



CONSENT CALENDAR
June 4, 2024

To: Honorable Mayor and Members of the City Council

From: Jenny Wong, City Auditor *JW*

Subject: Contract: GPP Analytics Inc. for Independent Third-Party Audit of Payroll Audit Division

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments, extensions, or other change orders with GPP Analytics Inc. in an amount not to exceed \$120,000 to conduct an independent performance audit of the City Auditor's Office's Payroll Division activities.

FISCAL IMPACTS OF RECOMMENDATION

Funding for this contract comes from salary savings and is in the City Auditor's Office fiscal year 2024 budget, General Fund budget code 011-12-122-000-0000-000-411-612-990.

CURRENT SITUATION AND ITS EFFECTS

By City Charter, the City Auditor's Office is responsible for management and oversight of the Payroll Audit Division. Because of this structure, the City Auditor's Office cannot complete an independent audit of payroll operations in accordance with generally accepted government auditing standards, which the City Charter requires that we comply with. Performing an audit of the Payroll Audit division would be considered "auditing our own work" by those standards. To do so could create an independence impairment in both mind and appearance, compromising the public trust in our professional judgment, integrity, objectivity, and professional skepticism. However, the City Auditor recognizes that payroll operations is a high-risk area that warrants regular, independent audits. Therefore, in keeping with the City Auditor's Office's commitment to the Berkeley community to ensure assessment of high-risk City operations, the City Auditor is seeking to contract with an independent third-party to audit its payroll services. The City Auditor's Office will present to City Council the third-party's report, including findings and recommendations, and then continue to report to City Council on progress with implementing the recommendations until they have all been implemented.

Contract: GPP Analytics Inc. for
Independent Third-Party Audit of Payroll Audit Division

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BACKGROUND

The City Auditor is an elected official who serves the residents of Berkeley and whose mission is to be a catalyst for improving City government. The City Auditor's Office is comprised of two divisions:

- Performance Audit Division: Conducts performance, financial, and compliance audits in accordance with generally accepted government auditing standards to promote efficiency, effectiveness, and accountability; provide objective, timely, and accurate information about City program performance to the public, Council, management, and staff; and make recommendations for improvement that help Berkeley residents hold City government accountable for stewardship of public resources.
- Payroll Audit Division: Examines and monitors City payroll for accuracy, accountability, and compliance with federal and state regulations, City policies, procedures, and memorandums of understanding (i.e., labor agreements); processes City payroll; issues pay checks and related reports; and performs other payroll-related activities.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental sustainability and climate effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

The City Charter requires that the City Auditor's Office perform audits in accordance with generally accepted government auditing standards. Those standards state, "In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent." By that standard, the City Auditor's Office cannot independently perform an audit of its Payroll Audit Division. Recent resignations and underfilled positions have provided the City Auditor's Office with salary savings to use towards the recommended contract.

ALTERNATIVE ACTIONS CONSIDERED

No alternative was considered. The City Auditor's Office cannot independently perform an audit of its Payroll Audit Division and, therefore, a third-party contractor is needed to complete the work.

CONTACT PERSON

Jenny Wong, City Auditor, 510-981-6750

Attachments:

1: Resolution – Contract: GPP Analytics Inc. for Independent Third-Party Audit of Payroll Audit Division

RESOLUTION NO. ##,###-N.S.

CONTRACT: GPP ANALYTICS INC. FOR INDEPENDENT THIRD-PARTY AUDIT OF
PAYROLL AUDIT DIVISION

WHEREAS, payroll operations is a high-risk area that warrants regular, independent audits; and

WHEREAS, the Payroll Audit Division is a division of the City Auditor's Office; and

WHEREAS, the City Charter requires that the City Auditor's Office perform audits in accordance with generally accepted government auditing standards; and

WHEREAS, the generally accepted government auditing standards state that "In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent"; and

WHEREAS, a request for proposal, Specification No. #24-11660-C, was released in March 2024 with two firms responding, and GPP Analytics Inc. was selected as one of the firms best meeting the City Auditor's needs to perform an independent audit of payroll activities within the City Auditor's Office Payroll Audit Division; and

WHEREAS, funding for this contract comes from salary savings and is in the City Auditor's Office fiscal year 2024 budget, General Fund budget code 011-12-122-000-0000-000-411-612-990.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract and any amendments, extensions, or other change orders with GPP Analytics Inc. to perform an independent internal controls and performance audit of the City Auditor's Office Payroll Audit Division.

