

Audit Plan Fiscal Year 2027

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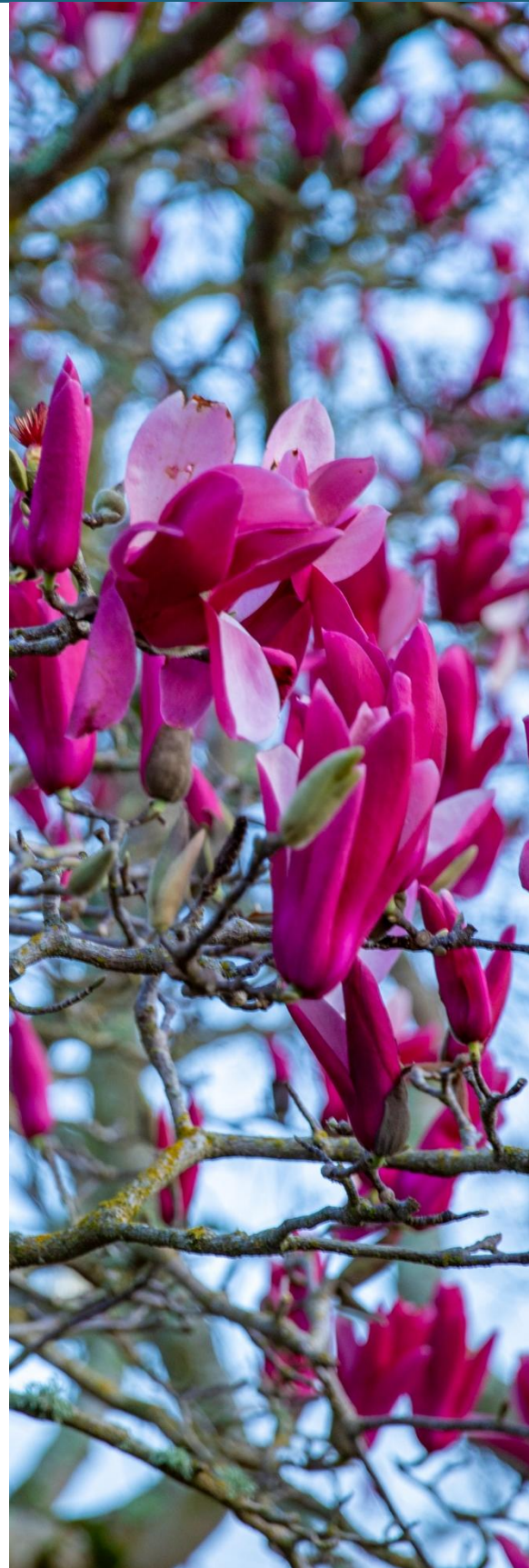
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BERKELEY CITY AUDITOR



Letter from the Auditor



As the Berkeley City Auditor, I am pleased to present to you the audit plan for fiscal year (FY) 2027. This plan outlines the key areas of focus for the City Auditor's Office, including ongoing work and new initiatives to ensure transparency, accountability, and effective governance.

Our office conducts performance audits of city functions, where we evaluate city programs to determine their effectiveness and compliance with local laws and regulations. We aim to initiate the engagements identified in the audit plan during the fiscal year, but our ability to do so will depend on available resources.

To contribute to the City's efforts to address the structural budget deficit, the Auditor's Office reduced our baseline budget. As a result, we will pause the expansion of the Whistleblower Program to the public and have limited resources for staff training. While these reductions will impact audit work, my office is committed to fulfilling our charter-mandated responsibilities.

In the past fiscal year, my office released three audits on the Homeless Response Team, non-competitive city contracts, and Berkeley's financial condition. Our contracts audit has already led to a Councilmember proposal to amend the Berkeley Municipal Code to require competition for service contracts greater than \$100,000. We also released our first public investigation report since the launch of the Whistleblower Program. Additionally, we published a special report on performance metrics to provide best practices for management consideration.

We have developed the FY 2027 audit plan with consideration to the risks facing the City and stakeholder input. In FY 2027, we will continue our ongoing audits of the Rent Stabilization Board and business license tax. We also plan to initiate new audits related to public health and Measure FF. We will continue to follow up on audit recommendations to determine if the City has properly implemented them.

During this uncertain time, I look forward to working with City leadership, staff and the public to provide transparent, rigorous analysis to inform the tough decisions ahead on the issues that matter most to Berkeley residents.

Respectfully,

A handwritten signature in black ink that reads "Jenny Wong". The signature is written in a cursive, flowing style.

JENNY WONG
City Auditor

Planned Engagements FY 2027

Public Health

The Auditor's Office will conduct an audit of the Public Health Division. The audit will examine the division's finances or operations.

Measure FF

The Auditor's Office will conduct an audit of Measure FF (sidewalk and streets). The City Auditor is required to conduct an independent performance audit of Measure FF at least every three years. The audit will examine tax expenditures and progress towards the goals set forth in the measure.

Follow-Up

The Auditor's Office will continue to follow up on all audit recommendations to determine if they are properly implemented. We will issue follow-up audit reports to City Council on the status of our recommendations. We will also update our online public dashboard to increase transparency and accountability of the status of open audit recommendations.¹ See page three for more details. This process may lead to follow-up audits in areas where risks identified in the original audit have not been mitigated.

Short-Term Projects

To be responsive to the needs of the City and the public, we may engage in short-term projects to provide timely and relevant information and analysis to the City and community.

Ongoing Engagements

The Auditor's Office will continue our audits of the Rent Stabilization Board and business license tax.

Whistleblower Program

The Auditor's Office is continuing implementation of the Whistleblower Program, which provides a confidential way for employees to report fraud, waste, or abuse by city departments, employees, or contractors. This fiscal year, we will continue reviewing and investigating whistleblower reports, strengthening program procedures and case tracking, increasing employee awareness of the hotline, and issuing public reports when substantiated matters warrant public disclosure. See page four for more details.

¹ [City Auditor's Recommendation Dashboard](#)

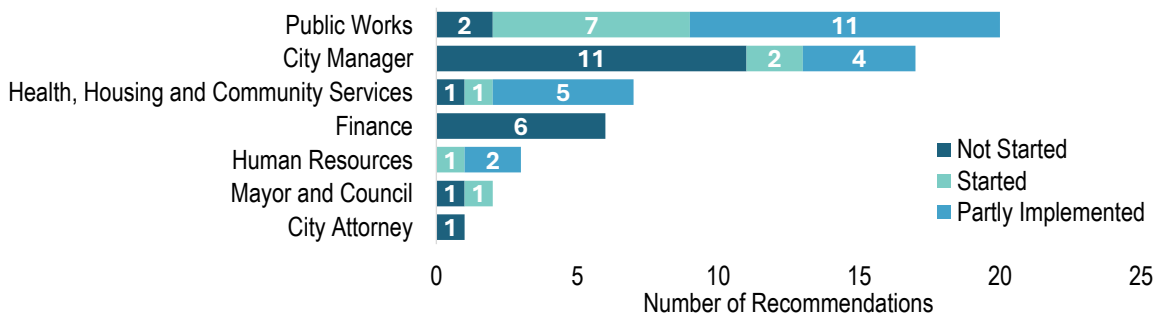
Audit Follow-Up Program

The Auditor’s Office conducts the annual follow-up program to assess whether city personnel implemented the audit recommendations for every audit. Our expectation is that the City should take no more than two years to implement our audit recommendations, unless otherwise specified.

In fiscal year 2027, the Auditor’s Office will follow up on 56 open recommendations from 7 audits. We will use the following statuses to report on the implementation of audit recommendations:

- **Implemented:** Auditee has addressed the audit risk by completely implementing the recommendation.
- **Partly implemented:** Auditee has implemented 50 percent or more of the recommendation.
- **Started:** Auditee has started to address the recommendation but has not reached the 50 percent threshold.
- **Not started:** Auditee has not yet taken action to implement the recommendation.
- **Dropped:** Auditee has accepted the risk to the City that the recommendation is meant to address and is unable or unwilling to implement the recommendation. Additionally, all open recommendations will be reported as dropped if they are not implemented within five years of audit issuance.

Figure 1. In FY 2027, the Auditor’s Office will follow up on 56 open recommendations across 6 departments, as well as the Mayor and City Council.



Note: The graph shows open recommendations our office will follow up on in FY 2027. We will follow up on the Financial Condition audit in FY 2028 prior to the next budget cycle. The Not Started category includes 19 recommendations from the recently released Homeless Response Team audit and contracts audit, which we will follow up on for the first time in FY 2027. Implemented and dropped recommendations are considered closed. The status for all recommendations is on our dashboard.

Source: Berkeley City Auditor

Whistleblower Program

The Whistleblower Program includes a confidential hotline for reporting fraud, waste, and abuse in city government 24/7, 365 days of the year. The hotline is currently available to all city employees. Due to limited resources, we have paused plans to expand the program to the broader Berkeley community. To support safe reporting, City policy protects City employees from retaliation for reporting fraud, waste, or abuse.

Authority and Independence

State legislation encourages cities to specifically focus on fraud, waste, and/or misuse of city resources through whistleblower programs led by city auditors. In 2009, California Government Code Section 53087.6 enabled local government auditors to establish whistleblower programs and to provide whistleblower protections. Local auditors are authorized under Section 53087.6 to create whistleblower programs with the approval of their respective legislative bodies and have discretion in how to operate their programs. In June 2024, City Council adopted Ordinance No. 7,922 formally establishing the City Auditor's authority to receive and investigate whistleblower reports.

The Berkeley City Auditor maintains a level of structural independence well-suited for a whistleblower program, as the City Auditor is elected by the public and does not report to the City Manager or Council. The City Auditor is well-positioned due to their role in providing objective information on the operations of government programs and helping ensure full accountability to the public.

Accomplishments

In FY 2026, the Auditor's Office continued strengthening the foundation of the Whistleblower Program by refining intake, review, and investigation procedures; improving internal case tracking; and working with departments to address allegations of fraud, waste, and abuse. During the year, the office received whistleblower complaints, referred matters outside the program's scope to appropriate departments, and issued the first public investigation report since the launch of the Whistleblower Program. This public report increased visibility into the program's impact and demonstrated how whistleblower reports can help identify control weaknesses, improve accountability, and reduce the risk of similar issues in the future.

Audit Plan and Selection Process

What is an Annual Audit Plan?

The City Charter establishes the City Auditor's duty to present a planned audit schedule to City Council at the beginning of each fiscal year. The FY 2027 Audit Plan fulfills this duty and ensures broad audit coverage throughout the City while also addressing specific performance, financial, contractual, and system risks. Audit resources are limited, thus prohibiting one hundred percent coverage each year. This limiting factor is inherent in the concept of using risk assessment to help prioritize audits. According to the City Charter, the ultimate decision to perform any audit shall be at the sole discretion of the Auditor. Our approach to scheduling audits is flexible and subject to change throughout the year based on newly identified risks.

Audit Selection Process

In developing a list of potential audits, ideas come from a variety of sources:

- Input from the community, elected officials, department staff, and City management;
- Assessment of operations and controls in previous audit reports;
- Assessment of citywide risks;
- Consideration of current local events, financial conditions, capital improvement projects, and public policy issues; and
- Consideration of risks identified in other government audits that could emerge in Berkeley.

Our office prioritizes potential audits using a risk-based approach that examines a variety of factors that may expose the City to fraud, misuse of funds, waste, liability, or reputational harm. The following risk factors are used to determine audits included in the audit plan:

- Perception of risk from management, City Council, the community, and audit staff;
- Economic factors such as financial impact, volume of transactions, number of personnel, and revenue generated;
- Changes in organization, management, key personnel, and information systems; and
- Time since last audit.

After the plan is finalized, new information may come to light; events, initiatives, priorities, and risks within the City may change. The flexible nature of the Audit Plan as a living document provides the ability to change course when it is in the best interest of the City.

Auditor's Authority

Auditing Under the City Charter

Berkeley City Charter, Section 61, establishes the City Auditor's independence and provides for the Auditor's general authority and duties. The Charter provides that the Auditor shall have the authority to conduct:

- Performance and financial audits or special studies of all phases of the City of Berkeley government in accordance with government auditing standards;
- Financial, compliance, efficiency and economy, and program results auditing; and
- Examinations of payrolls, bills, and other claims and demands made against the City.

Berkeley's Auditing Framework

The following key components of Berkeley's Auditing Framework provide the Auditor with the independence that results in the office's ability to conduct high-impact audits.

- **Elected Auditor:** The City of Berkeley has an elected Auditor who is independent from all other elected officials and City management.
- **Comprehensive Access:** The City Charter and Municipal Code authorize the Auditor to have unrestricted access to all officials, employees, records, and reports maintained by the City, and to all external entities, records, and personnel related to contracted business interactions with the City.
- **Audit Response Requirements:** City Municipal Code requires that City management formally respond to all audit findings and recommendations.
- **Recommendation Follow-Up Requirements:** City Municipal Code establishes the Auditor's authority to follow up on audit recommendations as practical to determine if the City Manager is implementing corrective action and request periodic reports on the status of audit recommendations from City management. The Auditor determines the adequacy, effectiveness, and timeliness of management's actions to correct reported issues and recommendations.
- **Adherence to Professional Auditing Standards:** As required in the City Charter, the Auditor's Office conducts all audits in accordance with Generally Accepted Government Auditing Standards produced by the United States Government Accountability Office.

Mission Statement

Promoting transparency and accountability in Berkeley government.

Performance Audit Staff

Erin Mullin, Audit Manager
Caitlin Palmer, Audit Manager
Kendle Kuechle, Auditor II
Pauline Miller, Auditor II
Manami Suenaga, Auditor I
Katie Wysong, Auditor I

City Auditor

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Cover photograph provided by the City of Berkeley



BERKELEY CITY AUDITOR



To: Honorable Mayor and Members of the City Council
From: Jenny Wong, City Auditor *zw*
Subject: City Auditor Fiscal Year 2027 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 (FY) and to notify the Council when audits are added. In deciding what to audit, our office considers suggestions from the City Manager, staff, the City Council, the Rent Stabilization Board, commissioners, and other community members. We examine risks that might prevent the City from reaching its goals, including strategic, financial, regulatory, operational, and reputational risks.

CURRENT SITUATION AND ITS EFFECTS

As required by the City Charter, we are notifying the Council of our annual audit plan. The following plan assumes being fully staffed to conduct these audits.

For FY 2027, we have identified areas we aim to address in the upcoming year:

- Business License Taxes (audit in progress)
- Rent Stabilization Board (audit in progress)
- Public Health
- Measure FF
- Follow-up on prior audit recommendations
- Short-term projects
- Whistleblower Program

BACKGROUND

The mission of the Berkeley City Auditor is to promote transparency and accountability in Berkeley government. This is achieved through independent evaluations of city programs and activities. The FY 2027 Audit Plan reflects our office's commitment to continuous improvement by enhancing the overall impact of the Berkeley City Auditor's Office on behalf of Berkeley residents, businesses, and visitors.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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 the Council to accept those

recommendations and request that the City Manager report on their actions to implement them. We may also make recommendations requiring Council action.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Audit work can lead 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 include 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 fiscal management will reduce future costs and enhance public trust.

CONTACT PERSON

Jenny Wong, City Auditor, 510-981-6750

Attachment:

1. Audit Plan Fiscal Year 2027