



Office of the City Auditor

## INFORMATION CALENDAR

July 24, 2018

To: Honorable Mayor and Members of the City Council  
From: Ann-Marie Hogan, City Auditor *ambh*  
Subject: City Auditor Fiscal Year 2019 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. This includes strategic, financial, regulatory, operational, and reputational risks.

### CURRENT SITUATION AND ITS EFFECTS

Our office is currently in flux. We have one unfilled Performance Auditor position and one Performance Auditor working on an intermittent basis. We are also heading into a new era as our office is preparing for a change in leadership this winter; the first since 1994 when I began my service as the Berkeley City Auditor. This makes it challenging to prepare an audit plan most suited for our office in fiscal year 2019. However, we have identified areas we hope to address in the upcoming year:

- Processes for waiving City fees
- Homelessness response
- Bike and pedestrian safety
- Zoning permit hearing and appeals process
- Climate action plan progress
- Parking citations
- Capital assets management
- Community direct requests for service (carryover from FY18)

As the 2019 fiscal year progresses and we onboard new talent, we will select from the above list and conduct audits that we believe have the most potential to add value to City operations, guard against fraud and abuse, and identify ways to equitably serve the Berkeley community. We may also add to or remove items from the list and will notify Council as required. Changes will be based on whether we see new risks areas that require our immediate attention (addition) or see that a risk area is not as significant as we initially believed (removal), and/or if we determine that we have the added ability to delve into operational and program areas that we have not had the capacity to examine in the past.

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

- *Community agencies*: Compliance with City grant requirements and related tax funding, if applicable.
- *Compliance*: City's use of special taxes and other funds in accordance with Council and voter directives.
- *Procurement*: Compliance with City procurement policies in high-risk areas, for example, credit card use.
- *Follow-up Audits*: Evaluation of past audits to understand why some of our recommendations became unimplemented and make new recommendations that will help City management and staff take new action.
- *Council Briefings*: 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, such as rapidly changing demands or resources to meet them.

### 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

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