



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director
Lincoln Bogard, Administrative Services Director

MEETING DATE: January 9, 2024

SUBJECT: Consideration of Payment to GHJ Advisors for an Additional \$53,000 for Phase 2 and Newly Requested Phase 3 Forensic Investigation Services into the Electric Enterprise for a Total Not-to-Exceed Amount of \$153,000

RECOMMENDATION:

Approve by Minute Order the payment to GHJ Advisors an additional \$53,000 for additional Phase 2 and newly requested Phase 3 Forensic Investigation services into the Electric Enterprise for a total not-to-exceed amount of \$153,000.

BACKGROUND:

The Administrative Services Director requested a forensic audit of the Electric Enterprise beginning in May 2023 and received approval from the City Manager in July 2023. The City Attorney's office has engaged a forensic auditor, GHJ Advisors, to conduct Phases 1 and 2 forensic investigation services.

Phase 1 forensic investigation services included the performance of forensic accounting and investigative procedures to identify (1) areas of concern and (2) funds, accounts, and/or transactions for testing. The Phase 1 forensic investigation services assisted staff in the determination of cash flows and management of the Electric Enterprise. Phase 2 forensic services assisted in quantifying any potential losses or accounting irregularities that may have occurred, if any.

JUSTIFICATION:

GHJ Advisors provided a report to Council on the results of Phase 2 forensic investigation services on December 12, 2023. Councilmembers authorized further investigation in specifically identified areas, which require additional Phase 3 investigation. Council must authorize the payment for the additional services for the work GHJ Advisors has been requested to perform. Based on this request the open session report has been postponed until Phase 3 completion.

FISCAL IMPACT:

The request for Phase 3 of the of the Forensic Investigation into the Electric Enterprise will increase the original approvals of \$25,000, and \$75,000, by another \$53,000 for a total not-to-exceed amount of \$153,000.

ALTERNATIVES:

1. Approve by Minute Order the payment to GHJ Advisors an additional \$53,000 for additional Phase 2 and newly requested Phase 3 Forensic Investigation services into the Electric Enterprise for a total not-to-exceed amount of \$153,000.
2. Do not approve by Minute Order the additional payment to GHJ Advisors for Phase 3 of the Forensic Investigation into the Electric Enterprise.

