



Office of the City Auditor

INFORMATION CALENDAR  
June 29, 2010

To: Honorable Mayor and Members of the City Council  
From: Ann-Marie Hogan, City Auditor  
Subject: Audit Plan for Fiscal Year 2011

INTRODUCTION

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

**Audits in Progress (2010 Audit Plan):**

- Efficiency and Transparency of Contract Fiscal Management
- Equipment Replacement Fund Sustainability and Transparency
- Year-end Grants Accounting Adjustments Efficiencies and Risks
- Police Department Property and Evidence Room Controls

**New Audits and Reports (2011 Audit Plan)**

- Unfunded liabilities (survey began in June 2010)
- Fuel (survey began in June 2010)
- Customer Service or Cost of Service Audit (replaces Business License Customer Service)
- Employee Ethics Survey (Whistleblower Hotline report, in progress)
- Credit Cards
- Police Department Property/Evidence Room (Phase II)
- Billings and Collections
- Refuse
- Vision 20/20 (Phase I consulting project)
- Surprise audits (cash, inventory, or contracts)

**Ongoing Activities for Fiscal Year 2011**

- Follow-up on Outstanding Findings
- Training: Internal Controls and Fraud Identification, Reporting, and Prevention
- Non-audit Consulting
- Revenue Auditing (including Business License Tax)

**Other Reports to Council**

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

### BACKGROUND

Performance Audit's aim is to improve the efficiency, effectiveness, and accountability of City service delivery, to reduce risk of loss, and to promote ethical governance. Audits topics are selected based on a review of risks and available resources.

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 as well as direct service staff.

We wish to thank Berkeley residents, the Mayor, the City Council, the City Commissioners, the City Manager, and City staff for suggesting over a hundred audit ideas. We selected areas we considered had the most potential for identifying new revenue or significant improvements to service delivery and stewardship of City resources.

### POSSIBLE FUTURE ACTION: ITEMS CARRIED OVER OR REMOVED FROM PLAN

To inform our assessment of establishing an Employee Whistleblower Hotline we have decided to first perform a survey of the City's ethical climate. We have also amended our planned survey of Business License customer service to a more general plan to survey front line customer service quality and costs.

### 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. The City Auditor is authorized to carry over funds from budgetary savings in order to complete the audit plan. This will include \$20,000 previously authorized for whistleblower hot line start up costs, and could include costs for surveys or implementation of recommendations.

The Auditor's Office and Finance are continuing to work on a joint effort aimed at increasing Business License tax revenues by identifying unlicensed businesses and billing them for unpaid Business License tax, penalties, and interest. Business license revenue from compliance audits has historically been projected at \$125,000 to \$150,000 annually per full time equivalent employee assigned.

### CONTACT PERSON

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