



City of Berkeley City Auditor's Annual Report Discussion

October 30, 2012

Another Successful Year!

Thanks City Staff - Thanks City Council
Together, we

- **Improve performance**
- **Save money**
- **Promote transparency and accountability**
- **Deter fraud**



We're Almost There!

Status of Audit Recommendations by Fiscal Year: 2008 Through 2011

	2008	2009	2010	2011	
Accepted	98%	99%	100%	100%	
Fully Implemented	97%	88%	95%	64%	

*The status reports for the audits we issued in FY 2012 are not yet due. Therefore, we do not have updated information on how many of the open recommendations have been implemented since the report was issued.

Council Takes Action

Council directed the City Manager to:

- **Make timely implementation of audit recommendations a high priority, particularly the recommendations regarding fraud prevention, such as the 1998 grants audit and the 2011 adjusting journal entries audit. These recommendations aim to increase the Finance Department's oversight of practices in the departments.**
- **Disclose internal control risks of recommended budget cuts in future budget reports.**

What questions should Council and City Manager ask?



Audit Action: Questions to Ask

➤ **Do we increase the risk of fraud by not implementing this recommendation?**



➤ **Will our ability to provide the best and most timely information needed for decision-making be hindered?**

➤ **Will we provide less oversight of city resources?**



Open Recommendations as of June 30, 2012

Report Title	Risk Category	Open Recommendations	
		Fiscal Year	Total Open
Risk Categories: E = Efficiency; F = Fraud; G = Grants; O = Oversight			
Special Report to Council			
Invisible Problems: Weak Internal Controls Require Disclosure by City Manager and Possible Future Council Action on Budget and Workplans	E, F, G, O	2008	1
Audit Reports			
Public Works Grants Audit	E, F, G, O	1998	1
City-wide Payroll Audit	E, O	1999	2
Customer Service Cash Receipts / Cash Handling Audit	F, O	2003	3
Cash Receipts / Cash Handling Audit - Treasury	E, F, O	2003	1
FUND\$ Change Management Audit	F, O	2004	3
Purchase Order Audit - Select Public Works Divisions at the Corporation Yard	E, F	2005	1
Follow-Up Audit of Public Works Construction Contracts	E, F, O	2007	3
FY 2008 Surprise Cash Count: Permit Service Center	F	2008	1
Leases Audit: Conflicting Directives Hinder Contract Oversight	E, O	2009	7 *
Public Works Contract Monitoring: Risk of Overpayments / Lack of Inventory Controls	E, F	2010	1
Utilization of Public Works Sewer Staff Can Be Improved	E, O	2010	2
Audit: City Fuel Operations Need Improvement	F, O	2011	4 *
Property and Evidence Room POST Study: Follow-up Audit	E, F	2011	1
Employee Benefits: Tough Decisions Ahead (Audit Report)	E, O	2011	4
Lack of Support for Payroll Adjusting Journal Entries: Grant Revenue at Risk?	F, G, O	2011	1
Equipment Replacement Fund - Sustainability and Transparency	E	2011	7
Payment Card Acceptance Audit: Is Cardholder Information Safe?	F, O	2011	12 *
Failing Streets: Time to Change Direction to Achieve Sustainability	E, O	2012	2
Business License Taxes: Providing Better Guidance and Customer Service Will Increase Revenues	E, F, O	2012	20
TOTAL			77

Open Recommendations as of June 30, 2012

Audit Reports Needing Action

- *Efficiency or revenue gains delayed - 14*
- *Fraud opportunities still exist - 14*
- *Grants revenue at risk - 3*
- *Oversight, Governance, Transparency - 15*

Budget Questions to Ask

- **Are we increasing the risk of fraud by making this budget cut?**
- **Will this budget cut hamper our ability to provide the best and most timely information we need for decision-making?**
- **Does this budget cut impact our ability to provide oversight of grants, community agencies, vendors, and staff performance?**



Best Practices

- **Budget: Decide level of service – then determine oversight needs.**
- **Budget and Delayed Actions: Council needs specific information to vote to accept the risk involved in cutting oversight.**
- **Is it too expensive to fully address the risk?**

Thanks Again for Helping Us Help You!

- **Improve performance**
- **Save money**
- **Promote transparency and accountability**
- **Deter fraud**

Questions?
