider acquiring a new report writing tool and/or train individuals on how to use IBM Cognos. This will reduce the amount of manual data manipulation needed and make the report creation process more effective.
6.2.3	Although RPU reports some Key Performance Indicators (KPIs) to the Board of Public Utilities, there are many that are not provided to the Board including the reliability metrics (SAIDI, SAIFI, and CAIDI).	RPU should provide more KPI's to the Board of Public Utilities. See Appendix C for example KPI's that should be considered.

Observation #	Observation	Recommendation
6.2.4	RPU currently uses IFAS, an integrated financial and administrative solution to prepare financial statements which does not have the ability to run necessary reports.	RPU should consider acquiring financial statement software that will allow the export of data and creation of reports with minimal data manipulation.
6.2.5	RPU does not have an Outage Management System (OMS). As such, all outage information must be manually logged into Excel.	RPU should consider acquiring an OMS system. This will reduce the amount of labor needed to manually log all outage information and make the process more efficient.
6.2.6	Although the Water department has water maintenance software (WaterTrax), it has been stated in interviews that this software is archaic and the data is extracted into in a non-usable format.	RPU should consider acquiring new water maintenance software that can provide data in a more user-friendly format to allow RPU employees to be more efficient in creating necessary reports.
6.2.7	During interviews with RPU personnel, it was noted that the City Human Resources department does not have the same information available as RPU. The HR department and RPU show different numbers for hiring needs, available positions, etc. It was noted in interviews that RPU hiring needs are not always met due to lack of dedicated HR resources and information availability.	RPU and the Human Resource function need to share common databases of relevant information. To meet service needs service level agreements between RPU and HR should be considered.
6.2.8	The City of Riverside's IT department is used to help with creating queries and solving issues that RPU has in creating reports. The IT department serves many employees throughout the City of Riverside which can cause delays in providing the service needed.	RPU and the City should consider several options in providing IT services for RPU: 1. Service level agreements for City IT services to be provided to RPU 2. RPU dedicated IT personnel to provide services to RPU 3. Enhanced reporting tools for data extraction and report writing 4. Training for RPU managers in developing reports through reporting tools

Observation #	Observation	Recommendation
6.2.9	Most of the managers we interviewed were satisfied with the reporting information they received. There were a few instances, however, where managers expressed a desire for more information. Examples include: > Energy cost for delivering water > The actionable wasted time due to policies, processes, procedures. > More KPI's (information vs. data)	We recommend that RPU management determine information needs of managers. Tools that can facilitate this process include surveys, group discussions and direct input from managers. Management should then evaluate these needs on a sensitivity of information basis to ensure that both appropriate reports are developed and distributed and sensitive information is only accessed by appropriate managers and personnel. Information to be distributed should be documented in formal policies and procedures. A formal information distribution schedule should be maintained.
6.2.10	Many reports are prepared through manua manipulation of data. This results in a loss data integrity.	From an internal controls standpoint, this results in a weakness in the integrity of information and a potential significant deficiency or material weakness in internal controls.

The City IT department had the following response to our observation 6.2.8:

All requesters of IT services are strongly encouraged to utilize the IT department's Helpdesk services. Helpdesk will log the service request or incident and classify it as Normal, High, Emergency, or Low priority. Each priority classification has defined response times and resolution times. (See attachment) If there are multiple open issues within an enterprise applications team, any operational incidents will take precedence over requests for enhancements.

Regarding some specifics with reporting:

1. *There exist some non-standard legacy reporting tools that departments utilize, for which IT does not have any tools or training. IT attempts to provide support and troubleshooting when requested, but the department's capability with these reporting tools is severely limited.*
2. *Currently, IT does not have the staffing, tools, or business knowledge to provide comprehensive and direct report development Citywide.*
3. *IT provides technology tools and platforms (e.g. Microsoft SQL Server Reporting Services) and training materials to allow the departments to create reports, in a self-service fashion, whenever possible. (See attachments)*
4. *When IT is engaged in report development, then the IT team will work closely with departmental subject matter experts to learn the business requirements and develop the required information.*

Regarding the comment about dedicated staffing, as late as FY 13/14 IT and RPU had an agreement to supply 7 dedicated staff at a cost of approximately $1.1 million annually. (As a point of reference, it should be noted that IT staff are currently contract employees through Xerox Corporation). Due to the current IT staffing level, nature of enterprise systems and specialties utilized by all departments, it was deemed infeasible to provide 100% dedicated staff to RPU in a cost effective manor for the overall city organization. For example, the City utilizes shared technology platforms and extensive automation throughout the entire technology stack (e.g. storage, backup, tape systems, networking systems, telephone systems, virtual server environments, and application environments). This strategy is a best practice and most efficient operating arrangement for technology services because staff support one platform for the entire organization. Therefore the 7 direct allocated IT staff were moved to the standard cost allocation plan for IT cost allocation to departments. Finally, on an annual basis IT staff spend approximately 45% - 55% of overall staff time on RPU incidents, service requests, and projects. Directly dedicating that percentage of IT staff to RPU would require the introduction of many duplicated positions, lower staff productivity, and has generally been deemed cost prohibitive in the past. It should also be noted that the observation in item #26 states, "Most of the managers we interviewed were satisfied with the reporting information they received..."

6.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Management Reporting Systems:

Table 18 – Procedures Performed during the Review of RPU's Management Reporting Systems

Workplan Step	Procedures
C.1	1. Contacted RPU Project Manager for further information regarding the different departments at RPU 2. Obtained contact information and organizational charts the different departments at RPU including the managers of each department 3. Developed interview guide for the managers of the different departments 4. Scheduled interviews/meetings with appropriate RPU management 5. Submitted data requests to include information around the following: a) Types of management reports currently being used at RPU b) The frequency the management reports are prepared c) The information included in the management reports d) The systems involved in creating the management reports e) Dashboards that are currently used by RPU management f) Organizational charts with job descriptions
C.2	1. Conducted interviews with managers and those involved in creating management reports to determine the following: a) How management reports are created b) The frequency of reports, information included, and systems used to develop the reports c) Manual process included in creating the reports d) Review process for management reports e) Dashboards utilized by RPU management f) Any management requirements not currently being met 2. Performed detailed process walkthroughs of the key business processes identified above 3. Reviewed current policy and procedure documentation in the areas listed above

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Workplan Step	Procedures
C.3	1. Documented current state practices based on task C.2 2. Identified key controls in place or areas where controls could be improved 3. Developed a GAP analysis showing current practices compared to best practices in reporting 4. Provided examples of management reports that could enhance reporting at RPU 5. Provided a discussion and narrative on the current use of technology in the utility industry for best practices 6. Provide examples of dashboard reporting current done in the industry that could improve reporting practices at RPU
C.4	1. Provided written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures could be improved c) A GAP analysis identifying areas where RPU Public Utilities is not but could be employing “best practices” in the industry

7.0 – PROPERTY LEASES, MONITORING & CONTROL

7.1 – Background and Current Process

The Real Property Agent begins the process for setting up a lease/license agreement. Each agreement is reviewed and approved by the City Attorney, the Board of Public Utilities, the City Council, and the City Manager. The Real Property Agent is responsible for monitoring the leases. This is done by generating a report from the Microsoft Database to check the expiration and insurance due dates. In addition to the Microsoft Database used to track leases, an Accounts Receivable (A/R) Aging Report is run out of the Integrated Financial and Administrative Solution (IFAS) software to monitor payments. The lease revenue is recorded in the Land and Building Rental and the Other Property Rental accounts. See the enclosed Visio documents for detailed process maps on entering into and renewing a lease.

In addition to documenting the current process for entering into a lease, Baker Tilly also selected a sample of leases for detailed testing. The testing steps included:

- Ensuring the lease/license agreement was properly approved.
- Reviewing the revenue account used to record the property lease for appropriateness and to ensure the correct revenue amount was recorded.
- Reviewed the A/R transaction report to ensure proper amounts were recorded.

7.2 – Observations and Recommendations

Table 19 – Observations and Recommendations Regarding RPU's Property Leases, Monitoring & Control

Observation #	Observation	Recommendation
7.2.1	Three of the six leases selected for detailed testing indicated that the Lease Report from the Microsoft Database had the incorrect lease amount. The proper amount was received from the lessees, however.	For proper controls and segregation of duties, after the Microsoft Database has been updated with new lease information, it should be reviewed by another individual for accuracy.
7.2.2	Although there is high-level documentation at the City-wide level for the process of entering into leases, there is not specific utility documentation or procedures in place that shows the proper steps to enter into and monitor leases.	RPU should create detailed procedures (desktop checklist) for the steps in entering into and monitoring leases. This will ensure that approved procedures are followed when entering into and monitoring leases.

7.3 – Procedures Performed

Table 20 – Procedures Performed during the Review of RPU's Property Leases, Monitoring & Control

Workplan Step	Procedures
D.1	1. Contact RPU's Project Manager for further information regarding the different types of property leases RPU has and who is responsible for monitoring them 2. Obtain contact information for individuals involved in property lease monitoring and control 3. Develop interview guide for key individuals involved in the property lease monitoring and control function 4. Schedule interviews/meetings with appropriate RPU personnel 5. Submit data requests to include information around the following: a) Policies and procedures in place for entering into leases b) A listing of current property leases that RPU has (a sample of property leases will be selected for detailed testing of revenues and expenses) c) Tracking mechanisms used to monitor and control revenues and expenses for property leases d) Approval process for property leases
D.2	1. Conducted interviews with key individuals involved in property lease monitoring and control to determine the following: a. What is the process for entering into a lease? b. What is the approval process for lease agreements? c. What accounts are used to record lease revenue and expenses? d. What tracking mechanisms are used for monitoring and control? 2. Performed detailed process walkthroughs of the key business processes identified above. 3. Reviewed current policy and procedure documentation in the areas listed above.
D.3	1. Document current state practices based on task D.2 2. Identify key controls in place or areas where controls could be improved 3. Develop a GAP analysis showing current practices compared to best practices 4. Review appropriate general ledger accounts to ensure that proper expenses and revenues have been recorded for property leases. 5. Confirm that all leases entered into were properly approved.
D.4	1. Provide written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where business practices, functions and procedures could be improved c) A GAP analysis identifying areas where RPU is not but could be employing "best practices" in the industry d) Results of detailed testing of revenues and expenses for property leases

8.0 – ECONOMIC DEVELOPMENT AND CONTRACT RATE PROGRAMS

8.1 – Background

To encourage economic development in its electric utility service territory, RPU primarily relies on Economic Development (ED) and Business Retention (BR) rates with new customers and existing customers with increasing load (growth), respectively. These rates are only available to commercial and industrial (C&I) end-use customers who meet certain minimum load conditions and are qualifying companies as defined by the North American Industrial Classification (NAICS) codes.

The Account Management team at RPU works closely with businesses to review their eligibility for the ED and BR rates as well as to ensure that they can meet their minimum loads once they reach full business operations. The Account Management Team has a well-defined procedure in-place for determining eligibility for the ED and BR rates, which includes:

- Certifying that the applicant is a RPU electric customer
- Verifying application information and that the customer qualifies for the program
- Conducting meetings with customers, as needed, to gather additional information
- Conducting site inspections to verify end-use and load, as needed

If the customer is deemed to meet the requirements and criteria of the ED and BR rates, the designated Account Manager will prepare an ED Rate approval memo that gets reviewed and approved by several RPU personnel, including the Business Relations Manager, Assistant General Manager Customer Relations, and General Manager. After these approvals, the Assigned Account Manager will notify RPU's Finance Department for billing purposes and also input customer data on a tracking sheet to track customers' end-date in the program and also for reports that show metrics, such as:

- total square footage of business space added;
- projected new load (kW);
- projected annual revenue increase for RPU;
- private investment ($) added to Riverside; and
- new jobs added in Riverside.

These reports showcasing the summary of the Economic Development and Contract Rate programs are included at least once annually in reports/presentations to RPU's Board of Public Utilities.

The ED and BR rates are intended to provide both new and existing qualifying C&I customers a percentage reduction discount on their utility bills. The percentage reduction discounts are designed to be declining (i.e., a greater discount in first full year of operation with declining percentages with each successive year until the percentage reaches 0% by the third year). While the ED and BR rates are developed outside the context of traditional utility cost-of-service studies, the customers participating in these programs generally help increase their respective customer class load, which would be incorporated into the following cost-of-service study through the billing determinants (billed kW and kWh consumption) for the respective customer classes.

RPU maintains up-to-date information regarding the Economic Development rate program on its own website. In addition, the City of Riverside's Office of Economic Development website and Green Riverside's website provide direct links to RPU's website regarding the Economic Development rate program as well as information on RPU's Business Photovoltaic Incentives Program and Energy Efficiency programs.

On the water utility side, there are no economic development rates. In light of the state of California's drought, the Riverside City Council updated its Water Conservation Ordinance, drought plan, and water conservation programs to help water consumers throughout the city adhered to any new local and state regulations on water conservation.

In 2015, RPU was recognized by the California Association for Local Economic Development (CALED) for an Award of Merit in its Economic Development category for drought awareness and water conservation programs and an Award of Merit in the Economic Development Partnership category for its joint Commercial Food Service Energy Efficiency Program partnership with the Southern California Gas Company.

8.2 – Observations and Recommendations

Baker Tilly makes the following observation and recommendation regarding RPU's Economic Development and Contract Rate Programs:

Table 21 – Observations and Recommendations Regarding the Review of RPU's Economic Development and Contract Rate Programs

Observation #	Observation	Recommendation
8.2.1	In its Organizational Assessment report of RPU, Hometown Connections[5] recommended that RPU "develop a more proactive economic development recruitment process for new business customers". While RPU does provide incentives for ED rates and is proactive in working with potential customers, it does not appear that certain industries or business types other than ones designated as "Research, Development, or Technology" are targeted.	Similar to Hometown Connections' recommendation, Baker Tilly would recommend that RPU consider looking at current and previous ED customers and consider recruiting other business types more proactively.

[5] Hometown Connections is the utility services subsidiary of the American Public Power Association (APPA) and conducted a review of RPU's utility operations and prepared a report in January 2016

8.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Economic Development and Contract Rate Programs:

Table 22 – Procedures Performed during the Review of RPU's Economic Development and Contract Rate Programs

Workplan Step	Procedures
E.1	1. Contacted RPU's Project Manager for further information regarding the different types of economic development and contract rate programs at RPU 2. Obtained contact information for individuals involved in the economic development and contract rate programs 3. Developed interview guide for key individuals involved in the economic development and contract rate programs 4. Scheduled interviews/meetings with appropriate RPU personnel 5. Submitted data requests to include information around the following: a) Any policy or process documentation around the economic development and contract rate program b) The different types of economic development and contract rate programs c) Detailed information regarding all of the programs including the following: i. Criteria ii. Cost of service iii. Application of rates d) Rebates and any other incentives provided e) Reporting mechanisms in place around the economic development and contract rate programs
E.2	1. Conducted interviews with key individuals involved in the economic development and contract rate programs to determine the following: a) The different types of programs RPU offers b) The criteria, cost of service, and application of rates for the different programs c) Rebates and other incentives provided by RPU d) Reporting mechanisms in place around the different programs e) Program goals and historical attainment of program goals f) Long-term strategy for economic development programs g) Costs incurred in providing economic development programs to customers h) Success in attracting and retaining customers
E.3	1. Documented current state practices based on Task E.2 2. Identified key controls in place or areas where controls could be improved. 3. Identified areas of consistency 4. Determined if the processes utilized to evaluate and develop the rates are effective 5. Identified and documented areas for improvement
E.4	1. Provided written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where there are inconsistencies between the programs c) A GAP analysis identifying areas where RPU is not but could be employing "best practices" in the industry

9.0 – UOC TOOL ROOM (METER) INVENTORY

9.1 – Background and Current Process

RPU's Utility Operations Center (UOC) is a separate facility in Riverside, CA that includes warehouses for storage of utility meters and other inventory items. Unused or spare electric meters are contained within the Central Stores Warehouse, an adjacent facility to the UOC and a tool room at the UOC (Electric Meter Shop). Unused or spare water meters are contained at a separate warehouse at the UOC (Water Meter Shop).

In addition to the fact that electric and water meters are stored in separate locations, the process of purchasing, receipting, and installing them also differs. This life cycle process for electric and water meters are outlined as follows:

Electric Meters

Electric meters are broken down into three primary equipment types:

- Itron meters – a specific brand of meters typically used for residential customers with up to 3 registers, which are used to capture different types of readings (e.g., Time-of-Use, kWh usage)
- GE meters – a specific brand of meters typically used for large commercial & industrial (C&I) customers with up to 12 registers, which are used to capture other readings for these customers (e.g., kW, kVar)
- Current Transformers (CT) – a separate electric device that helps isolate the electric meter from high voltage and is installed at customer premises in instances of service exceeding a certain current (amperage) level

Purchasing:
For purchase of Itron meters, the Central Stores Warehouse Supervisor is able to request through Oracle a material release from the blanket purchase order (PO) from the vendor, Itron. The procurement of GE specialty meters follows the formal requisition process with the requester being the originating department and the approver being the Purchasing Supervisor. The purchase of CTs is done through P-Card transactions with an assigned Sr. Electric Meter Tech having an appropriate spending authority.

Receipting:
The receipt of all electric meter equipment shipments occurs at Central Stores. The Central Stores Warehouse Supervisor inspects meters, scans barcodes into a created inventory file and verifies that serial numbers match on both the inventory file and electronic vendor file. Once the serial numbers are verified, the Central Stores Warehouse Supervisor receipts the meters into Oracle and sends the inventory files over to RPU's Assigned Meter Tech and Sr. Business Systems Analyst to be uploaded into the CIS billing system (enQuesta).

Installing:
After meters are properly receipted into Oracle by location, they can either be transferred over to UOC Tool Room (Cage Inventory) area or Field Personnel may check out meters/CTs as needed for residential developments, repairs, and scheduled change-outs and charge the meters to the respective work order number. Meters are transferred over to the UOC Tool Room (Cage Inventory) to help expedite with future meter check-outs in light of issues with meters showing up on Work Order pick lists. After appropriately checking out meters at Central Stores or the Cage Inventory, Meter Techs will install meters at the customer's premise and enter meter information onto work orders on their mobile devices via PragmaCAD, which interfaces to the billing system.

Water Meters

Water meters are broken down into three primary equipment types based on meter size:

- 2" or less – usually used for residential customers
- Greater than 2" – usually used for larger commercial and industrial customers
- Construction meters – usually used for temporary service during new construction

Purchasing:
An annual budget earmarked specifically for water meters in the Utility Water Fund dictates whether purchase of meters can take place. Assuming that funds are available, for purchase of water meter sizes 2" or less, the Utility Water Superintendent is able to request through Oracle a material release from the blanket purchase order (PO) from the preferred vendor. Unless a blanket PO exists with a meter vendor, purchase of other water meters (i.e., greater than 2" or construction meters), follows the formal requisition process with the requester being the originating department and the approver being the Purchasing Supervisor. Further, when funds in the annual budget for water are unavailable in the Utility Water Fund, purchase requisitions also must be made to the Purchasing Supervisor.

Receipting:
After purchase requisitions are approved, the Meter Techs at the Water Meter Shop receive and physically review the shipped meters to ensure the correct serial numbers are recorded before signing off and storing the pallet of meters either in the caged downstairs area or uncaged upstairs area. The Meter Techs also retain a copy of the packing slip in the vendor file.

Installing:
Different work orders or service orders may call for meter installations, such as:

- New installation for new development – in this instance, RPU Engineering initiates a work order meter set request to the Water Meter Shop through enQuesta. The Meter Techs are notified of work orders on their tablets and are able to charge meters out of the UOC Tool Room to the meter set work order. After installing the meters at the premise, the Meter Techs enter the meter serial number in enQuesta through their tablets

- Meter Replacement Program – in this instance, RPU's Customer Service Supervisor or Program Management Analyst initiates a meter replacement work order. The Meter Techs will check out boxes of meters from the UOC Tool Room and charge them to the meter replacement work order and note the serial number on the work order print-out before placing onto their trucks. Once in the field, the Meter Techs perform meter change-outs, record premise information onto the Meter Change-out sheet, and then submit to the Utility Data Control Clerk on a daily basis. Old meters are returned to the UOC Tool Room to be recycled or reused (after fixing). The Utility Data Control Clerk will process the meter change-outs in enQuesta the following morning of the change-out.
- Meter Replacement due to damage, theft, or other failure – in this instance, RPU's Field Services generates a service order in enQuesta and forwards to Meter Dispatch, who will assign the meter replacement to a Meter Tech. The Meter Tech will perform the meter change-out, record the premise information onto the Meter Change-out sheet, and then submit to the Utility Data Control Clerk on a daily basis. Old meters are returned to the UOC Tool Room to be recycled or reused (after fixing). The Utility Data Control Clerk will process the meter change-outs in enQuesta the following morning of the change-out.
- Other meter issue in field – in this instance, a Troubleshooter or other non-Meter Shop individual may encounter an issue with a meter in the field and calls the Meter Shop to address the issue. Upon notification, a Meter Tech will perform the meter change-out, record the premise information onto the Meter Change-out sheet, and then submit to the Utility Data Control Clerk on a daily basis. Old meters are returned to the UOC Tool Room to be recycled or reused (after fixing). The Utility Data Control Clerk will process the meter change-outs in enQuesta the following morning of the change-out.

9.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's UOC Tool Room (Meter) Inventory process:

Table 23 – Observations and Recommendations Regarding RPU's UOC Tool Room (Meter) Inventory Process

Observation #	Observation	Recommendation
9.2.1	Currently, there are many pallets of water meters that upon receipt from the vendor are placed in an uncaged/unsecured upstairs area of the Water Meter Shop.	To improve internal controls over physical meter access, RPU should consider creating a caged space for these meters.
9.2.2	Purchases for water meters are largely based on visual check or purchasing meters as approved in the annual water meter budget. This encourages purchasing of meters as long as there is available budget. In relation to the physical inventory evaluation, a sample purchase receipt indicated purchases of 100 construction meters occurred in 2009, but 90 construction meters still remained in the Water Meter Shop.	RPU should use a Min/Max Inventory feature in enQuesta or other system to set thresholds for various sizes of water meters instead of relying on available funds in the water meter budget to make purchases. The system Min/Max Inventory feature can be updated periodically to coincide with major projects (e.g., meter replacement program).

Observation #	Observation	Recommendation
9.2.3	Currently, there is no tracking of water meter inventory location until they are entered in enQuesta when installed on a customer's premise.	RPU should consider tracking water meters upon receipt from vendor through their installation.
9.2.4	While water meters are initiated and checked out through enQuesta for work orders, the quantity of meters located on trucks aren't always accounted for.	While water meters are checked out through enQuesta for work orders, the Water Meter Shop Utility Supervisor or Utility Data Control Clerk should review quantities of meters in meter shops and on various trucks on a periodic basis (i.e., weekly, biweekly) to account for meters that are out on trucks.
9.2.5	Baker Tilly performed reconciliation of book values to physical inventory for a select sample of electric meters and water meters. Baker Tilly noted no exceptions related to electric meters to the sample quantity of electric meters that were counted. In regards to the water physical inventory evaluation, there was a slight discrepancy in quantity of meters that were on record from a sample purchase receipt (100) and actual quantity counted (90). The discrepancy was due to the fact that these were construction meters that are not installed permanently on customer premises, so their locations could not be accounted for (i.e., these meters could have been recycled or scrapped after being used).	RPU should consider tracking water meters upon receipt from vendor through their installation either through an existing system or through Excel.
9.2.6	While the individuals creating work orders can see the min/max inventory levels in UWAM, the Central Stores Warehouseman is not able to see meters listed on work order pick lists, so he has to rush to release the meters from the Central Stores for jobs RPU is currently in the process of creating compatible units (CUs) for meters and CTs to integrate this equipment into the work order process.	RPU should consider integrating the meter check-out process into the Work Order process to provide appropriate alerts to Central Stores Warehouseman to reduce lag time with staging jobs. Additionally, usage of CUs will increase planning efficiency.
9.2.7	Currently, the meters and CTs that get transferred from Central Stores to the UOC Tool Room (Caged Inventory) are tracked through a spreadsheet, which is updated weekly by the assigned Electric Meter Tech.	While the Meter Tech is diligent about tracking meters that are in the Caged Inventory, RPU should consider using location ("EM2" for the electric meter warehouse) within UWAM to track meters' location.

Observation #	Observation	Recommendation
9.2.8	Currently, CTs are purchased with P-Cards by an assigned Sr. Electric Meter Tech.	RPU should consider procuring CTs through the purchase requisition process instead of purchasing with P-Cards. This would allow for more visibility of the purchases and more competitive pricing on CTs.

9.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's UOC Tool Room (Meter) Inventory process:

Table 24 – Procedures Performed during the Review of RPU's UOC Tool Room (Meter) Inventory Process

Workplan Step	Procedures
G.1	1. Obtained contact information for individuals involved in the UOC Tool Room (Meter) Inventory 2. Developed interview guide for key individuals involved in the tool/meter inventory process 3. Scheduled interviews/meetings with appropriate RPU personnel 4. Submitted data requests to include information around the following: a) Any policy or process documentation around the following: i. Procurement of inventory from vendors ii. Receipting of inventory iii. Maintaining proper inventory levels iv. Safeguarding of assets v. Process of installing meters
G.2	1. Conducted interviews with key individuals involved in the tool/meter inventory process 2. Performed detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above
G.3	1. Documented current state practices based on Task G.2 2. Identified and documented areas for improvement 3. Performed reconciliation of book values to physical inventory count
G.4	1. Provided written report summary documenting: a) Summaries of interviews/meetings b) Process improvement recommendations c) Results of book to physical inventory count

10.0 – SCRAP/SALVAGE INVENTORY & CONTROL

10.1 – Background and Current Process

The City of Riverside has formal policies in place that address managing inventory of zero usage stock items or obsolete inventory. Per these policies, stock items are generally the responsibility of the Central Stores with appropriate RPU departments and personnel following processes with receipt of zero usage stock items or obsolete inventory.

The Central Stores Warehouse Manager annually identifies zero usage stock items or obsolete inventory using UWAM and will notify the "Using Department" (i.e., the department that requested the original item) that removal is required and the department will receipt the item into its own warehouse. In addition, approximately every five years, an RPU Committee (which consists of currently only the RPU Field Superintendent), will review stock items that are to remain in inventory and will issue an interoffice memo regarding items to remain in inventory. The Central Stores Warehouse will remove items in Central Stores Inventory and update the items as "inactive" in UWAM regardless if they are to be kept or sold. Items to be sold as surplus or scrap required the Central Stores Warehouse notifying the Purchasing Manager or Senior Procurement Analyst, and the item is ready to be sold.

Scrap Recycling

While there is no formal policy in place either by RPU or the City of Riverside for scrap metal recycling, RPU has maintained a practice of recycling scrap metals since the early 2000s for 3 primary metals (i.e., steel, copper, aluminum). At that time, RPU employed a competitive bidding process for scrap metal recycling to select a vendor to perform these duties for the Central Stores and for some of the UOC Tool Room warehouse areas. Scrap Recycling processes vary slightly for the Central Stores, UOC Tool Room (Electric), and UOC Tool Room (Water); all processes are mapped out in detail in the enclosed Visio documents.

Central Stores:

The Scrap Recycling process at the Central Stores covers items that are to be sold following the stock removal process and also items that are retrieved back from the field. If items are unusable and contain one of the primary metals as delineated above, Crew and Techs will place these metals into designated rollout bins (one for each metal type) at the Central Stores for a Recycling vendor (specifically for Central Stores) to the warehouse and take the full bins. The vendor will leave empty bins and also leaves a recycling receipt with the old bin numbers. The Central Stores Warehouse Manager tracks logs of all bins coming in and out of Central Stores. At the end of each month, the recycling vendor provides a check for scrap metals to the Purchasing Supervisor. The Purchasing Supervisor aggregates checks from the Central Stores recycling vendor along with all other recycling vendors and disburses amounts to the following department accounts and their percentage splits, which are pre-determined and have been in place since the early 2000s:

- Central Stores: 35%
- Electric: 45%
- Water: 15%
- General Fund: 2%
- Central Services: 2%
- Central Garage: 1%

UOC Tool Room (Electric):

The Scrap Recycling process at the UOC Tool Room (Electric) covers items returned from the field, such as meters, transformers, cables, conduit, conductors, manholes, and enclosures. Different items have slightly different processes for determining reuse or recycle:

- Distribution transformers are typically reused and restocked in Central Stores if they are able to be reused; otherwise they need to be properly recycled through an environmental remediation contractor (if they are determined to be PCB contaminated) or placed in metal recycling bins at the UOC for the Central Stores recycling vendor to come and retrieve.
- Electric meters and CTs retrieved from the field that "pass" a meter test at the Electric Meter Shop will be placed in the UOC Tool Room (Cage Inventory) for future use; otherwise, if the meters "fail", they are recycled and placed in separate recycling bins for an electric meter recycling vendor to come and retrieve.
- Recycling and salvage of other major items (i.e., substation transformers) are generally the duties of the contractor per contractual terms.

As indicated in the Central Stores scrap recycling process, the Purchasing Supervisor aggregates checks from all recycling vendors and disburses amounts to various department accounts based on their percentage splits.

UOC Tool Room (Water):

The Scrap Recycling process at the UOC Tool Room (Water) covers items returned from the field, such as meters, pipe fittings, and components of hydrants, mains, and pumping equipment. Water meters retrieved from the field that "pass" a meter test at the Water Meter Shop will be placed in the caged inventory section of the shop for future use; otherwise, if the meters "fail", they are salvaged and placed in separate recycling bins (for brass, copper tubing, plastic metering case) for a water meter recycling vendor to come and retrieve.

Similar to other recycling processes, the Purchasing Supervisor aggregates checks from all recycling vendors and disburses amounts to various department accounts based on their percentage splits.

10.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's Scrap/Salvage Inventory and Control Process:

Table 25 – Observations and Recommendations regarding RPU's Scrap/Salvage Inventory & Control Process

Observation #	Observation	Recommendation
10.2.1	Currently multiple vendors are being used for recycling scrap metals for Central Stores, UOC Tool Room meter shops, and Distribution Transformers.	RPU should consider competitive solicitations for one vendor to handle/oversee the recycling of multiple scrap metal bins.

Observation #	Observation	Recommendation
10.2.2	Currently, the scrap metal bins that are recycled by various vendors do not appear to be weighed on-site or inspected.	RPU should consider occasionally weighing on-site at Central Stores/UOC or inspecting the vendors' weighing of scrap metals to ensure proper weight being recorded with proper payment.
10.2.3	In relation to there being multiple vendors used for recycling of scrap metals, there does not appear to be a consistent approach of how to deal with recycling vendors in their process of emptying bins and providing manifests of the scrap metals.	RPU should consider developing a formal policy for scrap metals that a minimum lays out: 1. What items are covered (i.e., distribution transformers, electric meters/CTs, water meters 2. Thresholds of what constitutes a "pass"/"fail" of items when they are tested 3. List of items that recycling vendor should provide (i.e., manifest, receipt)
10.2.4	Disbursement allocation percentages to different departmental accounts for recycled metals are pre-determined amounts that have not changed since the early 2000s.	Given the variation in weight and price of different metals being recycled by different departments, RPU should track check amounts that are received currently by recycling vendors and allocate the recycled metal checks in accordance with the metals that are recycled by various departments.

10.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's Scrap/Salvage Inventory & Control process:

Table 26 – Procedures Performed during the Review of RPU's Scrap/Salvage Inventory & Control Process

Workplan Step	Procedures
F.1	1. Obtained contact information for individuals involved in the scrapping/ salvage of inventory and control 2. Developed interview guide for key individuals involved in the inventory process 3. Scheduled interviews/meetings with appropriate RPU personnel 4. Submitted data requests to include information around the following: a) Any policy or process documentation around the following: i. Inventory management ii. Obsolete inventory iii. Scrapping of inventory iv. Recording salvage value
F.2	1. Conducted interviews with key individuals involved in the inventory process 2. Performed detailed process walkthroughs of the key business processes identified above 3. Review current policy and procedure documentation in the areas listed above
F.3	1. Documented current state practices based on Task F.2 2. Identified areas of consistency between the processes performed by RPU compared to the City's policy 3. Identified and documented areas for improvement

RIVERSIDE PUBLIC UTILITIES

Performance Audit

SCRAP/SALVAGE INVENTORY & CONTROL

Workplan Step	Procedures
F.4	1. Provided written report summary documenting: a) Summaries of interviews/meetings b) Identification of areas where there are inconsistencies between the City's policy and the actual processes being followed

11.0 – ALIGNMENT WITH CITY's 2.0 STRATEGIC PLAN AND RPU's 2.0 STRATEGIC PLAN

11.1 – Background and Current Process

Beginning in December 2014, the City began its strategic planning process for *Riverside 2.0*, a strategic plan centered on the strategic priorities of the Mayor and City Council and aligned with the mission of the City. *Riverside 2.0* was approved in April 2015 and included thirteen commitments for RPU. After approval of *Riverside 2.0*, RPU began working on *Utility 2.0,* hosting numerous Board and City Council Workshops to gather input and refine the strategic goals of *Utility 2.0*. Several options for implementing the goals outlined in Utility 2.0 were also created and included both cost and time estimates for implementing each option. At the time the interviews were conducted for this project, RPU was in the process of obtaining conceptual approval for one of the three options. At the time of this report, *Utility 2.0* did not have final approval. RPU continues to undergo a very thorough process in creating the *Utility 2.0 Strategic Plan* and obtaining input from both the Board and the City Council.

The goals in the *Utility 2.0 Strategic Plan* are directly tied to the thirteen commitments in *Riverside 2.0* and it is apparent that RPU worked to align *Utility 2.0* with *Riverside 2.0* at every step throughout the planning process. Furthermore, RPU has developed roadmaps in specific commitment areas such as electric infrastructure, water infrastructure, technology and workforce development to ensure progress is being made on each commitment. Work is also being completed on the 10 year pro-forma that is one of RPU's commitments in both *Riverside 2.0* and *Utilities 2.0*.

Baker Tilly interviewed stakeholders including City Council members, City of Riverside administrators, the City Manager and assistant managers, members of the Board of Public Utilities and RPU Management for input on Utility 2.0's alignment with Riverside 2.0. Overwhelmingly, the comments received were positive and stakeholders felt that the strategic planning process was organized, informative and productive and that the two plans aligned well.

Formal reporting requirements to City Council and the Board have not been established yet. To promote accountability, ensure timely reporting of activities and manage the overall direction of the strategic plan, formal reporting requirements should be developed for the Board and City Council. Where possible, key performance indicators should be used to track progress.

11.2 – Observations and Recommendations

Baker Tilly makes the following observations and recommendations regarding RPU's alignment with the City's 2.0 Strategic Plan and RPU's Strategic Plan:

Table 27 – Observations and Recommendations Regarding RPU's Alignment with the City's 2.0 Strategic Plan and RPU's Strategic Plan

Observation #	Observation	Recommendation
11.2.1	Formal reporting requirements for the Utility 2.0 Strategic Plan and RPU commitments in Riverside 2.0 have not been established.	A plan for what type of progress reporting, the frequency of reporting and any key performance indicators that will be tracked should be developed. City Council and Board input should be gathered to help develop the progress reporting plan.

11.3 – Procedures Performed

Baker Tilly performed the following procedures in its review of RPU's alignment with the City's 2.0 Strategic Plan and RPU's Strategic Plan:

Table 28 – Procedures Performed during the Review of RPU's alignment with the City's 2.0 Strategic Plan and RPU's Strategic Plan

Workplan Step	Procedures
N/A, not in original scope.	1. Conducted interviews with RPU managers and the Board of Directors to better understand RPU's current alignment with the City's strategic plan.
N/A, not in original scope.	2. Conducted interviews with the following City of Riverside individuals to assess RPU's progress made towards strategic goals as outlined in Riverside 2.0: a. Director of Finance b. Director of HR c. Chief Innovation Officer d. City Manager e. Chamber of Commerce f. City Council Members g. Asst. City Managers
N/A, not in original scope.	3. Conducted interviews with City Council members to assess RPU's progress made towards strategic goals as outlined in Riverside 2.0
N/A, not in original scope.	4. Reviewed documentation of RPU's strategic planning process including minutes from joint meetings with City Council and the Board of Public Utilities to assess planning alignment with Riverside 2.0.

APPENDIX A – DATA RECEIVED FROM RPU

The table below shows all data requested and received from RPU throughout the course of the financial and performance audit.

Table 29 – Data Received from RPU

Item #	Item Requested/Received	Notes	DR
1	2015-16 SALES November 2015 enQuesta.pdf		DR #1
2	Report Card Summary – November 2015.xlsx		DR #1
3	RPU Fiscal Policy June 2001.pdf		DR #1
4	RPU Leases_License Report (1-4-2016).pdf		DR #1
5	09-04-2015 Electric Committee Minutes.pdf		DR #1
6	ADMIN List of Management Reports to Board.docx		DR #1
7	Capital Planning Report.pdf		DR #1
8	Draft Fiber Business Model Report.pdf		DR #1
9	General Managers Report.pdf		DR #1
10	January 23, 2015 Customer Relations Finance Committee Presentation re RPU Board Meeting Schedule.pdf		DR #1
11	midyear legislative update.pdf		DR #1
12	OT Project Portfolio Summary.xlsx		DR #1
13	RPU OCU Draft updated final.pdf		DR #1
14	SCPPA agenda_minutes – May 21, 2015.pdf		DR #1
15	Strategic Technology Plan Update.pdf		DR #1
16	Update of Goals.pdf		DR #1
17	water highlights update.pdf		DR #1
18	Admin Manual 02.005.00 – Prof Services less than $50k.pdf		DR #1
19	Admin Manual 07.015.00 – Competitive Bids.pdf		DR #1
20	Board.EDCP.doc		DR #1
21	CC Memo 03 23 04.pdf	City Council memo - Establish proposed energy delivery contractors panel	DR #1
22	City Charter article-12.pdf		DR #1
23	Contractor Panel 2007.pdf		DR #1
24	Contractor Panel Extension 2012.pdf		DR #1
25	Contractor Panel Extension 2015.pdf		DR #1
26	Contractors Panel specific project over 50k.pdf		DR #1

Item #	Item Requested/Received	Notes	DR
27	Contractors Panel specific project less than 50k.pdf		DR #1
28	EDCP General Procedures 02242014.docx		DR #1
29	EDCP General Procedures 06082015.docx		DR #1
30	Electric Contractors Panel Bidding Procedures.pdf		DR #1
31	Electric Contractors Panel in general.pdf		DR #1
32	Electric Contractors Panel Master Agreement.pdf		DR #1
33	Sample RFB Bid Proposal Forms.pdf		DR #1
34	Sample RFB Invitation Letter.pdf		DR #1
35	Sample RFB Project Description & Specifications.pdf		DR #1
36	2015- November – Monthly Energy and Water Rebate Report.xlsm		DR #1
37	2aii Enter DG Master List Into Access Database.docx		DR #1
38	3 Monthly Report Data Collection.docx	program and services	DR #1
39	4a Account Manager Monthly Report.docx		DR #1
40	5a Updating PV Program Records.docx		DR #1
41	5d Program Tracking Statistics and Expenditures – All Sources.docx		DR #1
42	5e Monthly Energy and Water Rebate Report - All Sources.docx		DR #1
43	7c Photovoltaic Reconciliation and Close.docx		DR #1
44	7gi IFAS Revenue and Expense Reports.docx		DR #1
45	Customer Service December 2015.xlsx		DR #1
46	Field Services.xlsx		DR #1
47	Marketing Dec 2015.xlsx		DR #1
48	Monthly PV Interconnections 2015 – November.xlsx		DR #1
49	BT Data Request – Performance Audit.pdf		DR #1
50	Consultant Panel 2010.pdf		DR #1
51	Consultant Panel add or delete participants 2011.pdf		DR #1
52	Consultant Panel Extension 2013.pdf		DR #1
53	12-15 Capital Project Schedule.pdf		DR #1
54	M01.xlsx	project budget and schedules	DR #1
55	Water Coordination Agenda – 12-15-2015.pdf		DR #1
56	Water Coordination Meeting Minutes 12-15-15 draft.doc		DR #1
57	2015 Asset Class Inspection Types Due Dates.pdf		DR #1
58	Asset Management and supporting Data.doc		DR #1

Item #	Item Requested/Received	Notes	DR
59	Asset Management Practices.docx		DR #1
60	Asset Management Practices.xlsx		DR #1
61	Asset Management Project Charter.pdf		DR #1
62	Asset Management Study – Plan Document.pdf		DR #1
63	Asset Management Update 01012013.pdf		DR #1
64	Asset Management Work Request.vsd		DR #1
65	asset types.xls		DR #1
66	Asset work flow.xls		DR #1
67	Asset Class – Inspection.xls		DR #1
68	Data Flow.xls		DR #1
69	Reply to Questions on Tech Project Programs.docx		DR #1
70	RPU ASSET MANAGEMENT SUMMARY.docx		DR #1
71	SPL-Oracle Work Request Procedure.doc		DR #1
72	Street Light Plan Additions and Retirements.pdf		DR #1
73	Training Asset Creation.doc		DR #1
74	Work Request – Routes.pdf		DR #1
75	Work Request Process Flow.vsd		DR #1
76	ED Rate Contract Procedures.docx		DR #1
77	Electric Rate Schedule FIT – Attachment 1- Effective 01-01-16 clean.pdf		DR #1
78	Electric Rate Schedule FIT – Effective 01-01-11.pdf		DR #1
79	Electric Rate Schedule NEM – Attachment 1 – Effective 01-01-16 clean.pdf		DR #1
80	Electric Schedule BR – Effective 03-26-13.pdf	business retention rate	DR #1
81	Electric Schedule CS – Effective 03-26-13.pdf	schedule contract service	DR #1
82	Electric Schedule ED – Effective 03-26-13.pdf	economic development rates	DR #1
83	Electric Schedule NEM – Effective 03-26-13.pdf	Net Energy Metering for Renewable Electrical Generation Facilities	DR #1
84	Electric Schedule TED – Effective 03-26-13.pdf	Temporary Economic Development Rates	DR #1
85	2015 Annual by Circuit.rtf		DR #1
86	2015 Annual by Month.rtf		DR #1
87	2015 Annual Material.rtf		DR #1
88	Installing and Removing Transformers.pdf		DR #1
89	code tables.xls		DR #1

Item #	Item Requested/Received	Notes	DR
90	2008-8-15 Inspection_Points OH.doc		DR #1
91	2015 Annual by Cause.rtf		DR #1
92	Copy of Cylinder Shipping list.xlsx		DR #1
93	IMG_2520 – SF6 Gas Salvage Photo.jpg		DR #1
94	IMG_2520 – SF6 Gas Salvage Photo.pdf		DR #1
95	Central Stores Monthly Report July 2015.docx		DR #1
96	Electric Meter Inventory.pdf		DR #1
97	2008-4-24 Work Order Task PhaseKB.doc		DR #1
98	Audit RPU Team Contact Information.docx		DR #1
99	Board Memo 03 05 04.pdf		DR #1
100	Consultant Panel Purpose and RPU Board Approvals.pdf		DR #1
101	Current Preapproved Contractors.pdf		DR #1
102	Retired Plant Value Calculation.pdf		DR #1
103	8-12-15 Weekly Elect Field Status Report.pdf		DR #1
104	Annual 2015 year end Reliability Graphs.pdf		DR #1
105	Annual Donated-retired plant.doc		DR #1
106	Daily Electric Operations Report .pdf		DR #1
107	EDE Monthly Report_December 2015.pdf		DR #1
108	Electric Ops Field Monthly Reports 12-20-15 reported 1-20-16.docx		DR #1
109	Electric Vehicle Quarterly Snapshot 10 19 15.docx		DR #1
110	Monthly Electric operations Dashboard .pdf		DR #1
111	Monthly energy delivery contractor panel PO report.pdf		DR #1
112	Monthly GO165 CONSULTANT PANEL PO SUMMARY.pdf		DR #1
113	Monthly Open elect Work Order status.xlsx		DR #1
114	Monthly Riverside Distributed Generation Status.xls		DR #1
115	Monthly Street light billing.xls		DR #1
116	Monthly Street Light Service Request Response Time.pdf		DR #1
117	Monthly Unmetered Billing Inventory.xlsx		DR #1
118	Pay Period Electric Field labor recap .pdf		DR #1
119	Weekly Electric Field Report.pdf		DR #1
120	Weekly SCADA group Report.pdf		DR #1
121	Weekly Substation Report.docx		DR #1
122	Weekly Test Shop report.docx		DR #1

Item #	Item Requested/Received	Notes	DR
123	Weekly Central Stores Report.docx		DR #1
124	1. Oct 2015 PPT.pdf	monthly financial report	DR #1
125	10. AR Analysis June 2015 – Preliminary PowerPoint.pdf		DR #1
126	11. Budget to Actual – June 2015 FINAL.pdf		DR #1
127	12. 2014-15 RCTC Project Tracking 2015-06 PRELIM Water.pdf		DR #1
128	12.1 2014-15 RCTC Project Tracking 2015-06 PRELIM Electric.pdf		DR #1
129	13. Position Control 2015-06.pdf		DR #1
130	14. 2014-2015-Financial-Annual-Report.pdf		DR #1
131	15. Deposit Interest Rate on Customer Deposits 2016 Board Memo FINAL.pdf		DR #1
132	16. Annual Purchase Order Board Memo.pdf		DR #1
133	2. Budget Status for November 2015.pdf		DR #1
134	3. Garage Reports – December 2015.pdf		DR #1
135	4. Electric WO Account Summary November 2016.pdf		DR #1
136	4.1 Water WO Account Summary November 2016.pdf		DR #1
137	5. Open WO Summary December 2015.pdf		DR #1
138	6. Closed WO Summary December 2015.pdf		DR #1
139	7. Funds Available FY 15-16 – December 2015.pdf		DR #1
140	8. Bond reimbursement Packet – November 2015.pdf		DR #1
141	9. Sept 2015 PPT.pdf	quarterly financial report	DR #1
142	Summary of Finance Reports 1-15-16.xlsx		DR #1
143	Brian – Electric Revenue Budget Report.pdf		DR #1
144	Brian – Report Card Report.pdf		DR #1
145	Brian – Sales Stats Report.pdf	December – electric	DR #1
146	Brian – Water Revenue Budget Report.pdf		DR #1
147	Staci – Facility Projects Report.pdf		DR #1
148	Staci –HR Recruitments Report.pdf		DR #1
149	Dec-2015-Sanitation Collections (Tallies).pdf		DR #1
150	Dec-ADA Service Request (Tally).pdf		DR #1
151	Dec-Collections Service Requests (Neighborhood).pdf		DR #1
152	Dec-Collections Service Requests (Ward).pdf		DR #1
153	Dec-Credit Card Payments.pdf		DR #1
154	Dec-CRM Service Request (Claim Forms).pdf		DR #1
155	Dec-CRM Service Request (Compliments).pdf		DR #1

Item #	Item Requested/Received	Notes	DR
156	Dec-CRM Service Request (Suggestions).pdf		DR #1
157	Dec-Department (Aging).pdf		DR #1
158	Dec-Department (Closed Summary).pdf		DR #1
159	Dec-MonthlyCouncil Report-Book(Neighborhood).pdf		DR #1
160	Dec-MonthlyCouncil Report-Book(Ward-1).pdf		DR #1
161	Dec-MonthlyCouncil Report-Book(Wards-City).pdf		DR #1
162	Nov-2015-Ward 6 (311 Service Request Calls) (Tallies).pdf		DR #1
163	William – Electric Load for High Consumption Report.pdf		DR #1
164	William – Electric Sales Report.pdf		DR #1
165	William – Electric Sales Stats Report.pdf		DR #1
166	William – Water Sales Report.pdf		DR #1
167	RPU Finance-Admin Report - Baker Tilly.xlsx		DR #1
168	Resources – Item 1 PUB SCPPA Resolution Tracking for RPUB Summary & Details Dec 15.pdf		DR #1
169	Resources – Item 10 Prompt Month Hand Off Report.pdf		DR #1
170	Resources – Item 11 Monthly Weather Adjusted Electric Sales & Revenue Forecasts.pdf		DR #1
171	Resources – Item 12 Monthly Weather Adjusted Water Sales & Revenue Forecasts.pdf		DR #1
172	Resources – Item 13 Quarterly Forward Strategy Sheet.pdf		DR #1
173	Resources – Item 14a Quarterly Portfolio Risk Report.pdf		DR #1
174	Resources – Item 14b Documentation on Quarterly Portfolio Risk Report.pdf		DR #1
175	Resources – Item 2 PUB RVSD 2016 Annual RA Plan 9_2_15.pdf		DR #1
176	Resources – Item 3 PUB PCL Power Source Disclosure.pdf		DR #1
177	Resources – Item 4 – PUB – Annual Electric Distribution Use of Allowances.pdf		DR #1
178	Resources – Item 5 PUB Monthly Power Supply Report.pdf		DR #1
179	Resources – Item 6 Market Operations Dashboard.pdf		DR #1
180	Resources – Item 7 Daily Interchange.pdf		DR #1
181	Resources – Item 8 Monthly Settlement Package.pdf		DR #1
182	Resources – Item 9 Monthly CRR Position Report.pdf		DR #1
183	Resources Reports.xlsx		DR #1
184	01-16 Contractor Paving Panel Report.xlsx		DR #1
185	01-16 Water Division Contractor Panel Report.xlsx		DR #1

Item #	Item Requested/Received	Notes	DR
186	1CCR_GM_20150102.doc	preparing your CA Drinking Water Consumer Confidence Report (CCR)	DR #1
187	2010_phg_guid_final.pdf	Suggested Guidelines for Preparation of Required Reports on PUBLIC HEALTH GOALS (PHGs)	DR #1
188	2013 PHG.xps		DR #1
189	2013exceedance.pdf		DR #1
190	2014-Water-Quality-Annual-Report.pdf		DR #1
191	Organizational Chart RPU_ALL_123115 – Draft.pdf		DR #1
192	Water Field Reports.xlsx		DR #1
193	2-02-16.pdf		DR #1
194	Daily Report data check 02-02-16.xlsx		DR #1
195	DAILY REPORT INSTRUCTIONS.DOCX		DR #1
196	Water Ops Daily Report Input File.xlsx		DR #1
197	2016 Production Report.pdf		DR #2
198	2016 Production Report.xlsx		DR #3
199	2012-2013 Payment Detail Reports.xlsx		DR #3
200	2013-2014 Payment Detail Reports.xlsx		DR #3
201	2014-2015 Payment Detail Reports.xlsx		DR #3
202	Administrative Manual – All Documents.website		DR #3
203	Annual Purchase Orders.pdf		DR #3
204	AU 06-07 Accounts Payable.pdf		DR #3
205	AU 06-08 Formal Bids.pdf		DR #3
206	AU 15-04 Procurement of Outside Legal Services & Legal Counsel Performance Audit.pdf		DR #3
207	AU 15-05 Professional Services Agreements.pdf		DR #3
208	Bid Protest Procedures.pdf		DR #3
209	Cancellation of Purchase Orders.pdf		DR #3
210	Change Orders.pdf		DR #3
211	Competitive Bids.pdf		DR #3
212	Contact Information.docx		DR #3
213	Emergency Purchases.pdf		DR #3
214	Internal Audit List Completed Audits as of April 2015.pdf		DR #3

Item #	Item Requested/Received	Notes	DR
215	Processing Negotiated Contracts and Agreements.pdf		DR #3
216	Purchase Requisition.pdf		DR #3
217	Purchasing Card (P-card).pdf		DR #3
218	Receiving and Payment for Supplies.pdf		DR #3
219	Request for Payment.pdf		DR #3
220	Routine Purchase Orders.pdf		DR #3
221	Vehicle Purchases.pdf		DR #3
222	Vendor Record Database Management.pdf		DR #3
223	Waiver of Formal Competitive Bids.pdf		DR #3
224	CityID_Form.xlsm		Fieldwork 1
225	ElectricDesktopComponentSpecification_5_0.pdf		Fieldwork 1
226	ElectricMigrationSpec_2_0_Updated_20150225.pdf		Fieldwork 1
227	RPU_StratTechPlan_070815.pdf		Fieldwork 1
228	RPU-StratTechPlanFinalReport_20150819 FINAL.pdf		Fieldwork 1
229	1. City Council Memorandum (1).pdf		Fieldwork 1
230	1. City Council Memorandum.pdf		Fieldwork 1
231	ED & BR Guidelines-05-04-2010 CC RPT 24 – Rpt Only.pdf		Fieldwork 1
232	ED-BR-TED rate Customer Master List.xlsx		Fieldwork 1
233	07-20-2012_RPU Board_final_Report_4.pdf		Fieldwork 1
234	2012 Capital Repairs – BTE Sleeve – Attachment E.pdf		Fieldwork 1
235	2012 Capital Repairs – Vault and Manhole – Attachment F.pdf		Fieldwork 1
236	2012 GO 165 Project-SubProject Work Order Costs w-date paramater.pdf		Fieldwork 1
237	[GO 165] Attachment A.pdf	GO 165 report	Fieldwork 1
238	[GO 165] Attachment B.pdf	GO 165 report	Fieldwork 1
239	[GO 165] Attachment C.pdf	GO 165 report	Fieldwork 1
240	[GO 165] Attachment D.pdf	GO 165 report	Fieldwork 1
241	GO165 Pole Replacement Program – 2009-2012 – Attachment H.pdf		Fieldwork 1
242	Pole Capital Repairs Attachment G.pdf		Fieldwork 1
243	Street Light Response Time Report – Attachment I.pdf		Fieldwork 1
244	Street Light Service Request Response Time – 2011.pdf		Fieldwork 1
245	Street Light Service Request Response Time – 2012.pdf		Fieldwork 1
246	2008-8-15 Inspection_Points OH.doc		DR #5

Item #	Item Requested/Received	Notes	DR
247	2015 Annual by Cause.rtf		DR #5
248	2015 Annual by Circuit.rtf		DR #5
249	2015 Annual by Month.rtf		DR #5
250	2015 Annual Material.rtf		DR #5
251	8-28-2015-Complete-Presentation Utility 2.0.pdf		DR #5
252	BT Data Request #4 - Performance Audit.pdf		DR #5
253	BT Data Request #4 Baker Tilly data request response Water Field.pdf		DR #5
254	BT Data Request #4 Link to City Survey 2013.pdf		DR #5
255	Central Stores Monthly Report July 2015.docx		DR #5
256	Data Request 2b. documentation JC.pdf		DR #5
257	Data Request 2c. documentation JC.pdf		DR #5
258	Data Request 2d. documentation JC.pdf		DR #5
259	Electric Meter Inventory.pdf		DR #5
260	IMG_2520 – SF6 Gas Salvage Photo.jpg		DR #5
261	IMG_2520 – SF6 Gas Salvage Photo.pdf		DR #5
262	Installing and Removing Transformers.pdf		DR #5
263	Retired Plant Value Calculation.pdf		DR #5
264	Riverside 2.0 StrategicPlan.pdf		DR #5
265	RPU-2013-Bus-Report_Final.pdf		DR #5
266	RPU-2014-Res_Report.pptx		DR #5
267	RPU-StratTechPlanFinalReport_20150819 FINAL.pdf		DR #5
268	RPU_StratTechPlan_070815.pdf		DR #5
269	Street Light Plan Additions and Retirements.pdf		DR #5
270	Utility 2.0 – Conceptual Approval -Council 10-6-2015.pdf		DR #5
271	Public Utilities Administration.pdf		DR #5
272	Public Utilities Central Stores.pdf		DR #5
273	Public Utilities Customer and Field Services.pdf		DR #5
274	Public Utilities Electric Engineering.pdf		DR #5
275	Public Utilities Power Resources.pdf		DR #5
276	Public Utilities Water Engineering.pdf		DR #5
277	Public Utilities Water Resources.pdf		DR #5
278	Public Utilities Water.pdf		DR #5
279	Schedule of retention periods.pdf		DR #5
280	BT Data Request #4 Baker Tilly data request response		DR #5

Item #	Item Requested/Received	Notes	DR
	Water Field.pdf		
281	IMG_2520 – SF6 Gas Salvage Photo.jpg		DR #5
282	IMG_2520 – SF6 Gas Salvage Photo.pdf		DR #5
283	Retired Plant Value Calculation.pdf		DR #5
284	BT Data Request #4 Baker Tilly data request response Water Field.pdf		DR #5
285	Central Stores Monthly Report July 2015.docx		DR #5
286	Data Request 2b. documentation JC.pdf		DR #5
287	Data Request 2c. documentation JC.pdf		DR #5
288	Data Request 2d. documentation JC.pdf		DR #5
289	Electric Meter Inventory.pdf		DR #5
290	Authorized Signatures – 2012		DR #5
291	Authorized Signatures – 2013		DR #5
292	RED CHANGES Auth Signatures Summary Info 2014		DR #5
293	RPU Authorized signatures		DR #5
294	Copy of Interviews with City and Board.xlsx	Contact Information for City and Board	Fieldwork 2
295	City Administrative Manual Table of Contents.pdf		Fieldwork 2
296	SPL Requisition and Invoice User Guide.pdf		Fieldwork 2
297	water meter inventory process SPL.pdf		Fieldwork 2
298	RPU meter and CT inventory 2 24 16.xlsx		Fieldwork 2
299	Water Meter Change Information Sheet.pdf		Fieldwork 2
300	Central Stores Riverside Recycling Receipt.pdf	Scanned file	Fieldwork 2
301	Water Scrap Recycling Services Center Receipt	Scanned file	Fieldwork 2
302	Example PO Acknowledgement of Water Meter Purchase	Scanned file	Fieldwork 2
303	Example Special Water Meter Purchase Receipt	Scanned file	Fieldwork 2
304	Water Meter Sample Inventory Picklist		Fieldwork 2
305	RPU Data Standards Document_112415.docx	Email from Jennifer Tavaglione	
306	RPU_Process Diagram_AssetLifecycle_Rev1_20150130.vsd	Email from Jennifer Tavaglione	
307	RPU_Process Diagram_Dispatch_Rev1_201501.vsd	Email from Jennifer Tavaglione	
308	RPU_Process Diagram_Emergency_Rev1_201501.vsd	Email from Jennifer Tavaglione	
309	RPU_Process Diagram_Engineering_Rev1_201501.vsd	Email from Jennifer Tavaglione	
310	RPU_Process Diagram_Permits_Rev1_201501.vsd	Email from Jennifer	

Item #	Item Requested/Received	Notes	DR
		Tavaglione	
311	RPU_Process Diagram_PlannedMaint_Rev1_201501.vsd	Email from Jennifer Tavaglione	
312	RPU_Process Diagram_PMs_Rev1_201501.vsd	Email from Jennifer Tavaglione	
313	Visio-RPU_Process Diagram_Dispatch_Rev1_201501.pdf	Email from Jennifer Tavaglione	
314	Visio-RPU_Process Diagram_Engineering_Rev1_201501.pdf	Email from Jennifer Tavaglione	
315	Visio-RPU_Process Diagram_Permits_Rev1_20150127.pdf	Email from Jennifer Tavaglione	
316	Visio-RPU_Process Diagram_PlannedMaint_Rev1_201501.pdf	Email from Jennifer Tavaglione	
317	Asset Management Org Chart Draft v1.0.pdf	Email from Jennifer Tavaglione	
318	Water Field AMS Project Plan v2 (002)rev.docx	Email from Jennifer Tavaglione	
319	08-14-2007 CC RPT 47.pdf		DR #6
320	10-20-2009 CC RPT 27 EE Programs thru SCPPA.pdf		DR #6
321	Agreement back-up CC report 1980.08.26.pdf		DR #6
322	Amendment back-up Amendment No 1.pdf		DR #6
323	City of Riverside Resolution R-14183 re SCPPA		DR #6
324	SCPPA Procurement Code 5-22-92.pdf		DR #6
325	SCPPA Procurement Request Form 2015.pdf		DR #6
326	AP Detail by Accountant 12-13.pdf		DR #6
327	AP Detail by Accountant 13-14.pdf		DR #6
328	AP Detail by Accountant 14-15.pdf		DR #6
329	SCPPA Resolutions Total Cost Summary FY 12-13, FY 13-14, FY 14-15.xlsx		DR #6
330	20140403 USE Professional Services for PRC.pdf		DR #6
331	13011701.01 Amendment 1 to the Silverado PPA - Summer Solar Project.pdf		DR #6
332	13011702.01 Amendment 1 to the Silverado PPA - Antelope Big Sky Ranch Solar Project.pdf		DR #6
333	13091801.00 Power Market consultants – SCPPA Oasis.pdf		DR #6
334	13091901.00 First Solar Kingbird B Solar Project.pdf		DR #6
335	13091902.00 Recurrent Clearwater Solar Project.pdf		DR #6
336	13091903.00 Recurrent Columbia II Project.pdf		DR #6

Item #	Item Requested/Received	Notes	DR
337	14080701.01 Columbia Two Solar PV Project_Riverside Letter Agreement_Amendment #1_Executed.pdf		DR #6
338	14091701.00 Power Market Consultants Renewal Notice – SCPPA Oasis.pdf		DR #6
339	15071601.00 Antelope DSR 1- Fully Executed.pdf		DR #6
340	15072901.00 Kingbird B SC Letter Agreement – Fully Executed.pdf		DR #6
341	15102601.00 Power Market Consultants Renewal Agreement – Oasis.pdf		DR #6
342	ARCA FY13-14.pdf		DR #6
343	Enerpath SCPPA Additional Funding Letter FY 13-14.pdf		DR #6
344	ESG SCPPA Letter 7-29-13.pdf		DR #6
345	ESG SCPPA Letter4-29-13.pdf		DR #6
346	ESI SCPPA Letter 4-29-13.pdf		DR #6
347	Kyle Russell Inv # 062013-1 PP 5-27 to 6-8.pdf		DR #6
348	RHA SCPPA Letter 4-19-13.pdf		DR #6
349	RHA SCPPA Letter Additional Funding FY 13-14.pdf		DR #6
350	Riverside 2013 Letter-SEPA.pdf		DR #6
351	Riverside_AEI Letter Agreement 6-18-12.pdf		DR #6
352	RKS_Riverside Authorization Letter 12-01-14.pdf		DR #6
353	RPU KEEP SCPPA letter.pdf		DR #6
354	Salesforce SCPPA OCT2013.pdf		DR #6
355	SCPPA Letter.pdf		DR #6
356	Taylor Ferguson Inv # 062013-1 PP 5-27 to 6-8.pdf		DR #6
357	2015 Statewide Business and Key Account Survey SCPPA Letter SIGNED (2).pdf		DR #6
358	Efficiency Services 3-10-15 – Reduced Funding.pdf		DR #6
359	Embertec Letter Full Program FY 13-14 – July 2013.docx		DR #6
360	Embertec USA Inv # SI-00000034.pdf		DR #6
361	Enercom_OpSolve_SCPPA FY2014-2015 Letter for Services.pdf		DR #6
362	Energy Solutions FY14-15.pdf		DR #6
363	Enerpath 3-10-15 – Reduced Funding.pdf		DR #6
364	Enerpath SCPPA Funding Letter GB FY 14-15.pdf		DR #6
365	ESG SCPPA Letter GB FY 14-15pdf.pdf		DR #6
366	Muni Fed FY14-15.pdf		DR #6
367	RHA SCPPA Letter GB FY 14-15.pdf		DR #6

Item #	Item Requested/Received	Notes	DR
368	RKS_Riverside Authorization Letter 12-01-14.pdf		DR #6
369	SalesForce Renewal – Riverside Public Utilities 11-13-14 - California - Signed.pdf		DR #6
370	SCPPA Letter CMUA 2015 Statewide Survey of Residential Customers Covering Water FINAL SIGNED (2).pdf		DR #6
371	SCPPA Offer Letter for Peter Mendoza.pdf		DR #6
372	Synergy Companies 'Task Order Form (embertecs) 5_7_15.pdf		DR #6
373	2014-081 OpSolve Enercom 12-21-15.pdf		DR #6
374	2014-082 Synergy Companies 12-21-15.pdf		DR #6
375	2014-097 AM Conservation Group 12-21-15.pdf		DR #6
376	2015 Statewide Business and Key Account Survey SCPPA Letter SIGNED.pdf		DR #6
377	20104-119 GreenLite Lighting Corporation 12-22-15.pdf		DR #6
378	ARCA FY15-16.pdf		DR #6
379	Automated Energy FY15-16.pdf		DR #6
380	Energy Solutions FY15-16.pdf		DR #6
381	Enerpath SCPPA Letter - 1-5-16.pdf		DR #6
382	ESG SCPPA Letter.pdf		DR #6
383	Muni Fed FY15-16.pdf		DR #6
384	RHA SCPPA Letter - 1-5-16.pdf		DR #6
385	Salesforce com – SCPPA Agreement 11-19-15 – Signed Agreement Packet.pdf		DR #6
386	SCPPA Letter Oversample Water Survey 2015 FINAL SIGNED.pdf		DR #6
387	SCPPA Resolution #2016-008 Lime Energy Services 022316.msg.pdf		DR #6
388	SCPPA History and Summary of Activities.pptx		DR #6
389	BEST BEST _ KRIEGER LLP SUBLEASE.pdf		DR #7
390	Cingular Master License Agreement (CM-045-28).pdf		DR #7
391	J.G. GOLFING ENTERRISES LEASE AGREEMENT.pdf		DR #7
392	REGIONAL PROPERTIES 3-25-2010.pdf		DR #7
393	TOWER (FORMERLY NEXTEL OF CALIFORNIA INC) AMENDMENT NO 1 TO MCSLA SITE CA6062-02.pdf		DR #7
394	Younger & Younger Sublease.pdf		DR #7
395	02.014.00 Property Management and Leasing.pdf		DR #7
396	03.005.00 Admin Man Central Stores Supplies.pdf		DR #7

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APPENDIX A – DATA RECEIVED FROM RPU

Item #	Item Requested/Received	Notes	DR
397	04.002.00 admin man assignment utilization tax city own lease vehicles.pdf		DR #7
398	04.003.00 admin manual vehicle maintenance.pdf		DR #7
399	06.003.00 Admin man Budget Execution and Expend Control.pdf		DR #7
400	06.005.00 Admin manual Equip and asset inventory.pdf		DR #7
401	06.009.00 Admin Manual Accounts Receivable.pdf		DR #7
402	07.012.00 Admin Man Surplus or Obsolete materials.pdf		DR #7
403	BT DR #5 RPU Authorized signatures.pdf		DR #7
404	City As Lessee Report (3-14-16).pdf		DR #7
405	DR 7 Misc AR processed by RPU.xlsx		DR #7
406	Lease Revenue Transaction Summary 3-14-2016.pdf		DR #7
407	P-Card Application.pdf		DR #7
408	Utility KPIs 2016.xlsx		DR #7
409	FY 2013 AR.xlxs	Email from Edward Enriquez	
410	FY 2014 AR aging.xlxs	Email from Edward Enriquez	
411	FY 2015 AR aging.xlsx	Email from Edward Enriquez	
412	Purchasing Resolution R-22576	Fieldwork 2	
413	RPU Division Listing	Email from Gayle Gerhman	call
414	GO165 Field Guide	Email from Steve LaFond	
415	GO 165_Formal Bid_1309936	Email from Steve LaFond	
416	Riverside Public Utilities GO 165 Annual Report for 2009	Email from Steve LaFond	
417	Riverside Public Utilities GO 165 Annual Report for 2010	Email from Steve LaFond	
418	Riverside Public Utilities GO 165 Annual Report for 2011	Email from Steve LaFond	
419	Riverside Public Utilities GO 165 Annual Report for 2012	Email from Steve LaFond	
420	CPUC General Order RPU Inspection Plan (DRAFT)	Email from Chris Rocco	
421	03-14-2016_final rpu board packet.pdf		DR #8
422	03-14-2016_final rpu board packet.pdf		DR #8
423	BT Data Request #8 updated -Legislative Affairs - SCPPA Reso 108.pdf		DR #8
424	DR #3 Support BAKER TILLY ATTCH 1.pdf		DR #8

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APPENDIX A – DATA RECEIVED FROM RPU

Item #	Item Requested/Received	Notes	DR
425	DR #3 Support BAKER TILLY ATTCH 2.pdf		DR #8
426	20140804 USE Riverside Amd No 2 Authorization Package.pdf		DR #8
427	ifas report.pdf		DR #8
428	RE Revised Partner Invoice 485.pdf		DR #8
429	RPU0415.pdf		DR #8
430	SCA Invoice 7849.pdf		DR #8
431	SCPPA – CMUA Conf. INV-001.pdf		DR #8
432	SCPPA – CMUA Conf. INV-002.pdf		DR #8
433	SCPPA – CMUA Conf. INV-003.pdf		DR #8
434	SCPPA (Muni-Fed) INV-485.pdf		DR #8
435	USE Riverside_CIPv5_Scope_of_Work_03-25-15.pdf		DR #8
436	BBK_City Assignment and Assumption of Lease.pdf	Email from Irene Martinez	

APPENDIX B – INTERVIEW LIST

The following table lists all interviews Baker Tilly held with RPU and City of Riverside individuals:

Table 30 – Interview List

Date	Interviewee	Title	Topics Discussed
1/19/2016	Ron Cox	Electric Operations Manager	Asset Management
1/19/2016	David Miller	Utility Electric Superintendent	Asset Management
1/19/2016	Pat Hohl	Assistant GM – Energy Delivery	Asset Management
1/19/2016	Julian Cardenas	Utilities Supervising Engineering Technician – Electric	Asset Management – GO 165 Work Request Process
1/19/2016	Jeff McKown	Utilities Supervising Engineering Technician – Electric	Asset Management – GIS
1/19/2016	Jonathan Buckley	Engineering Technician – Electric Customer Engineering/GIS	Asset Management – GIS
1/19/2016	Laura Chavez-Nomura	Assistant GM - Finance	Economic Development and Contract Rate Programs
1/19/2016	Brian Seinturier	Utilities Fiscal Manager	Economic Development and Contract Rate Programs
1/19/2016	Rebecca Cortez	Management Analyst	Economic Development and Contract Rate Programs
1/19/2016	Kevin Palmer	Business Relations Manager	Economic Development and Contract Rate Programs
1/19/2016	Gerald Buydos	Utilities Senior Program/Service Representative	Economic Development and Contract Rate Programs
1/19/2016	Heather Raymond	Public Benefits/Customer Relations Manager	Creation of Marketing report
1/19/2016	Fred Stoiber	Field Services Manager	Creation of Field Services report
1/19/2016	Jeanette Barnes	Utility Customer Service	Creation of Customer Service report
1/19/2016	Mike Bacich	Assistant GM – Customer Relations & Marketing	Customer Service and Marketing Reports
1/20/2016	Aileen Ma	Utilities Fiscal Manager	Financial Reports
1/20/2016	Laura Chavez-Nomura	Assistant GM – Finance	Financial Reports
1/20/2016	Staci Sullivan	Principal Management Analyst	Financial Reports
1/20/2016	William Obeid	Business Systems Support Manager	Financial Reports

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Performance Audit

APPENDIX B – INTERVIEW LIST

Date	Interviewee	Title	Topics Discussed
1/20/2016	Brian Seinturier	Utilities Fiscal Manager	Financial Reports
1/20/2016	Cindy Leinenkugel	Power Resources Analyst	Creation of Power Resources Reports
1/20/2016	Cindy Reely	Power Resources Analyst	Creation of Power Resources Reports
1/20/2016	Bob Tang	Power Resources Manager	Power Resources Reports
1/20/2016	Daniel Garcia	Power Resources Manager	Power Resources Reports
1/20/2016	Reiko Kerr	Utilities Assistant General Manager	Power Resources Reports
1/20/2016	Scott Lesch	Power Resources Manager	Power Resources Reports
1/20/2016	John Baker	Generation Plant Manager	Power Resources Reports
1/20/2016	Chuck Casey	Generation Manager	Power Resources Reports
1/20/2016	Marc Smith	Utility Analyst	Water Reports
1/20/2016	Oscar Khoury	Interim Engineering Manager	Water Reports
1/20/2016	David Garcia	Water Operations Manager	Water Reports
1/20/2016	Todd Jorgenson	Assistant GM – Water	Water Reports
1/20/2016	Chris Quach	Assistant Water Engineer	Water Reports
1/21/2016	Ron Cox	Electric Operations Manager	Reports created by the Electric Department
1/21/2016	Pat Hohl	Assistant GM – Energy Delivery	Reports created by the Electric Department
1/21/2016	George Hanson	Engineering Manager	Reports created by the Electric Department
1/21/2016	Kevin Milligan	Deputy General Manager	Administrative Reports
1/21/2016	Lee McDougal	City of Riverside Interim City Manager	RPU Performance
2/22/2016	Aileen Ma	Utilities Fiscal Manager	Overview of Procurement
2/22/2016	Laura Chavez-Nomura	Assistant GM – Finance	Overview of Procurement
2/22/2016	Dave Dewey	Purchasing Supervisor	Overview of Procurement
2/23/2016	Edward Enriquez	Accounting Manager/Controller	Overview of Miscellaneous Accounts Receivable
2/23/2016	Laura Chavez-Nomura	Assistant GM – Finance	Overview of Miscellaneous Accounts Receivable
2/23/2016	Nancy Garcia	Assistant Controller	Overview of Miscellaneous Accounts Receivable
2/23/2016	Aileen Ma	Utilities Fiscal Manager	Overview of Miscellaneous Accounts Receivable
2/23/2016	Andrea Campos	Account Clerk II	Overview of Miscellaneous Accounts Receivable
2/24/2016	David Miller	Utility Electric Superintendent	Scrap-Salvage Inventory and Control

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APPENDIX B – INTERVIEW LIST

Date	Interviewee	Title	Topics Discussed
2/24/2016	Jim Copeland	Warehouse Supervisor	Scrap-Salvage Inventory and Control
2/24/2016	Russell Johnson	Utility Electric Superintendent	Scrap-Salvage Inventory and Control
2/24/2016	Greg Worley	Utility Water Meter Technician II	Scrap-Salvage Inventory and Control
2/24/2016	David Miller	Utility Electric Superintendent	UOC Tool Room (Meter) Inventory
2/24/2016	Tim Rezendes	Electric Meter Technician	UOC Tool Room (Meter) Inventory
2/24/2016	Greg Worley	Utility Water Meter Technician II	UOC Tool Room (Meter) Inventory
2/24/2016	Jamie Madiedo	Utility Data Control Clerk	UOC Tool Room (Meter) Inventory
2/24/2016	Mary Helen Montjoy	RPU Administrative Assistant	Purchase Requisition Walkthrough
2/24/2016	Aileen Ma	Utilities Fiscal Manager	Purchase Requisition Walkthrough
2/24/2016	Girish Balachandran	General Manager, RPU	RPU Performance
2/24/2016	Kevin Milligan	Deputy General Manager	Alignment with Riverside 2.0 Strategic Plan
3/1/2016	Justin Scott-Coe	Board Member	RPU Performance
3/1/2016	Al Zelinka	Assistant City Manager	RPU Performance
3/2/2016	Andrew Walcker	Board Member	RPU Performance
3/2/2016	Jennifer O'Farrell	Board Member	RPU Performance
3/2/2016	John Russo	City Manager	RPU Performance
3/3/2016	Alex Nguyen	Assistant City Manager	RPU Performance
3/4/2016	David Austin	Board Member	RPU Performance
3/4/2016	David Miller	Utility Electric Superintendent	Asset Management (follow-up)
3/7/2016	Brent Mason	Director of Finance	RPU Performance
3/8/2016	Darrell Ament	Board Member	RPU Performance
3/9/2016	Lea Deesing	Chief Innovation Officer	RPU Performance
3/11/2016	Jennifer Tavaglione	Project Manager	Asset Management
3/11/2016	Ron Cole	Board Member	RPU Performance
3/15/2016	Irene Martinez	Real Property Agent	Property Leases, Monitoring, & Control
3/16/2016	Efren Mejia	Principal Engineer	Process for creating management reports.
3/16/2016	Edward Enriquez	Accounting Manager/Controller	Misc. Accounts Receivable Billing and Tracking
3/16/2016	Nancy Garcia	Assistant Controller	Misc. Accounts Receivable Billing and Tracking
3/16/2016	Shelly Almgren	Utilities Principal Analyst	Misc. Accounts Receivable Billing and Tracking

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Performance Audit

APPENDIX B – INTERVIEW LIST

Date	Interviewee	Title	Topics Discussed
3/16/2016	Anne Dale	Sr. Accounting Tech	Misc. Accounts Receivable - Billing Advice Walk – Through
3/16/2016	Dave Dewey	Purchasing Supervisor	Procurement Process Walk-Through
3/16/2016	Mary Helen Montjoy	Administrative Assistant	P-Card Reconciliation Walk-Through
3/17/2016	Brenda Diederichs	Director of Human Resources	RPU Performance
3/17/2016	Steve Lafond	Principal Engineer	Asset Management
3/17/2016	Chris Rocco	Project Manager	Asset Management
3/17/2016	Dave Dewey	Purchasing Supervisor	Contract Management and Change Orders
3/17/2016	Julian Cardenas	Utilities Supervising Engineering Technician – Electric	Contract Management and Change Orders
3/17/2016	Oscar Khoury	Interim Engineering Manager	Contract Management and Change Orders
3/17/2016	Jeff McKown	Utilities Supervising Engineering Technician – Electric	Contract Management and Change Orders
3/30/2016	Cindy Roth	President/CEO, Riverside CoC	Riverside Chamber of Commerce
5/10/2016	Paul Shouse	Business Systems Support Analyst	Asset Management
5/10/2016	Marty McLeod	Supervisor Engineering Tech	Asset Management

APPENDIX C – EXAMPLE KPI'S AND DASHBOARDS

Table 31 – Example Key Performance Indicators (KPI's)

Key Performance Indicators			
	Financial Ratios	**Calculation**	**Purpose**
1	Revenue per KWH Sold	Revenues / Sales	Shows the average level of rates.
2	Debt to Total Assets	Total Liabilities / Total Assets	Used to gain a general idea as to the amount of leverage being used by a company.
3	Operating Ratio	Operating Expense / Net Sales	Shows the efficiency of a company's management by comparing operating expense to net sales.
4	Current Ratio	Current Assets / Current Liabilities	To ascertain whether a company's short-term assets (cash, cash equivalents, marketable securities, receivables and inventory) are readily available to pay off its short-term liabilities (notes payable, current portion of term debt, payables, accrued expenses and taxes).
5	Quick Ratio	(Cash and Equivalents + Short Term Investments + Accounts Receivable) / Current Liabilities	"Further refines the current ratio by measuring the amount of the most liquid current assets there are to cover current liabilities. The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash.
6	Return on Assets	Net Income / Average Total Assets	Indicates how profitable a company is relative to its total assets.
7	Times Interest Earned	Earnings Before Interest and Taxes (EBIT) / Total Interest Payable on Bonds and Other Contractual Debt	Used to measure a company's ability to meet its debt obligations.
8	Debt Service Coverage	Operating Cash Flow / Total Debt	Provides an indication of a company's ability to cover total debt with its yearly cash flow from operations.
9	Fixed Asset Turnover Ratio	Revenue / Property Plant & Equipment	A rough measure of the productivity of a company's fixed assets (property, plant and equipment or PP&E) with respect to generating sales.
10	Sales Revenue per Employee	Revenue / Number of Employees (average)	As a gauge of personnel productivity, this indicator simply measures the amount of dollar sales, or revenue, generated per employee.

Key Performance Indicators			
11	Operating Cash Flow/Sales Ratio	Operating Cash Flow / Net Sales (revenue)	Compares a company's operating cash flow to its net sales or revenues, which gives investors an idea of the company's ability to turn sales into cash.
12	Net Income per Revenue Dollar	Net Income / Revenues	Measures the amount of income remaining – after all expenses, depreciation, interest payments, and taxes – for each dollar of revenue received.
13	Funds Available for Debt Service (FADS)	Operating Revenues - Operating Expenses + Depreciation + Amortization + Interest Income	Provides available current cash resources.
14	Coverage of Full Obligations	(FADS + Fixed Charges - General Fund Transfer and/or PILOT Payments Excluded from Operating Expenses) / (Annual Debt Service + Fixed Charges)	Indicates the margin to meet current debt service requirements and proxy obligations related to purchased power.
15	Debt to FADS	Total Debt / FADS	Indicates the size of debt compared to the margin available for debt service.
16	Total O&M Expense per KWH Sold	Total O&M Expense / Total KWH Sold	A broad measure of operating costs.
17	Total power Supply Expense per KWH Sold	Total Cost of Power (generated and purchased) / Total KWH Sold	Looks at total power supply costs.
18	Purchased Power Costs per KWH Sold	Total Purchased Power Costs / KWH Sold	Looks at total purchased power costs.
19	Labor Expense per Worker Hour	Total Labor Expense / Total Hours Worked by Employees	A measure of labor expense per hour worked.
20	Adjusted Days Liquidity on Hand	((Available Unrestricted Cash and Investments) + (Eligible Unused Bank Line)) x 365 days / (Annual Operating and Maintenance Expenses)	Assesses the liquidity to meet day-to-day operating cash flow requirements and as a cushion against unexpected situations.
21	Leverage – Debt Ratio	(Gross Debt – Debt Service Funds – Interest Payable and Debt Service Reserve Funds) / (Gross Fixed Plant Assets – Accumulated Depreciated on Plant plus Net Working Capital (Net Current Liquid Assets Unrelated to Debt – Net Current Liabilities Unrelated to Debt)	A measure of the utility's leverage.

Key Performance Indicators			
22	Fixed Obligation Coverage Charge Ratio	(Annual Recurring Revenues plus Interest Income) - (Recurring Annual Operating Expenses-Depreciation Expense and Adjusted for Other Non-Cash Items - Debt Service Portion of Payments to Take-or-Pay Project) / (Aggregate Annual Debt Service plus Debt Service Portion of Payments to Take-or-Pay Project).	Analyzes short and long-term trends in financial performance to assess the stability and resiliency of the utility. Measure the ability to repay annual debt service costs from recurring revenues net of recurring expenses, excluding one-time revenues or extraordinary charges.
23	Days Cash on Hand	Unrestricted Cash and Investments / (Operating Expenses - Depreciation + Amortization) * 365	Indicates financial flexibility, specifically cash and short-term investments, relative to expenses.
24	Days Liquidity on Hand	(Unrestricted Cash and Investments + Available Lines of Credit and Commercial Paper Capacity) / (Operating Expenses - Depreciation + Amortization) * 365	Indicates financial flexibility, including all available sources of cash, short-term investments, and liquidity, relative to expenses.
25	Debt to Customer	Total Debt / Total Customers	Provides a measure for relative comparison of leverage.
26	Capex to Depreciation and Amortization	Capex / (Depreciation + Amortization)	Indicates the relationship between capital spending and the depreciation of existing assets.
27	Transfer Payments to Operating Revenues	(General Fund Transfers + PILOT + Other Taxes) / Operating Revenues	Indicates the degree to which a utility supports city or county general fund, or other governmental operations.
28	Average Annual Contract Sales Price	Cents / kWh	Measures revenues per kWh.
29	Budget to Actual	Total Costs / Total Budget	Indicates areas where costs exceeded management's expectations.
	Operating Ratios	**Calculation**	**Purpose**
30	Energy Loss Percentage	Total Energy Generated and Purchased / Total Energy Sold	Measures how much energy is lost in the electrical system (energy efficiency of the system).
31	System Load Factor	Average Load / Maximum Load in the Year	A broad indicator of how much a systems load varies over the course of a year.
32	System Average Interruption Duration Index, minutes (SAIDI)	(Restoration Time * Total Number of Customers Interrupted) / Total Number of Customers Served	Measures the total duration of an interruption for the average customer during a given time.

Key Performance Indicators			
33	System Average Interruption Frequency Index (SAIFI)	Total Number of customers Interrupted / Total Number of Customers Served	Measures the average number of times that a system customer experiences and outage during the year.
34	Customer Average Interruption Duration Index (CAIDI)	(Restoration time * Total Number of Customers Interrupted) / Total Number of Customers Interrupted	Measures the average time to restore service once an outage occurs.
Customer Satisfaction		**Calculation**	**Purpose**
35	Customer Survey Results	Average score from customers surveyed	Measures the level of satisfaction among your customers.
Safety		**Calculation**	**Purpose**
36	OSHA Incidence Rate	Number of OSHA Cases X 200,000 hrs / Exposure Hours (Note: 200,000 = 100 employees x 2,000 hours per employee per year)	Measures the total illness and injury rate. The total OSHA recordable injury and illness cases based on the exposure of 100 full-time workers, using 200,000 hours as the equivalent.
37	OSHA Days Away Rate	Total Number of Lost Time Days Due to Injury x 200,000 / Total Exposure Hours	Measures the severity of OSHA incidents that have occurred as measured by the number of lost workdays that can be attributed to an OSHA incident.

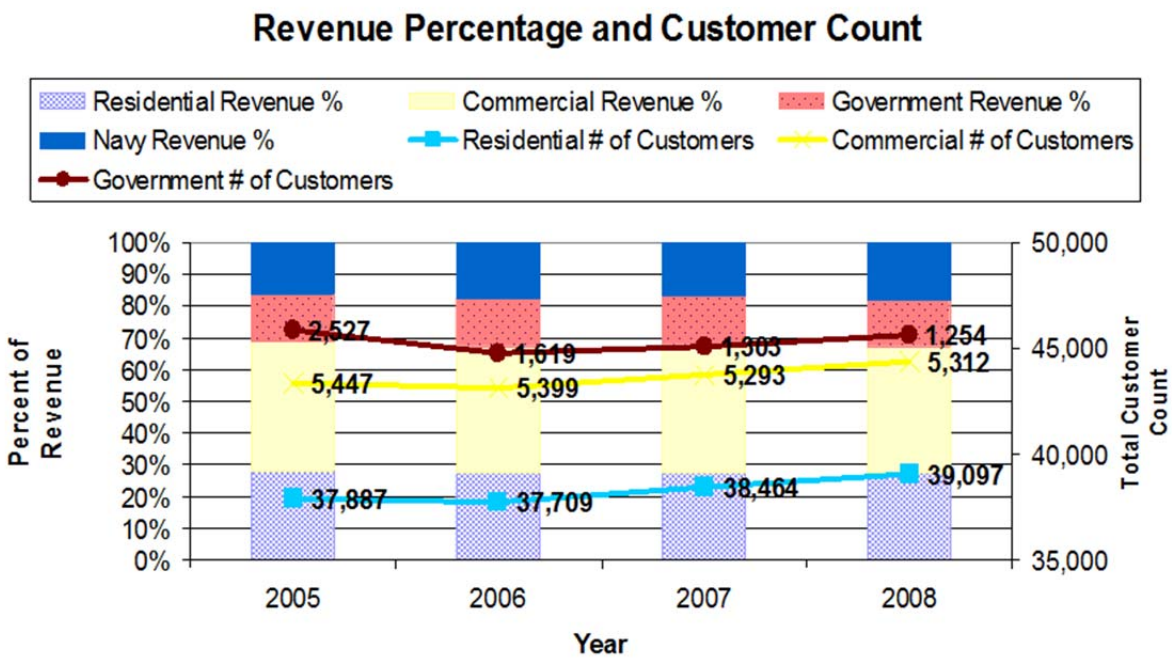
Many utilities also provide statistics reporting. Common statistics reported include the following:

Table 32 – Common Utility Statistics

Statistics	
1	Number of customers served
2	Largest 20 customers by net revenues
3	Rate History (for last 5 years)
4	Energy charges per kWh (for last 5 years)
5	Historical energy resources (MWH) (for last 10 years)
6	Historical sales by customer group (for last 10 years)
7	Number of full time employees (for last 10 years)
8	Facilities and capacities
9	Renewable purchase power agreements
10	Miles of transmission
11	Number of substations
12	Interconnections

The following figure shows an example of a trend analysis for a KPI. Similar trend analysis can be performed for other KPI's.

Figure 5 – Example of a Trend Analysis for a KPI



The following figure shows an example of a dashboard used for tracking Enterprise Risks:

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APPENDIX C – EXAMPLE KPI'S AND DASHBOARDS

Figure 6 – Example of Dashboard to track Enterprise Risks

GPA Risk Map	Risk Category	Gross Risk (Impact + Probability, 0 - 10)	Mitigation Effectiveness (0 - 5)	Velocity	Mitigation Plans	Metric
1	Employee Retirements	10.0	4.0	↑	Succession and workforce planning. Includes assessing skills and positions.	Implemented succession plan.
2	Capital Asset Maintenance	9.0	2.0	↑	Track efficiency levels and communicate issues to be addressed. Investigate energy	Reliability and Capital Asset Maintenance budget.
3	Inaccurate Budgets	9.0	1.0	↑	Implement a more disciplined budget process.	Accuracy of budgets
4	Global Fuel Shortage	8.0	2.0	↑	Consider alternative energy sources such as renewables, natural gas and nuclear.	Level of preparation for fuel shortage.
5	Fuel Supplier Bankruptcy/Other	8.0	2.0	↔	Stock up fuel inventory - strategic reserves.	Level of preparation for supplier bankruptcy.
6	Life Cycle Asset Maintenance	8.0	2.0	↑	Purchase of E1 system software module that flags when maintenance is due	Level of asset replacement
7	Qualified Staff	8.0	1.0	↑	Have sufficient staff levels to enable mentoring/training so there are qualified staff	Staffing needs filled
8	Changing Regulations	8.0	2.0	↔	Develop closer relationships with legislators.	Favorable legislation or increased prep time.
9	IT Systems	8.0	2.0	↑	Conduct detailed internal gap analysis, business requirements and vendor selection	Implemented systems which meet utilities needs.
10	Meet Revenue Requirement	8.0	2.0	↔	Proactively produce sufficient cash so that rates do not need to be raised.	Revenue requirements met.

Gross Risk:
- 8.0 - 11.0 Serious Risk
- 6.0 - 8.0 High Risk
- 3.0 - 6.0 Moderate Risk
- 0.0 - 3.0 Low Risk

Effectiveness:
- Gaps Exist (0.0 - 2.0)
- Some opportunity (2.0 - 3.5)
- Effective (3.5 - 5.0)

Velocity:
- ↑ Increasing
- ↓ Decreasing
- ↔ About the same

APPENDIX D – INTERVIEWS WITH CITY OF RIVERSIDE, BOARD OF PUBLIC UTILITIES, AND CITY COUNCIL

CITY OF RIVERSIDE MANAGEMENT INTERVIEW SUMMARIES:

1. RPU performance concerns consist of:
    - RPU is working towards collaboration between water and electric teams. These teams should come up with ideas, solutions, data, and then the other team should be able to access and implement similar solutions in order to work hand in hand.
    - The community often times does not understand what RPU does and how it helps to operate their City as a whole. The RPU employees have a difficult time generalizing what the utility does and being able to elaborate upon that to the general public. They wonder if the organization is spending its money in the most responsible way.
    - The utility is creating a new direction in leadership and trying to dispose of baggage that they became stuck with, but they are not making any of that aware and that may be where the confusion lies.
    - The utility needs to learn to operate and integrate within the City, instead of acting as a standalone, because that can create some problems. They need to make more of an effort to operate integrally, versus as a silo.
2. RPU's biggest long-term and short-term challenges:
    - Long-term:
        - RPU is about ten years behind when it comes to technology and its updates.
        - How does RPU work to evolve as an organization? When it comes to its individual growth and growing alongside City departments. They are working on their collaboration and its implementation.
        - The current revenue model that RPU operates under is outdated, and is based off of variable costs rather than fixed costs. This also determines certain market changes that are not taken into account.
        - RPU must consider that there are competitors that now exist, especially those with growing infrastructure and resources.
    - Short-term:
        - Infrastructure failure rates are expected to grow quicker than the current plan that exists to replace them.
        - The public's perception of RPU is an on-going near term struggle. The utility is doing all it can to be responsive to rate payers.
        - Hiring new employees/ project managers, so that they can take on new upcoming projects and work towards the strategic plan.

3. Quality of RPU's reporting in various areas:
    - Financial:
        - There needs to be a shift when it comes to future financial projections. Information that is desired through these reports consist of reserves and monitoring them, so that there are not any surprises.
        - Secondly, infrastructure and projections for the near future, which is currently being worked on. RPU is used to focusing on reporting historical activity.
    - Operational:
        - What is being done with the data that RPU is collecting? Managers and staff need to be able to have access to this data so that they are able to put it to use.
        - Reporting should include useful information and KPI's.
    - Potential improvements:
        - The overall style of RPU's reporting needs to be adapted for a larger and broader audience to understand. It is not like they are not being transparent, often times the summation is hard for the general public to understand and interpret.
        - Would like there to be a report conducted on turnaround times, solar reviews, project development, and application reviews.
4. RPU's alignment with operations and strategic planning initiatives in accordance with the Riverside 2.0 plan:
    - Currently, they are on track when it comes to the planning initiatives and if they went off track, it would be easy for them to become realigned because they are both so similar.
    - The City and RPU's plans are tied hand in hand, especially when it comes to infrastructure improvements that need to be made. The City is looking to increase economic development, which then goes along with RPU's proposition to increase its bandwidth and fiber network.
    - All the critiques that have been shared are being actively worked on in order to answer questions and keep their transparency when it comes to the work they are completing.
    - When it comes to the land acquisitions did the transactions occur procedurally and appropriately? There were questions regarding this matter and whether or not they were legal to begin with? When the utility does not answer the public's questions this creates distrust between the two.

BOARD MEMBER INTERVIEW SUMMARIES:

1. RPU performance concerns consist of:
    - Feels that RPU's strategic planning and priorities are being carried out along with the progress that they were planning to make. At times this progress may be happening too quickly and can feel pressured. Overall, members are impressed with the RPU staff and the way in which they conduct business within the organization.

2. RPU's biggest long-term and short-term challenges:
    - Long-term:
        - Rate increases will need to be discussed with those using RPU's services
        - Incentives regarding electric and how revenue will be impacted (fixed costs)
    - Short-term:
        - Shift in leadership
        - Fixed costs stay the same due to a decrease in water sales (recent droughts and conservation)
        - Financial questions from the public sphere
        - Carrying out their strategic plan and Utility 2.0
3. Quality of RPU's reporting in various areas:
    - Generally speaking the staff completes sound reports. If there is something unclear they are able to explain it to the Board or make any corrections that are suggested.
    - Financial reporting can be a weakness in the sense that there is a two-week turnaround for the budget that the Board gets to review. Also, RPU should consider operating on a two-year budget cycle.
    - RPU does a great job of explaining the details of vendors, capital projects, and operations in their reports. Helps to keep the Board members informed about what is taking place.
4. RPU's alignment with operations and strategic planning initiatives in accordance with the Riverside 2.0 plan:
    - Doing a phenomenal job when it comes to communication between Riverside city management and RPU staff.
    - There is still work to be done when it comes to the strategic planning process, but progress is being made in the right direction
    - The two plans align well together, possibly because they were created at the same time and the bigger ideas in the plans work in accordance with one another
5. Other comments:
    - The Board and the general public need to become more educated about what RPU does. Especially when it comes to the financial matters of the provider. Combining water and electric is very challenging and the public is always concerned about rates, cost of services, and cash reserves.

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APPENDIX D – INTERVIEW SUMMARIES OF CITY OF RIVERSIDE, BOARD OF PUBLIC UTILITIES, AND THE CITY COUNCIL

CITY COUNCIL INTERVIEW SUMMARIES:

1. Please discuss any areas of concern when it comes to RPU's performance:
    - Occasionally there are billing issues that customers face, but that can be due to the fact that RPU just converted to a new system.
    - Often time's city members also feel that they are being overcharged for services. There has been some discussion regarding using the reserves to reimburse RPU customers.
    - The main areas that RPU customers complain are in regards to the reliability charge. However, once the charge is explained more thoroughly customers understand the reasoning behind the charge much better.
    - Another area has to do with the fixed fees that RPU has built into their costs. These fees are incorporated in order to cover operating costs and so it has a reliable revenue, versus a variable usage revenue fee. Members of the community still complain even after trying to adjust their water usage, some have even gone as far as re-landscaping in order to try and reduce usage and cut costs.
    - The utility field is going through changes, and therefore as addressed in the Utility 2.0, Riverside will need to begin to consider using alternative fuel methods.
2. What are the biggest challenges that RPU faces both short-term and long-term:
    - Short-term:
        - Maintaining the current infrastructure, while also implementing new infrastructure into the City, as stated in Utility 2.0 (mainly water lines).
    - Long-term:
        - Also, creating new infrastructure and implementing it into the City and within the community for the members to use.
        - Diversifying the types of electrical services in order to change the way electricity is delivered and how it will be delivered and received in the future.
        - Discussed a possible decrease in the electric revenue due to steps taken towards solar and alternative methods.
3. Discuss the quality of reporting you receive from RPU amongst various areas:
    - Financial:
        - These reports are made public on an annual basis and the board meetings are held regularly. Challenges we face are changes in revenue. However, RPU presents their materials in a transparent manner.
    - Operational:
        - RPU frequently updates the Council on any operational areas as need be.

- Key performance indicators:
  - PRU tries to be proactive when it comes to their communication with ratepayers.
  - Why are we seeing certain changes within reporting?
  - Would like to see more reporting around new buildings that may include alternative forms of energy and what this will look like in Riverside in the future.

4. RPU's alignment with operations and strategic planning initiatives in accordance with the Riverside 2.0 plan:
   - Feels that RPU is very transparent to its ratepayers and they conducted as much outreach as possible when it came to creating Utility 2.0.
   - Ideally, a report every six months to the Council pinpointing their progress and whether or not they are on target would be beneficial.
   - Does not see an issue with how RPU choose to align their strategic plan with Riverside 2.0.

CHAMBER OF COMMERCE INTERVIEW SUMMARIES

1. How does RPU enhance the CoC's role in the community and its goal setting?
   - In order for businesses to sustain a working relationship with RPU they must know that the utility is a stable organization and is striving for economic development.
2. Does the CoC seek out RPU and the City to coordinate any programs or efforts that involve attracting and retention of local businesses?
   - The Chamber recently announced they are the home of the California Air Resources Board Emissions Testing Center. One major component to that is the utilities, in which the CoC and RPU coordinate to get these facilities. The testing facility will start off with about 400 employees and is predicted to grow to 800 employees in the future.
   - Also, the CoC views RPU as a partner, and invites them to the table for all important utility discussions.
3. Has the CoC met with RPU or the City in order to align common goals and initiatives?
   - In terms of the CoC they only meet monthly, but there are subcommittees.
   - One of the most important conversations is the rate increase discussion, which the CoC is involved in. The CoC is trying to ensure that businesses will have the resources they need to operate. In terms of bandwidth and infrastructure these are challenges that they are facing now when it comes to working with businesses. The CoC does support the increase, and believes it makes them more attractive to stakeholders.
   - The CoC was involved with the RPU 2.0 strategic planning efforts.

4. How can RPU assist the CoC in meeting its goals?
    - RPU can continue to work with businesses and ensure that there are not any issues when working with these businesses.
    - Creating a more streamlined process when it comes to plans being signed off on. The plans have to be signed off by RPU, the City, planning, the fire department, etc.
5. What are RPU's biggest long-term and short-term challenges?
    - Long-term:
        - The City is old and therefore so is the infrastructure that the City is made up of. The City needs to make improvements in areas such as costs, reserves, and recycled water. The biggest hurdle in this process is getting residents to understand the need for infrastructure improvements.
6. Other comments:
    - The Board and the public need to become more educated and in tune with the work that RPU completes as a whole. Mainly, the financial matters of the provider. One example is combining water and electric. The public is very challenged by this idea and worries about rates, cost of services, and cash reserves.

APPENDIX E – PROCESS MAPS