



Office of the City Auditor

INFORMATION CALENDAR

July 12, 2011

To: Honorable Mayor and Members of the City Council
From: Ann-Marie Hogan, City Auditor
Subject: Audit Plan for Fiscal Year 2012

INTRODUCTION

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

Audits and Reports in Progress (2011 Audit Plan):

- Marina Cash Handling Procedures
- Billings and Collections – Business License Taxes
- Customer Service – Permit Center
- City Ethics Policies: Employee Survey
- Vision 20/20 Report

New Audits and Reports (2012 Audit Plan)

- Billings and Collections
- Shelter Plus Care Program
- Affect of Reductions in Federal/State Funding on City Services
- Public Works – Infrastructure Maintenance and Repair Projects
- Police Operations or Fleet Maintenance (depending on outcomes of ongoing consultant reports)

Ongoing Activities for Fiscal Year 2012

- Follow-up on Outstanding Findings
- Training: Internal Controls and Fraud Identification, Prevention, and Reporting
- Surprise Audits (cash, inventory, or contracts)
- Nonaudit 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 goal 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.

We wish to thank Berkeley residents, the Mayor, the City Council, the City Commissioners, the City Manager, and City staff for their audit suggestions. We selected areas we considered to have the most potential for identifying new revenue or significant improvements to service delivery and stewardship of City resources.

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. In fiscal year 2010, our audits identified opportunities for cost savings and recovered revenue of \$387,000 (\$349,000 recurring). Over a five-year period, the results could be almost \$1.8 million.

We continue to identify unlicensed businesses and bill them for unpaid business license tax, penalties, and interest. We billed \$144,000 (\$21,000 recurring) in unpaid taxes, penalties, and interest in fiscal year 2010 as a result of our business license compliance audits. Over a five-year period, the results could be more than \$225,000.

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 possible whistleblower hotline start up costs, and could include costs for surveys or implementation of recommendations.

CONTACT PERSON

Ann-Marie Hogan, City Auditor, 981-6750