



BERKELEY CITY AUDITOR

INFORMATION CALENDAR

May 11, 2021

To: Honorable Mayor and Members of the City Council

From: Jenny Wong, City Auditor

Subject: Streets Audit Report Wins National Recognition

INTRODUCTION

The 2020 Exemplary Knighton Award for best performance audit report in the small shop category has been awarded to the City of Berkeley Auditor's Office by the Association of Local Government Auditors (ALGA). The report, *Rocky Road: Berkeley Streets at Risk and Significantly Underfunded*, was judged on several key elements, such as the potential for significant impact, the persuasiveness of conclusions, the focus on improving government efficiency and effectiveness, and its clarity and conciseness.

CURRENT SITUATION AND ITS EFFECTS

Each year, local government audit organizations from around the U.S. and Canada submit their best performance audit reports for judging. The judges from peer organizations determined that our audit of the City of Berkeley's Streets was among the best of 2020.

BACKGROUND

We issued our audit report, *Rocky Road: Berkeley Streets at Risk and Significantly Underfunded*, on November 19, 2020<sup>1</sup>. The purpose of the audit was to determine:

1. Are there sufficient resources for maintaining Berkeley's streets?
2. Are there clear policies and processes to guide street paving decisions?

We found that, without significant additional funding, Berkeley streets will continue to deteriorate and deferred maintenance costs will increase. Continuing with the current level of funding, the Paving Conditions Index (PCI) will move from 59 in 2018 and reach an estimated low of 52 by 2023. In addition, if the City simply maintains the current level of funding, the deferred maintenance costs will increase to an estimated \$328 million by 2023. Revenue decreases from COVID-19 may contribute to further declines in street condition.

We also found that the Streets Rehabilitation and Repair Policy has not been updated since 2009 and Public Works is no longer following the policy to guide annual updates to the Five-Year paving plan. Equity is currently not defined in the policy. Additionally, the policy is not guided by clear goals or performance measures. Without a clear and updated policy,

<sup>1</sup> [https://www.cityofberkeley.info/uploadedFiles/Auditor/Level\\_3\\_-\\_General/Rocky%20Road-Berkeley%20Streets%20at%20Risk%20and%20Significantly%20Underfunded.pdf](https://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/Rocky%20Road-Berkeley%20Streets%20at%20Risk%20and%20Significantly%20Underfunded.pdf)

Public Works and City Council are not able to make fully informed or transparent decisions regarding annual street paving. This may lead to inefficiencies and inequities in street paving.

We made five recommendations to ensure there are sufficient resources to maintain Berkeley's streets and to increase transparency around the street paving process. City Management agreed to our findings, conclusions, and recommendations.

#### ENVIRONMENTAL SUSTAINABILITY

This report is not associated with identifiable environmental effects or opportunities.

#### POSSIBLE FUTURE ACTION

We will continue to follow up on the status of audit recommendation implementation to ensure the City mitigates the risks that could prevent the City from providing efficient, effective, and equitable service delivery.

#### FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Audit work leads 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 result in 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 prudent program and fiscal management will reduce future costs and enhance public trust.

#### CONTACT PERSON

Jenny Wong, City Auditor, 510-981-6750

Attachment:

1. 2020 Knighton Award Letter from ALGA



## Association of Local Government Auditors

April 8, 2021

Jenny Wong  
Berkeley City Auditor  
2180 Milvia Street, 3<sup>rd</sup> Floor  
Berkeley, CA 94704

RE: 2020 Knighton Award Winner

Dear Jenny Wong:

The Association of Local Government Auditors (ALGA) Awards Program Committee is pleased to announce that the City of Berkeley, City Auditor's Office, *Rocky Road: Berkeley Streets at Risk and Significantly Underfunded*, won the 2020 Exemplary Knighton Award in the Small Shop Category.

ALGA was founded in 1985 to serve auditors who specialize in working with local governments. ALGA members represent approximately 300 local government audit organizations. Unlike the majority of auditors who work within a single industry, local government auditors must work in an environment that encompasses a wide variety of industries. Local government auditors are committed to helping their governments improve service delivery to citizens while doing so more efficiently and effectively with the limited resources available. In making the award, the judges commented:

This report was a clear stand-out: its short "Why this audit is important" section immediately draws the reader in with an explanation of why we should care. The layout, flow, graphics, and plain language made the report easy to read, and the message throughout the report stayed within scope. The report had sound methodology and was thorough, well documented, and supported by evidence. The judges were particularly drawn to the recommendations that related back to Council strategic goals to align the specific initiative of street maintenance with an overarching goal of the city of equity and inclusion. Lastly, the judges noted that including the detailed methodology in the appendix was a smart choice; most readers do not need that level of detail, so it was not necessary to include it in the heart of the report, but the information is there for those who do want it.

To encourage increasing levels of excellence among local government auditors, ALGA created the Knighton Award in 1995 to recognize the best performance audit reports produced by local government audit shops in the previous year. Each year, local government audit organizations submit their best performance audit report to be evaluated against four criteria: (1) an audit scope that has the potential for significant impact, and is responsive to the needs and concerns of decision-makers and/or the public; (2) audit conclusions that are persuasive, logical, and firmly supported by the evidence, which was gathered using appropriate research methods and tools; (3) audit recommendations that are feasible, and will make government programs more effective and efficient; and (4) audit results that are communicated in a clear, concise way.



## Association of Local Government Auditors

Judges from peer organizations determined that the City of Berkeley, City Auditor's Office report was among the best of 2020.

Congratulations for receiving this award!

Sincerely,

Larry Stafford, President  
ALGA

Hannah Gardener, Chair  
ALGA Awards Program Committee