



Office of the City Auditor

## INFORMATION CALENDAR

July 25, 2017

To: Honorable Mayor and Members of the City Council  
 From: Ann-Marie Hogan, City Auditor  
 Subject: City Auditor Fiscal Year 2018 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 Council when audits are dropped. In deciding what to audit, our office considers suggestions from the City Manager, staff, the City Council, commissioners, and other community members. We examine risks that might prevent the City from reaching its goals. These include strategic, financial, regulatory, operational, and reputational risk to the City.

### CURRENT SITUATION AND ITS EFFECTS

The City's most important asset is its people. An immediate threat to operations and strategic planning is workload capacity: The City may not have the staff resources to provide expected and critical services. We will address the risk of quick response, as opposed to planned, service-delivery demands in these new audits:

- Community direct requests for service
- Code enforcement workload
- Dispatch workload

Our audit plan continues to include recurring audits and other reports:

- *Community agencies:* We are currently auditing Easy Does It.
- *Compliance:* We examine the City's use of special taxes and other funds in accordance with council and voter directives. In fiscal year 2017, we selected Measure GG (Fire) and the Parks Tax.
- *Procurement expenditures:* A new recurring audit series. We've recently begun an audit of purchasing cards.
- *Follow-up Audits:* We perform follow-up audits to understand why some of our recommendations become unimplemented and make new recommendations that

will help City management and staff take new action. Over the last two years, we've revisited our Public Works Grants; Fire Department Ambulance Billing; and Examination of Department Director Transition Procedures audits.

- *Council Briefings*: We will continue to provide information to the City Council on the status of our outstanding recommendations; the risks the City is accepting by not implementing them; and the challenges that prevent City management from taking action, for example, rapidly changing demands.

### Other Audits in Progress

- *Parks, Recreation & Waterfront (PRW) On-call Maintenance*: We are nearing completion of our audit, which assessed whether PRW charged building and maintenance after-hours services to the appropriate account code.

### Deferred Audits from Prior Audit Plans

Continuing workforce turnover and demands for service not included in the City's Strategic Work Plan has required that we reprioritize our work. As such, we are dropping the following audits, though we may revisit the topics when the City workforce stabilizes:

- *Fiscal Sustainability*: Fiscal sustainability remains a high-priority topic. Our audit, [\*General Fund Reserve Policy Fails to Convey that Maintaining the Reserve is a Priority\*](#),<sup>1</sup> shed light on our concerns about the City's long-term fiscal health and its ability to continue to provide critical services during times of uncertainty. City management and two separate City Councils have put in extensive efforts to reach agreement to implement our recommendation for a stronger General Fund Reserves policy. Council has taken some action, but there is work left to be done. If Council chooses to adopt our recommended General Fund Reserves policy (6/27), it would bring our audit to a close. However, Council also faces increasing community demand for new initiatives and services, which has impacted Council's workload just as it has City staff's. Rather than invest in a new audit about the tough financial choices that lie ahead, we've decided to issue informational reports to continue to inform Council on the City's fiscal health and risk exposure.
- *Citywide Billings and Collections Audit, and Investments Audit*: Finance lacks staffing capacity. The department continues to be understaffed, which creates a workload burden for current staff to just maintain daily operations. It is unlikely that Finance staff could provide their time to assist us with our examination of billings and collections, and investment practices. We prefer to give Finance the ability to get fully staffed and take action on our previous audit recommendations.

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<sup>1</sup> General Fund Reserves Audit (February 23, 2016): [http://bit.ly/GFReserves\\_022316](http://bit.ly/GFReserves_022316)

- *Permit Center phase II:* The Planning Department's [June 27<sup>th</sup>](#) report to the City Council makes it clear that the department faces significant workload challenges.<sup>2</sup> Implementing Zucker Systems' 32 high-priority recommendations alone will exhaust Planning's capacity, and then the department must still address Zucker Systems' 120 remaining recommendations and those from our 2014 audit.
- *Data Collection Systems:* Based on preliminary work, we are opting to wait until the City has implemented its new payroll system so that we can make stronger recommendations for quantifying and tracking staff time spent on immediate and unplanned responses to needs and impact of homeless and similar populations.

### BACKGROUND

The City Auditor's Office aims to improve the efficiency, effectiveness, equity, and accountability of City service delivery, and to identify and reduce risks.

### 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 Council to accept those recommendations and request that the City Manager report on its 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 should 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 prudent program and fiscal management will reduce future costs and enhance public trust.

### CONTACT PERSON

Ann-Marie Hogan, City Auditor, 510-981-6750

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<sup>2</sup> Improving Planning Departments Customer Service (June 27, 2017):  
[http://bit.ly/ZuckerSystems\\_062717](http://bit.ly/ZuckerSystems_062717)

