



Office of the City Auditor

INFORMATION CALENDAR
July 17, 2012

To: Honorable Mayor and Members of the City Council
From: Ann-Marie Hogan, City Auditor
Subject: Audit Plan for Fiscal Year 2013

INTRODUCTION

The Berkeley City Charter gives the City Auditor authority and responsibility to decide what to audit, and requires Council notification annually regarding the audit schedule.

Audits and Reports in Progress (2012 Audit Plan):

- Cash Handling Procedures – Parks and Recreation
- Customer Service, Permit Center – Planning
- Shelter Plus Care Program – Health, Housing, and Community Services
- Vision 20/20

Audits and Reports Deferred to 2014 (2012 Audit Plan):

- Affect of Reductions in Federal/State Funding on City Services – Deferring this audit will allow us to consider this issue as a component of a larger audit on the City’s fiscal sustainability and financial condition
- Citywide Billings and Collections – Deferring this audit will allow us to consider the effects of Finance’s implementation of recommendations from our recently completed audit, [Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues](#)
- We will also consider performance audits of Public Works and Police that we considered in FY 2012. We will reconsider the issue of establishing a whistleblower hotline after completing the City Ethics Survey.

New Audits and Reports (2013 Audit Plan)

- City Ethics Policies: Employee Survey
- Permits Center Phase II – Use Permits

Ongoing Activities for Fiscal Year 2013

- Follow-up on Outstanding Audit Findings
- Training: Internal Controls and Fraud Prevention, Identification, and Reporting
- Surprise Audits (cash, inventory, or contracts)
- Nonaudit Consulting
- Revenue Auditing (including Business License Tax)

Other Reports to Council

- City Auditor's Office Annual Report
- Business License Tax Annual Report

BACKGROUND

Performance Audit's goal is to improve the efficiency, effectiveness, and accountability of City service delivery, to reduce risk of loss, and to promote ethical governance. The City's current budget challenges, and the policies in place to address them, indicate heightened risks for decreased quality of service, as well as for inefficiencies and potential fraud. This is typical when revenues and costs are fluctuating and reductions are made to support and oversight staff. We select audit topics based on a review of risks and available resources.

We wish to thank Berkeley residents, the Mayor, the City Council, the City Commissioners, the City Manager, and City staff for their audit suggestions. We selected areas we considered to have the most potential for identifying significant improvements to service delivery and stewardship of City resources or new revenue.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Audit work can lead to new revenue, cost recovery, and increased efficiency, with economic impact well beyond the audit costs. In fiscal year 2011, our audits identified opportunities for cost savings and recovered revenue of \$264,000 (all recurring). Over a five-year period, the results could be more than \$1.3 million.

We continue to identify unlicensed businesses and bill them for unpaid business license tax, penalties, and interest. We billed more than \$200,000 (\$28,000 recurring) in unpaid taxes, penalties, and interest in fiscal year 2011 as a result of our business license compliance audits. Over a five-year period, the results could be more than \$140,000.

CONTACT PERSON

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