

CONSENT CALENDAR

March 24, 2026

To: Honorable Mayor and Members of the City Council

From: Jenny Wong, City Auditor *zw*

Subject: Whistleblower Investigation Report on Ambulance Purchase

RECOMMENDATION

We recommend that City Council receive this report and request the City Manager to implement corrective actions in response to the recommendations. The report recommends clarifying procurement roles, formalizing escalation and notification expectations when required steps are bypassed, providing targeted training, reinforcing compliance expectations, and establishing clearer communication to City Council when purchasing requirements are not followed.

FISCAL IMPACTS OF RECOMMENDATION

There is no direct fiscal impact associated with receiving this report. The recommendations focus on strengthening procurement controls, clarifying roles and responsibilities, improving escalation practices, and increasing transparency when required purchasing steps are bypassed. Implementation may involve staff time for policy updates, training, and process improvements.

CURRENT SITUATION AND ITS EFFECTS

The City Auditor's Office conducted a whistleblower investigation into a \$286,000 ambulance purchase after receiving a complaint alleging that the purchase proceeded without required prior City Council approval. The investigation substantiated the allegation and found that a former City employee committed the City to the purchase before required purchasing steps and approvals, including a Purchase Order and Council authorization, were completed.

Because established procurement controls were bypassed, the Finance Department was not aware of the purchase until the vendor was nearing completion of the custom-built ambulance, which limited oversight and delayed payment processing. The vendor withheld the vehicle title until payment was made. While the City ultimately received the ambulance and City Council later approved the purchase retroactively, the sequence of events increased financial and operational risk and reduced transparency in the procurement process.

BACKGROUND

The investigation was opened after the City Auditor's Office received a complaint through the Whistleblower Program alleging that an ambulance purchase moved forward without required approval. The Auditor's Office conducted the investigation under applicable government auditing and investigative standards.

The investigation included review of procurement records, approval documentation, policies and procedures, and staff interviews. This is the first public investigation report issued since the launch of the City Auditor's Whistleblower Program.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with this report.

RATIONALE FOR RECOMMENDATION

The recommendations in the report support improved procurement controls, transparency, and accountability. The recommended changes are intended to reduce the risk of unauthorized commitments, strengthen oversight, and ensure required approval and purchasing steps are consistently followed. Implementing these process improvements supports sound stewardship of public funds and clear communication to City Council when procurement requirements are not met.

CONTACT PERSON

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Attachments:

- 1: Berkeley City Auditor Investigation Report Ambulance Purchase March 2026



BERKELEY CITY AUDITOR

Investigation Report

Substantiated Whistleblower Allegation: \$286,000 Ambulance Purchased without Prior Council Approval

March 2026

Jenny Wong, City Auditor

Erin Mullin, Whistleblower Program Manager



The investigation substantiated the whistleblower allegation. A former City employee committed the City to a \$286,000 ambulance purchase without authority, bypassing required controls. This created financial and reputational risk and reduced transparency and accountability in the purchasing process.

Contents

Allegation and Investigative History2

Investigation Conclusions2

Background3

Scope of the Investigation4

Investigative Findings4

 Summary of Purchase Events.....4

 The unauthorized commitment of City funds violated internal procedures, the Berkeley Municipal Code, and the City Charter.6

 Unclear roles in fleet purchasing contributed to the bypass of controls.6

 Delayed escalation of concerns reduced oversight and increased risk.6

 Retroactive Council approval limited transparency and accountability.....7

Recommendations7

Management Response8

Methodology9

Investigative Standards 10

Allegation and Investigative History

The Berkeley City Auditor’s Whistleblower Program received a report alleging that an ambulance had been purchased without prior City Council approval. The Auditor’s Office initiated an investigation to determine the validity of the allegation.

Investigation Conclusions

The investigation substantiated the whistleblower allegation. We found that the former City employee committed the City to a \$286,000 ambulance purchase without the authority to do so. While the City has internal controls in place to guide and review purchases, those controls were bypassed. This failure created financial and reputational risk for the City and reduced transparency and accountability in the purchasing process.

Background

City departments regularly purchase vehicles and equipment to support their operations. Under City policy, these purchases must follow a standardized process designed to ensure oversight, compliance, and protection of public funds. The process involves shared responsibilities among the requesting department, Public Works Equipment Maintenance Division (Fleet), and the Finance Department's General Services Division. For example, departments like Fire, Police, Parks, and Health, Housing, and Community Services rely on this process to procure vehicles and equipment.

Fleet manages the maintenance, purchase planning, and replacement of the City's vehicles and equipment. Fleet staff support departments in identifying needs, advising on specifications, and providing operational oversight to help ensure proposed purchases are appropriate and aligned with City requirements. While Fleet plays a key role in shaping and overseeing vehicle and equipment acquisitions, the Finance Department's General Services Division is the only unit authorized to issue Purchase Orders and formally commit the City to an expenditure.

The process generally involves the following steps:

- A department identifies the need for a vehicle or piece of equipment.
- Fleet staff coordinate with the department to develop specifications, confirm operational requirements, and validate anticipated costs.
- For purchases exceeding \$100,000, City Council approval is required before the City proceeds with any purchasing steps that would commit the City to an expenditure.
- Fleet staff prepare and submit a Purchase Requisition through the City's internal approval workflow.
- General Services reviews the Requisition and issues a Purchase Order, which serves as the City's official authorization for the vendor to proceed.

These steps are intended to ensure appropriate oversight, compliance with City requirements, and protection of public funds before the City is committed to an expenditure.

Scope of the Investigation

The investigation focused on whether the vehicle purchase complied with City procurement policies, Administrative Regulations, and applicable provisions of the Berkeley Charter and Municipal Code. We examined whether the actions taken by staff constituted abuse, including misuse of position, bypassing required controls, and committing the City to an expenditure without proper authority.

Investigative Findings

The investigation substantiated the allegation. We found that a former City employee committed the City to an ambulance purchase of \$286,000 without the authority to do so. The purchase proceeded without City Council approval and without completion of required purchasing steps, including a Purchase Requisition and Purchase Order. These actions were inconsistent with City purchasing requirements and involved bypass of established internal controls.

This action violated the City's internal purchasing procedures, the Berkeley Municipal Code (BMC) requirement for City Council approval of purchases over \$100,000, and the City Charter's limits on contracting authority. These actions created financial and operational risk and reduced transparency in the City's purchasing process.

We also found that unclear roles in fleet and equipment purchasing contributed to the bypass of controls, that staff did not elevate concerns when they realized required steps had not been completed, and that the purchase was later approved retroactively without clear disclosure to City Council.

Summary of Purchase Events

In late 2022, a former City employee initiated a \$286,000 ambulance purchase without City Council approval or the completion of required purchasing steps. Fleet moved forward with the purchase before submitting a Purchase Requisition or obtaining a Purchase Order, and Finance was not involved until nearly ten months later, when the ambulance, which had to be built to order, was close to completion. Although required procedures had not been followed, the vendor proceeded with production without an approved purchase order in place, committing the City to an unauthorized and unbudgeted expenditure, creating a budget risk and limiting the City's ability to evaluate funding availability and priorities before funds were obligated.

City Council retroactively approved the purchase in December 2023, more than a year after the purchase was initiated and after the ambulance had already been delivered to the City. Final payment was not made until January 2024, and until payment was completed, the vendor withheld the vehicle title, delaying the City’s ability to take full possession of the ambulance.

Figure 1. Vehicle Purchase Timeline

| Step | Timing | Details |
|---|-----------------------------------|--|
| Need Identified | Late 2022 | The Fire Department identified the need for an ambulance. |
| Specifications and Cost Estimates Finalized | Late 2022 | Fleet personnel coordinated with Fire to finalize vehicle specifications and confirm anticipated costs. |
| Unauthorized Purchase Agreement Executed | Late 2022 | A former City employee executed a purchase agreement without City Council approval, a Purchase Requisition, or a Purchase Order. |
| Finance Becomes Aware | About 10 months later | Finance first learned of the purchase when the vendor was near completion of the custom-built ambulance. |
| Ambulance Delivered | Following Finance’s involvement | The ambulance was delivered before required purchasing steps had been completed. The vendor withheld the title pending payment. |
| Retroactive Council Approval | More than a year after initiation | City Council retroactively approved the purchase over 12 months after the unauthorized agreement was signed. |
| Purchase Order Issued | Shortly after Council approval | Finance issued a purchase order, more than a year after the process began. |
| Vendor Paid | Several weeks after delivery | Final payment was made, vendor released vehicle title. |

Source: Berkeley City Auditor

The unauthorized commitment of City funds violated internal procedures, the Berkeley Municipal Code, and the City Charter.

The purchase was made without a Purchase Requisition, without a Purchase Order, without review by Finance, and without prior City Council authority. City policy requires all purchases to be entered into the City's financial system through a Purchase Requisition to enable centralized review for compliance with procurement rules, appropriate vendor selection, and competitive pricing. This step was skipped entirely.

Because the total cost exceeded \$100,000, City Council approval was required under the Berkeley Municipal Code before an authorized official could commit the City to the purchase. By moving forward with the purchase without following these requirements, the former City employee acted outside their delegated authority and acted in abuse of their authority. These actions violated the City's internal purchasing procedures, the BMC, and the City Charter, and undermined the controls intended to ensure proper oversight of public funds.

Unclear roles in fleet purchasing contributed to the bypass of controls.

Interviews indicated that roles and responsibilities in the fleet and equipment purchasing process were not well understood across departments. This lack of clarity contributed to conditions in which an employee was able to bypass required steps and commit the City to a large purchase without proper authority. Clearer guidance would help define roles and ensure that responsibilities and authority are properly aligned, preventing future unauthorized commitments.

Delayed escalation of concerns reduced oversight and increased risk.

During the purchasing process, staff recognized that key purchasing steps, including the issuance of a Purchase Order, had not been completed. However, there was no clearly defined escalation requirement or notification pathway specifying when process deviations must be elevated and to whom. As a result, Finance did not become aware of the purchase until ambulance delivery was imminent, which limited their ability to intervene earlier in the process.

When the ambulance arrived, the City could not immediately issue payment because no Purchase Order existed, and the vendor withheld the vehicle title until they received payment. This situation created both operational and financial risk for the City, disrupted normal vendor relations, and weakened oversight. This condition highlights the need for defined escalation expectations, documented notification pathways, and training so that when required purchasing steps are incomplete or bypassed, the issue is elevated promptly to the appropriate authority.

Retroactive Council approval limited transparency and accountability.

City Council ultimately approved the purchase after the ambulance had been delivered and the title was being held by the vendor. The Council report did not clearly indicate that the approval was retroactive, reducing transparency for decision-makers and the public.

Although the purchase was eventually approved and payment completed, the sequence of events highlighted gaps in communication and oversight and demonstrated the need for a clearer process for notifying City Council when required purchasing steps have not been followed.

Recommendations

1. To ensure clarity in all procurement processes, we recommend that Finance update the Purchasing Manual to explicitly state that, regardless of type, no purchase may be made without a purchase requisition, a purchase order, and, if over the council threshold, Council approval prior to any commitment.
2. To ensure accountability and improve early detection of purchasing irregularities, we recommend that Finance, in coordination with Human Resources, update Administrative Regulation 3.4 to include:
 - (1) Defined escalation and notification expectations when staff become aware that required purchasing steps have not been followed; and
 - (2) A general compliance statement clarifying that adherence to procurement requirements is mandatory and that violations may result in corrective or disciplinary action consistent with applicable personnel rules.

3. To ensure that all relevant departments understand roles and procedures, we recommend that the Human Resources Department and General Services provide targeted training and communication to departments on the fleet and equipment procurement process.
4. To ensure transparency and accountability when required purchasing steps are bypassed, we recommend that the City Manager's Office establish a process requiring timely communication to City Council whenever a purchase moves forward outside of the established procurement requirements. The process should define when notification is required, who is responsible for providing it, and how deviations from standard purchasing procedures should be clearly communicated to the City Council, especially when retroactive approval is requested.

Management Response

Management agrees with the overarching principles expressed in the recommendations and acknowledges that City Council authorization was required prior to execution of this purchase. However, it should be noted that existing policy language exists; this breach arose from an individual employee bypassing established policy, which was a violation. Although the vendor proceeded with vehicle fabrication, the existing internal controls were effective in catching the policy and procedure violation. No payments were made until Council authorization was received. A personnel investigation into the policy violation was subsequently conducted and completed in 2024.

Recommendation 1: Management agrees that the purchase at issue proceeded without City Council approval and without completion of required purchasing steps. These actions were inconsistent with City purchasing requirements, per the Purchasing Manual, and involved the bypass of established internal controls. To bolster the existing purchasing requirements in the Purchasing Manual, Finance will include in one area language specifying the requirement of following these processes.

Recommendation 2: Management agrees that timely escalation is critical to ensure that corrective measures can be implemented. This should be emphasized in employee trainings, as referenced in #3 below. Management will assess the potential ramifications of adding language regarding disciplinary action to existing policies.

Recommendation 3: Management agrees that employees should receive regular training on procurement policies to ensure clarity. Management currently provides periodic training on procurement and will evaluate updates to emphasize the importance of internal controls. However, it should be noted, in this instance, an individual employee acted outside the scope of delegated authority and misrepresented the City’s authorization status to the vendor. In bypassing Administrative Rule 3.4, the employee committed a significant violation of established procurement policy and internal controls.

Recommendation 4: Existing City Charter and Administrative Rules clearly outline purchasing limits. It is important to note in this instance, that due to the extended fabrication timeline associated with the vehicle, management was not immediately aware of the unauthorized commitment. In October 2023, the employee disclosed the matter to management. Upon notification, management initiated corrective actions, including preparation and submission of a report to the City Council recommending authorization of the purchase.

Finally, management continues a review of departmental policies, procedures, and internal control systems through the Equipment Maintenance/Fleet Study conducted by Mercury Associates. The Mercury Associates study was procured through a formal Request for Proposals (Specification No. 22-11496) issued on May 3, 2022, and was intended to evaluate fleet governance, oversight mechanisms, and process controls. Policies and practices improvements related to fleet procurement, billing, and maintenance have been implemented as a result of this assessment.

Methodology

The Office performed a preliminary review of the whistleblower report to confirm our understanding of the reported allegations, and to determine if all the following four investigation criteria were met:

1. The alleged incident involved City of Berkeley property, infrastructure, employees, officials, or otherwise falls within the City’s jurisdiction.
2. If true, the concern meets the definition of “fraud,” “waste,” or “abuse”.
3. The alleged incident occurred within 12 months of being reported.
4. The alleged incident is not known to be the subject of current litigation.

After confirming that the allegation met these criteria, the Office conducted additional preliminary steps to assess whether sufficient predication existed to initiate an investigation. Predication refers to the presence of specific, articulable facts or information that, if true, would reasonably indicate fraud, waste, or abuse within the City's jurisdiction.

Based on the results of this preliminary review and the existence of sufficient predication, the Office initiated an investigation to arrive at the findings and conclusions in this report.

Specifically, we examined whether proper approvals were obtained, whether steps such as initiating a Purchase Requisition and routing the purchase through the General Services Division were followed, and whether City Council approval was secured before funds were committed. Evidence reviewed included vendor proposals, purchase documentation, Council resolutions, internal emails, and invoices. Interviews were conducted with city staff to confirm the sequence of events and identify any control weaknesses.

Investigative Standards

Investigations conducted by the Berkeley City Auditor's Office are considered non-audit projects under the Government Auditing Standards and are conducted in accordance with the ethics and general standards (chapters 1-3), procedures recommended by the Associated of Certified Fraud Examiners (ACFE), and the Certified Fraud Examiner's Manual. Investigations conducted also adhere to the quality standards for investigations established by the Council of Inspectors General on Integrity and Efficiency (CIGIE), and to the Berkeley Municipal Code.