

“Ask the Auditor”

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Balancing Berkeley’s Budget: Audit Blueprints for Management Action

Budget crisis or no budget crisis, what do you expect from your City government?

- Efficient, effective, equitable service delivery
- Good value for the taxes you pay
- Government you can trust and rely on.

Performance audits by the independent City Auditor help you find out whether the City is meeting your expectations. We give City staff clear, comprehensive instructions about how to continuously improve. The City Council will consider several performance audits and management responses on Tuesday night, June 2. Follow the links in this report to see how well the City is doing, and how they plan to improve the efficiency, effectiveness, and equity of City services.

Efficiency: Auditors Acknowledge Successful Efforts to Reduce Workers’ Compensation Costs, Recommend More Changes

More than \$7 million was spent on workers’ compensation costs in fiscal year 2008. There was a sharp improvement in number of claims filed and costs, especially as compared to other cities. Over the five previous years, Berkeley’s incident rate fell by more than 50 per cent, while the average rate for comparable cities studied decreased less than 17 per cent. Human Resources attributes this steady improvement to continued efforts by HR staff to improve workplace safety and claims management. The City is to be congratulated on this achievement. However, the auditors found a number of specific ways to further reduce accidents and costs. The full report is on the Council Agenda Committee web link: [Workers' Compensation Costs Can Be Reduced \(item 15\)](#)

Effectiveness: Oversight of City Leases Could Be Improved

The value of real estate owned and leased by the City is considerable; over \$100 million. The City took steps in 2002 to centralize property and facility lease management. Possibly because of historical budget issues, there is a disconnect between management’s lease management policies and procedures and actual staff practice.

Clear expectations, performance measures, and improved systems are needed to reduce the risk to City assets. [Leases Audit: Conflicting Directives Hinder Contract Oversight \(item 16\)](#)

Equity: Some Taxpayers Are Not Paying Their Fair Share: \$5 Million Recaptured

The Auditor's Office began a Business License Tax Audit Program in 1982. Since then, about \$5 million in unpaid taxes, penalty, and interest have been billed, and additional recurring revenue continues to increase because of the deterrence impact of past audits. The Auditor's Office has concentrated on "under-reporting" businesses for the last several years, which results in less immediately measurable revenue for the staff hours spent. Next year Finance and City Auditor staff will collaborate on a large-scale investigation of unlicensed businesses. [Business License Tax Audits \(Item 40\)](#)

Action: the City Manager Reports Back

Management agrees to nearly 100% of our audit recommendations. That is no guarantee that action will be taken. Each time we publish an audit, we ask Council to direct the City Manager to regularly report back to Council on improvements made, until the benefits of our recommendations for more efficient, effective, and equitable use of City resources are achieved. On June 2, the City Manager reports on our audit of special taxes based on parcels. Because Berkeley has an unusually equitable system for levying some special taxes (based primarily on the size of the building or the lot), our system is also particularly complex. This audit included recommendations aimed at increasing revenue. [Audit Update: Parcel Based Special Taxes \(item 39\)](#)

For more information, please visit the [City Auditor Home Page](#). Contact me with your ideas for future performance audits, requests for information, and to continue to weigh in on the merits of establishing a whistleblower hot line for City Employees.

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