

Audit Plan

Fiscal Year 2024

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BERKELEY CITY AUDITOR

Letter from the Auditor



As the Berkeley City Auditor, I am pleased to present to you the audit plan for fiscal year 2024. This plan outlines the key areas of focus for the City Auditor's Office, including ongoing work, new initiatives, and the allocation of resources to ensure transparency, accountability, and effective governance.

Our office conducts performance audits of city functions, where we evaluate city programs to determine their effectiveness and compliance with local laws and regulations. Our goal with each audit is to ensure that the City is using taxpayer dollars efficiently and equitably to deliver high-quality services. We aim to initiate the engagements identified in the audit plan during the fiscal year. Our capacity to initiate and complete projects this fiscal year will be dependent on available

resources.

In the past fiscal year, my office has achieved significant milestones, including issuing the audit *Staff Shortages: City Services Constrained by Staff Retention Challenges and Delayed Hiring*, launching the [Audit Recommendations Dashboard](#), and receiving the national Exemplary Knighton Award for our audit *Berkeley Police: Improvements Needs to Manage Overtime and Outside Security Work for Outside Entities*.

Building upon these accomplishments, we have developed the fiscal year (FY) 2024 audit plan to address areas of concern and further strengthen the governance of the City of Berkeley. In FY 2024, we will continue our audits of homelessness and Measure FF that were initiated in FY 2023. We plan to initiate new audits related to public health and the City's Rent Stabilization Board.

We will continue to perform follow-up work on audit recommendations to determine if the City has properly implemented them. This year, I will devote office resources to implementing the City's Auditor's Whistleblower Program. The Whistleblower Program will be designed to provide a confidential and secure channel for individuals to report suspected fraud, waste, or abuse within Berkeley city government. I believe that incorporating our Whistleblower Program into our efforts to promote transparency and accountability, we can uncover potential misconduct, prevent future wrongdoing, and ultimately enhance the overall integrity of Berkeley government.

I am dedicated to upholding our mission of promoting transparency and accountability in the Berkeley government. Together, with the implementation of the Whistleblower Program and our existing audit initiatives, we can strengthen transparency, accountability, and public trust in Berkeley government, fostering an environment where effective governance thrives. I remain committed to fostering strong relationships with city departments, officials, and community stakeholders to effectively carry out our mandate.

Respectfully,

A handwritten signature in black ink that reads "Jenny Wong".

JENNY WONG
City Auditor



Planned Engagements FY 2024

Rent Stabilization Board

The Auditor's office will conduct an audit examining the Rent Stabilization Board's finances or operations.

Public Health

The Auditor's office will conduct an audit in an area of public health.

Follow-Up

The Auditor's office will continue to track and follow up on all audit recommendations to determine if they are properly implemented. We will continue to publish an online public [dashboard](#) to increase transparency and accountability of the implementation status of open audit recommendations.¹ See page 4 for more details.

Short-Term Projects

In order to be responsive to the needs of the City and the public, we may engage in short-term projects to provide timely and relevant information and analysis to the City and community.

Ongoing Engagements

The Auditor's Office will continue our analysis of homelessness and Measure FF that were both initiated during fiscal year 2023.

Whistleblower Program Implementation and Anti-Fraud Focus

The Auditor's Office will implement a Whistleblower Program for employees and members of the public to report fraud, waste, or abuse by city departments, employees, or persons under contract with the City. This fiscal year we will focus on building out the program, including hiring and training staff; designing reporting and response processes; and creating educational materials to educate staff and the public on fraud and the Whistleblower Program. See page 5 for more details.

¹ City Auditor's Recommendation Dashboard—bit.ly/AuditRecDashboard

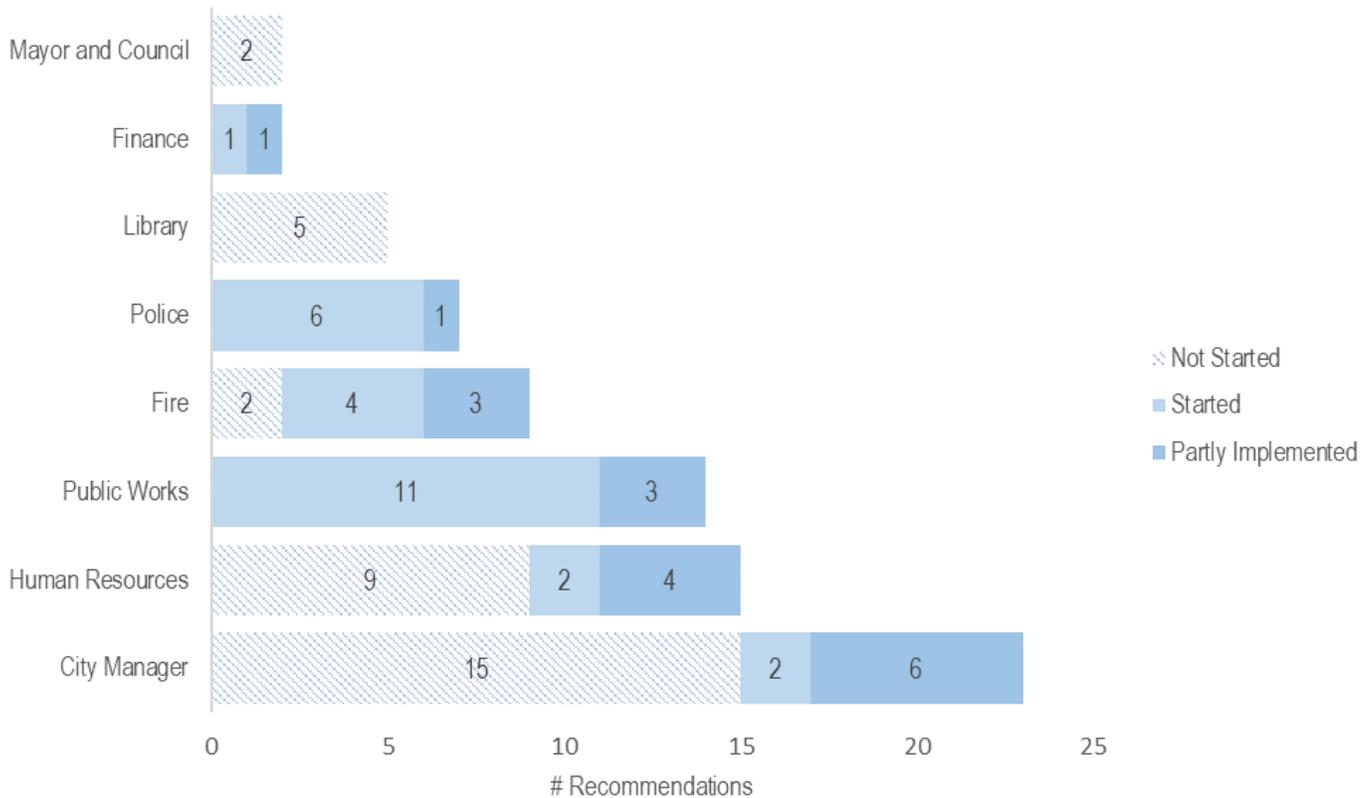


Follow-Up

In fiscal year 2024, the Auditor’s Office will follow up on 77 open recommendations from 10 audits. We will use the following statuses to report on the implementation of audit recommendations:

- **Implemented:** auditee has addressed the audit risk by completely implemented the recommendation.
- **Partly implemented:** auditee has implemented 50 percent or more of the recommendation.
- **Started:** the auditee has started to address the recommendation but has not reached the 50 percent threshold.
- **Not started:** auditee has not yet taken action to implement the recommendation.
- **Dropped:** the auditee has accepted the risk to the city that the recommendation is meant to address and is unable or unwilling to implement the recommendation. Additionally, all open recommendations will be reported as dropped if they are not implemented within five years of audit issuance.

As of June 22, 2023, there are 77 open recommendations from 10 audits across 7 departments.



Source: Berkeley City Auditor

Whistleblower Program

The Whistleblower Program will include a confidential hotline for reporting fraud, waste, and abuse in city government 24/7/365 days of the year. This hotline will be available to all city employees, contractors, vendors, and residents. Additionally, to protect whistleblowers, there is a city policy that protects city employees from retaliatory acts.

Authority and Independence

State legislation encourages cities to specifically focus on fraud, waste, and/or misuse of city resources through whistleblower programs led by city auditors. In 2009, California Government Code Section 53087.6 went into effect, which enabled local government auditors to establish whistleblower programs and to provide whistleblower protections. Local auditors are authorized under Section 53087.6 to create whistleblower programs with the approval of their respective legislative bodies, and have discretion in how to operate their programs. At the June 6th meeting, City Council adopted resolution 70,881–N.S endorsing the City Auditor's plan to implement the Whistleblower Program.

The Berkeley City Auditor maintains a level of structural independence well-suited for a whistleblower program, as they are elected by the public and do not report to the City Manager or Council. The City Auditor is well-positioned due to their role in providing objective information on the operations of government programs and helping ensure full accountability to the public.

Implementation Plan

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Activity	Resources	Reporting Mechanism	Response Mechanism	Education and Awareness	Program Launch
	Hire Whistleblower Program Manager	Determine appropriate methods and platforms for whistleblower reporting	Design a process for responding to and referring complaints	Develop written procedures and educational material	Receive and respond to complaints according to established procedures
Outcome	Determine funding needed for remaining steps of the implementation plan and ongoing operations	Design intake forms and procedures	Obtain necessary access rights to data systems for investigations	Disseminate educational materials	Develop mechanisms for ongoing assessments of program effectiveness including the development of metrics to benchmark across time or against similar organizations
	Resources	Reporting Mechanism	Response Mechanism	Education and Awareness	Program Launch
	Staff and funding secured to successfully manage program	Multiple channels for employees and outside parties to report complaints 24 hours a day, 365 days of the year	Ability to prioritize, investigate, refer, and follow up on complaints received	Potential whistleblowers understand how the program works, why it is important, and how they will be supported	A more accountable Berkeley government through the prevention and investigation of suspected fraud, waste, and abuse.



Plan Description

The mission of the Berkeley City Auditor is to promote transparency and accountability in Berkeley government. This is achieved through independent evaluations of city programs and activities. The Fiscal Year 2024 Audit Plan reflects the office's steadfast commitment to continuous improvement by enhancing the value, products, staffing, communications, and overall impact of the Berkeley City Auditor's Office on behalf of Berkeley residents, businesses, and visitors.

Auditing Under the City Charter

The Charter provides that the Auditor shall have the authority to conduct:

- Performance and financial audits or special studies of all phases of the City of Berkeley government in accordance with government auditing standards;
- Financial, compliance, efficiency and economy, and program results auditing; and
- Examinations of payrolls, bills, and other claims and demands made against the City.

The FY 2024 Audit Plan ensures broad audit coverage throughout the City while also addressing specific performance, financial, contractual, and system risks. Audit resources are limited, thus prohibiting one hundred percent coverage each year. This significant limiting factor is inherent in the concept of using risk assessment to help prioritize audits. According to the City Charter, the ultimate decision to perform any audit shall be at the sole discretion of the Auditor. Our approach to scheduling audits is flexible and subject to change throughout the year based on newly identified risks.

Audit Follow-Up Program

Audit follow-up activities are conducted for every audit to assess whether city personnel implemented the agreed-upon audit recommendations. The Auditor's Office issues follow-up audit reports to City Council on the status of our recommendations. We also maintain a public [dashboard](#) with the status of audit recommendations. Our office measures the audit recommendation implementation rate as an indicator of the degree to which the City is using information provided by our audit reports to mitigate identified risks and to enhance efficiency, effectiveness, and economy of operations. Our expectation is that the City should take no more than two years to implement our audit recommendations, unless specified.

Focus on Integrity, Independence, Impact, and Inclusion

The concepts of integrity, independence, impact, and inclusion are core tenets of operations within the Berkeley City Auditor's Office. Although the Auditor operates independently from other city entities, Auditor Wong and staff meet regularly with the Mayor, City Council, city personnel, neighborhood groups, and civic leaders to solicit input regarding risks. The objective of this strategy is to improve services and stewardship of city resources.



Audit Selection Process

Developing an annual Audit Plan is an iterative process, conducted by assembling ideas from a variety of internal and external stakeholders, examining a broad range of City programs and activities, and assessing risk factors together with additional considerations. This approach results in a diverse list of departments, programs, and activities that are examined to determine whether they are operating efficiently, effectively, and in accordance with the law and other requirements.

In developing a list of potential audits, ideas come from a variety of sources:

- Input from the community, elected officials, department staff, and City management;
- Assessment of operations and controls in previous audit reports;
- Assessment of citywide risks;
- Consideration of current local events, financial conditions, capital improvement projects, and public policy issues; and
- Consideration of risks identified in other government audits that could emerge in Berkeley.

Our office identifies and prioritizes potential audits and other assessments using a risk-based approach that examines a variety of factors that may expose the City to fraud, misuse of funds, waste, liability, or reputational harm. The following risk factors are used to determine the audits included in the audit plan:

- Perception of risk from management, City Council, the community, and audit staff;
- Economic factors such as financial impact, volume of transactions, number of personnel, and revenue generated;
- Changes in organization, management, key personnel, and information systems; and
- Time since last audit.

After the plan is finalized, new information may come to light; events, initiatives, priorities, and risks within the City may change. The flexible nature of the Audit Plan as a living document provides the ability to change course when it is in the best interest of the City.

Auditor's Authority

The Berkeley City Auditor's Office provides independent oversight of city operations. Audits, conducted by the Office, provide the City Manager, City Council, and the public with objective, timely, and accurate information about city program performance. By providing this information and making recommendations for improvement, the Office helps to hold government accountable in its stewardship of public resources. Berkeley City Charter, Section 61, establishes this independence and provides for the Auditor's general authority and duties. The Charter also establishes the duty to present a planned audit schedule to City Council at the beginning of each fiscal year.

Several key components serve as the cornerstone for Berkeley's auditing framework. These elements provide the Auditor with the independence that results in the office's ability to conduct high-impact audits.

Elected Auditor — The City of Berkeley has an elected Auditor who is independent from all other elected officials and City management.

Comprehensive Access — The City Charter and Municipal Code authorize the Auditor to have unrestricted access to all officials, employees, records, and reports maintained by the City, and to all external entities, records, and personnel related to contracted business interactions with the City.

Audit Response Requirements — City Municipal Code requires that City management formally respond to all audit findings and recommendations, establishing the Auditor's ability to work in conjunction with audited departments while maintaining independence.

Recommendation Follow-up Requirements — City Municipal Code requires that city management report back to Council on the status of audit recommendations every six months until all recommendations are implemented, establishing the Auditor's ability to determine the adequacy, effectiveness, and timeliness of management's actions to correct reported issues and recommendations.

Adherence to Professional Auditing Standards — The Auditor's Office conducts all audits in accordance with Generally Accepted Government Auditing Standards produced by the United States Government Accountability Office.

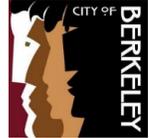


BERKELEY CITY AUDITOR

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<https://berkeleyca.gov/your-government/city-audits>



INFORMATION CALENDAR

July 11, 2023

To: Honorable Mayor and Members of the City Council
From: Jenny Wong, City Auditor *zw*
Subject: City Auditor Fiscal Year 2024 Audit Plan

INTRODUCTION

The Berkeley City Charter requires the City Auditor to provide the City Council with a planned audit schedule by the beginning of each fiscal year and to notify the Council when audits are added. In deciding what to audit, our office considers suggestions from the City Manager, staff, the City Council, the Rent Stabilization Board, commissioners, and other community members. We examine risks that might prevent the City from reaching its goals, including strategic, financial, regulatory, operational, and reputational risks.

CURRENT SITUATION AND ITS EFFECTS

As required by the City Charter, we are notifying the Council of our annual audit plan. The following plan assumes being fully staffed to conduct these audits.

For Fiscal Year 2024, we have identified areas we hope to address in the upcoming year:

- Homelessness (in progress)
- Measure FF (in progress)
- Rent Stabilization Board
- Public health
- Follow-up on prior audit recommendations
- Short-term projects
- Whistleblower Program

BACKGROUND

The mission of the Berkeley City Auditor is to promote transparency and accountability in Berkeley government. This is achieved through independent evaluations of City programs and activities. The FY 2024 Audit Plan reflects our office's commitment to continuous improvement by enhancing the value, products, staffing, communications, and overall impact of the Berkeley City Auditor's Office on behalf of Berkeley residents, businesses, and visitors.

ENVIRONMENTAL SUSTAINABILITY

This report is not associated with identifiable environmental effects or opportunities.

POSSIBLE FUTURE ACTION

Our future audit recommendations will address the risks that could prevent the City from providing efficient, effective, and equitable service delivery. We will be asking the Council to accept those recommendations and request that the City Manager report on their actions to implement them. We may also make recommendations requiring Council action.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Audit work leads to new or enhanced revenue, cost recovery, and increased efficiency, with economic impact well beyond the audit costs. Long-range financial benefits of our audits result in significant improvements to internal controls and service delivery.

Ensuring timely implementation of audit recommendations could result in additional savings and risk reduction, including fraud risk. Reducing fraud risk more than protects money; it builds trust in government. Maintaining a strong audit function and fiscal management will reduce future costs and enhance public trust.

CONTACT PERSON

Jenny Wong, City Auditor, 510-981-6750

Attachment:

1. Audit Plan Fiscal Year 2024