



Office of the City Manager

INFORMATION CALENDAR

February 27, 2018

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Scott Ferris, Director, Parks, Recreation, and Waterfront

Subject: Audit Status Report - Parks Tax: Good Practices in Place, Fiscal Year 2016 Expenditure Review

INTRODUCTION

On July 25, 2017, the City Auditor submitted to City Council its audit report [Parks Tax: Good Practices in Place, Fiscal Year 2016 Expenditure Review](#). The City Auditor found that Parks, Recreation, and Waterfront (PRW) had good practices in place to ensure it used the Parks Tax as intended by voters for nonpersonnel expenditures, and recommended that PRW document those practices and request supporting documentation from other departments that use the Parks Tax.¹ This information item is the first update to City Council on the implementation status of the City Auditor's recommendations.

CURRENT SITUATION AND ITS EFFECTS

The audit included four recommendations, one of which PRW implemented before the City Auditor's Office issued its report (#1.4). As of December 31, 2017, the three remaining recommendations have been implemented. Please see Attachment 1 detailing the audit recommendations and corrective actions taken. This is the final report to City Council as all recommendations have been implemented.

BACKGROUND

The Parks Tax is a special revenue tax that brought in \$11.7 million in fiscal year 2016, the year under audit review. Berkeley voters first adopted the tax with the passage of Measure A in 1997. The purpose of the tax is to fund the acquisition and maintenance of improvements to City parks, trees, and landscaping. In 2014, Berkeley voters replaced Measure A with the passage of Measure F, increasing the Parks Tax rate to \$0.1466, per square foot. Measure F also allows Council to adjust the tax rate according to the Consumer Price Index in the SF Bay Area or Per Capita Income Growth in the State of California.

¹ Parks Tax Audit (7/25/17): https://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/Parks%20Tax%20-%20Good%20Practices%20in%20Place.pdf

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects associated with the subject of this report.

POSSIBLE FUTURE ACTION

PRW will continue to monitor its practices to ensure it expends the Park Tax as taxpayers intended and document changes to practices when there is room for improvement either by making processes more efficient or strengthening controls over the use of the Parks Tax.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

The actions taken to address the City Auditor's Office audit recommendations have strengthened PRW's internal controls for safeguarding taxpayer's money but have no direct impact on the City of Berkeley's budget.

CONTACT PERSON

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Attachments:

1: Auditee Response Form: Audit Recommendations and Corrective Actions Detail

Auditee Response Form: Audit Recommendations and Corrective Actions Detail

Audit Title - Parks Tax: Good Practices in Place Fiscal Year 2016 Expenditures Review					
Findings and Recommendations		Lead Dept.	Agree, Partially Agree, or Do Not Agree	Expected or Actual Implementation Date	Status of Audit Recommendations, Corrective Action Plan, and Progress Summary
Finding 1: PRW can ensure it continues to spend tax dollars as intended by documenting its current practices in written guidance.					
1.1	<p>Develop written guidance describing PRW’s practices for:</p> <ul style="list-style-type: none"> ▫ Reviewing and approving requisitions using the Parks Tax to ensure they are for purchases allowable by the measure ▫ Reviewing invoices to further substantiate that the department is using the funds appropriately ▫ Establishing interfund transfers, including those for the Public Arts and First Source Funds and other city services, for example, waste collection and disposal ▫ Following up with Finance, or other departments, to gain an understanding of cost changes for invoices handled outside PRW, for example, the increase to AT&T services 	PRW	Agree	12/31/17	<p>In progress. PRW staff are developing written procedures to document our current practices.</p> <p><u>2/27/18 Status Update:</u> Complete. PRW staff developed and issued written procedures to document our current practices.</p>

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1.2	Request an opinion from the City Attorney on whether the transfer of Parks Tax revenue to the First Source and Public Arts Funds is allowable, per the governing legislation. Maintain that documentation to allow for transparency in the use of the Parks Tax revenue for those programs.	PRW	Agree	12/31/17	In progress. PRW has requested an opinion from the City Attorney. <u>2/27/18 Status Update:</u> Complete. The City Attorney issued an opinion that these transfers are proper, and recommending that the Public Arts Program provide documentation to clearly relate Parks Tax uses to the maintenance and improvement of parks.
1.3	Obtain documentation from the Public Art and First Source Fund administrators on a recurring basis, e.g., every five years, demonstrating, in dollars and services, how they used transfers from the Parks Tax to benefit parks (e.g., art placed in City parks	PRW	Agree	12/31/17	In progress. PRW is working with the Office of Economic Development and Health, Housing and Community Services Departments to obtain documentation on Public Art

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	and Berkeley residents hired for parks capital projects). Use that documentation as a means to provide transparency in the use of the Parks Tax transfers to the Public Arts and First Source funds for parks related projects.				and First Source expenditures, and to establish a process for doing this in the future. <u>2/27/18 Status Update:</u> Complete. The Public Art Program provided documentation establishing that Parks Tax transfers are expended on parks-related projects.
1.4	Request that Finance, or other departments as may be necessary, provide support for the standard interfund transfers, such as those to pay Public Works for waste collection and disposal.	PRW	Agree	6/21/17	Complete. PRW has requested this information. PRW is now working with multiple City departments to provide supporting documentation on an ongoing basis.

