

Office of the City Auditor  
Ann-Marie Hogan, City Auditor

Date: September 1, 2004  
To: The Honorable Tom Bates  
From: Ann-Marie Hogan, City Auditor  
Re: Library Operations Audit

You have asked me to respond to your recent letter, in order to “clear up any confusion, misunderstandings, and errors” regarding references to our Library Department Purchasing and Accounts Payable Audit in the ballot arguments regarding Berkeley Measure L.

1. In answer to your question as to whether the statement "The City Auditor says the Library Board failed to control runaway costs" is correct, the answer is no. The issue of cost of Library services is not addressed in the audit. The objectives of this performance audit, as stated in the report's introduction, were to evaluate the effectiveness of the internal control structure over purchasing and accounts payable operations in the Library's Administrative Division and Technical Services Division, and to identify and evaluate the effectiveness of the Library's efforts to reduce workers' compensation claims at the Central Library.
2. You also expressed a concern that the argument incorrectly implies that none of the audit recommendations were implemented by the Library, and asked for an update on the current status of our recommendations. The audit report, presented to Council on June 8 and discussed at the July 13 meeting, includes statements by the Library that most recommendations had been implemented or would be implemented by July 1. Our report included a statement that “We appreciate the fact that Library management requested the audit, and that many significant steps were taken to improve internal controls before the issuance of this report.” The Library has provided us with an audit implementation status report, which indicates that they have fully implemented 17 of our 20 recommendations and have partially implemented 3. I believe the Library report is scheduled for Council on September 28.

## Cost Concerns

As stated in our report to Council, it appeared that internal controls could be improved without incurring additional costs, but there was no statement that the implementation of our recommendations would actually save money.

Our positive finding that the Library was taking steps to identify and correct safety concerns in order to help reduce the cost of workers compensation claims, and our recommendation for enhancing this effort, could be seen as having an impact on costs in the future.

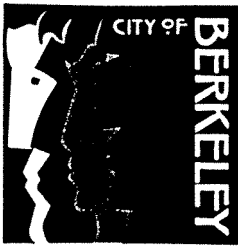
## Implementation of Our Recommendations

Because the primary benefit of our audits is the implementation of our recommendations, the auditors systematically track and follow up on the implementation of our recommendations. With the support of the City Manager, we require the departments to periodically report to Council regarding the implementation status for each audit recommendation. Information in these status reports, which the City Manager provides to Council, is not verified by the auditors until additional audit work is done in the same area (usually during a future audit in that area).

We established performance measures regarding percentages of audit recommendations to be implemented or partially implemented. As mentioned above, the Library has prepared an updated status report on the audit. According to this report, there are now 17 implemented recommendations and 3 partially implemented (in progress) recommendations, or 100% of the total. While this particular performance measurement does not make distinctions as to the relative complexity of the recommendations, at three months, the achievements reported by the Library compare favorably with our benchmarks at the one year mark.

With your permission, I will copy the Library Board of Trustees and other members of Council on this letter, which will be included as an information item for the first Council meeting in September.

cc           City Council  
              City Manager  
              Library Board of Trustees



Office of the Mayor

Tom Bates  
Mayor

August 24, 2004

The Honorable Ann-Marie Hogan  
City Auditor  
City of Berkeley  
2180 Milvia Street  
Berkeley, CA 94704

Dear Ms. Hogan:

It has come to my attention that the opponents to Berkeley Measure L have submitted a ballot argument that references the audit of Library operations that you conducted earlier this year. The references to your audit in the ballot argument do not correspond with my reading of the audit and I would appreciate your response to clear up any confusion, misunderstandings, or errors.

First, the ballot rebuttal states, "The City Auditor says the Library Board has failed to control runaway costs." I have read your audit and do not see any such comment. Is this statement correct?

Second, the ballot rebuttal implies that the Library has yet to implement any of the Auditor's recommendations. I also believe this may be incorrect. Can you please provide an update on the current status of the Library's implementation process?

Thank you for your attention to this issue.

Sincerely,

Tom Bates  
Mayor

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AUG 25 2004  
City Auditor