



Office of the City Auditor

INFORMATION CALENDAR

October 27, 2015

To: Honorable Mayor and Members of the City Council
 From: Ann-Marie Hogan, City Auditor
 Subject: City Auditor Fiscal Year 2016 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. We provided our plan to Council off-agenda on June 30, 2015. This report makes our audit schedule available to the public and provides updates on audits in progress.

CURRENT SITUATION AND ITS EFFECTS

We have several audits underway from our prior year's audit plan, as well as those listed in my June 30, 2015 memo. We identified several audit topics worth pursuing. Some we intend to start, or have started, in fiscal year 2016, and others we will prioritize based on our staffing levels and City needs:

Audits in Progress – Prior Year Carryovers

- Zero Waste Billing – We are nearing completion and have identified recommendations aimed at ensuring that the City collects its due revenue and bills customers equitably.
- Human Resources Department Hiring Practices – We are nearing completion and have identified recommendations that will help Human Resources continue to strengthen its merit-based hiring practices.
- Ethical Climate Survey/Ethics Audit – We are in the writing phase and developing recommendations that will assist the City in supporting an ethical climate.

Audits in Progress – From June 30, 2015 Audit Plan Memo

- Reserves – We are in the preliminary stage of our plan to look at the City's reserves and provide Council with information on how to plan for long-term needs by being fiscally responsible with the City's reserve balance.
- Follow up Audits – We are midway through our plan to follow up on our older audits to see whether our recommendations are still implemented and, if not, what caused them to become unimplemented. We are currently reviewing the status of our Public Works Grants audit (1998) and our Examination of Department Director Transition Procedures audit (1996).¹

¹ Audit Reports: <http://www.cityofberkeley.info/ContentDisplay.aspx?id=7236>

Planned Audits

- Community Agencies – We plan to select community agencies to review for accountability of City grant funds and to identify whether their performance outcomes are in line with *2020 Vision for Berkeley's Children and Youth* goals.
- Parks, Recreation, and Waterfront (PRW) Repair & Maintenance – We plan to review PRW's parks maintenance and repair schedule to identify what the department can realistically manage to complete given limited funding and whether the schedule is systematically designed for efficiency.
- Payroll – We plan to outsource for an internal controls audit of our payroll operations. We cannot independently perform this audit because Payroll Audit is a division of our office. Our goal is to contract with an outside auditor to determine whether our internal controls adequately guard against fraud and to identify how we can make our existing system stronger.
- Recurring Audits – We will plan to perform regular recurring audits to look at how specified revenue streams are spent; for example, whether Measure M funds are used in accordance with the legislation.

Possible Audits – Audit Topics for Consideration

- Methods for continuously improving workforce diversity
- Low-income housing inventory
- Animal services revenue opportunities
- Employee safe driving
- Use of volunteers for City projects and services
- Information technology line of business experts
- City information systems in comparison to other jurisdictions

Deferred Audits and Nonaudit Projects: Changes happening in our office and throughout the City require that we defer some of our prior year audits and ongoing nonaudit projects. We will revisit whether we can continue with these items when our office is once again fully staffed, and the City has appointed, promoted, or hired new employees to fill its many vacant positions:

- Citywide billings and collections
- Investments
- Permit Center phase II
- Fiscal sustainability
- Business License tax revenue
- 2020 Vision rolled over as a nonaudit service

BACKGROUND

The aim of the City's Performance Audit program is to improve the efficiency, effectiveness, and accountability of City service delivery, and identify and reduce risks.

ENVIRONMENTAL SUSTAINABILITY

Although the audits we issue do include information about specific environmental impacts, this particular report has no identifiable environmental effects or opportunities associated with it.

POSSIBLE FUTURE ACTION

Our audits will identify recommendations for management. We will be asking the Council to accept those recommendations and request that the City Manager report on their implementation.

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. Long-range financial benefits of our audits should result in significant improvements to internal controls and improved efficiency and effectiveness of citywide services.

The action Council takes to ensure timely implementation of audit recommendations should result in additional savings and risk reduction, including fraud risk. Reducing fraud risk does more than save money; it helps build trust in government. Maintaining a strong audit function and prudent fiscal and program management will reduce future costs and enhance public trust.

CONTACT PERSON

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

