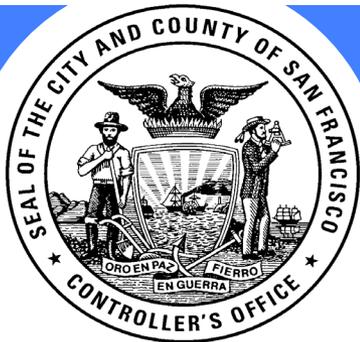


# Public Integrity Audit

## Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program

Report Issued December 9, 2021

Presentation to Board of Supervisors  
Government Audit & Oversight Committee



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller, City Services Auditor  
Sjoberg Evashenk Consulting (*contract auditor*)

January 20, 2022

- Controller's City Services Auditor added audit to our FY 2019-20 work plan
  - Start was delayed as our resources were diverted due to COVID-19 cost recovery
- Sjoberg Evashenk Consulting started audit in March 2021
- Audit conducted in accordance with government auditing standards
- Overall audit objective was to assess appropriateness and effectiveness of SFPUC's governance and oversight of program
- Audit report's recommendations focus on strengthening program's internal controls
- Audit included in Controller's Public Integrity body of work due to contracting concerns at SFPUC

# Controller's Public Integrity Reviews & Audits

3

June 2020

1<sup>st</sup>  
Public Integrity  
Review

—  
San Francisco  
Public Works  
Contracting

September 2020

2<sup>nd</sup>  
Public Integrity  
Review

—  
Gifts Through  
Non-City  
and  
*Friends Of*  
Organizations

November 2020

3<sup>rd</sup>  
Public Integrity  
Review

—  
San Francisco's  
Debarment  
Process

January 2021

4<sup>th</sup>  
Public Integrity  
Review

—  
City Commissions'  
and Boards' Ethical  
Standards for  
Contract Award  
Processes

April 2021

5<sup>th</sup>  
Public Integrity  
Review

—  
San Francisco's  
Refuse Rate-  
Setting Process

August 2021

6<sup>th</sup>  
Public Integrity  
Review

—  
12-Month Status  
Update

September 2021

7<sup>th</sup>  
Public Integrity  
Review

—  
Department of  
Building  
Inspection's  
Processes

December 2021

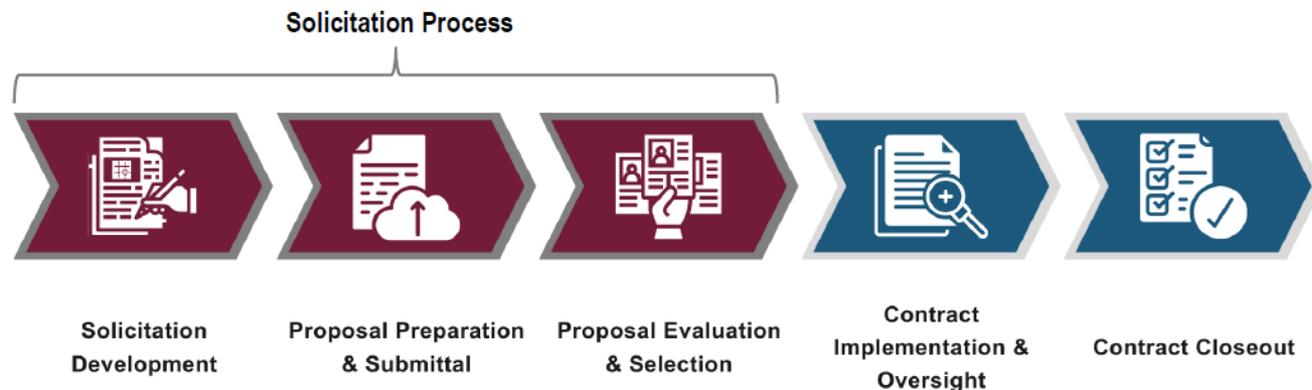
8<sup>th</sup>  
Public Integrity  
Audit

—  
San Francisco  
Public Utilities  
Commission  
Community Benefit  
/ Social Impact

# SFPUC Social Impact Partnership (SIP) Program

4

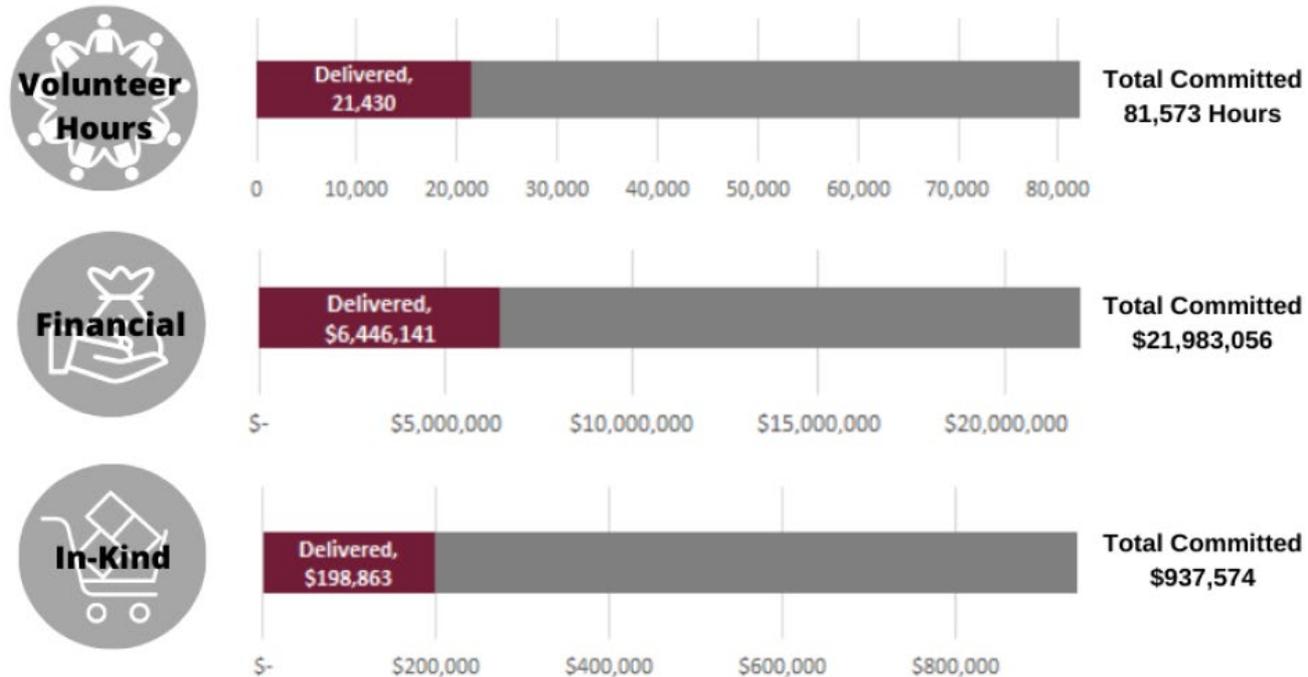
- SIP Program created in 2011 by SFPUC to enable firms to voluntarily “be a good neighbor to the communities affected by SFPUC’s service operations” by pledging to donate money, in-kind goods and services, and/or volunteer hours.
- Bidders make SIP commitments in their proposals for certain contracts and receive points for doing so.
- Commitments in winning bid are included in contract.
- SIP Program is intended to benefit affected communities without increasing SFPUC’s project costs.
- Tools and processes used to oversee and manage SIP Program have evolved, but program staff’s core responsibilities have remained relatively consistent.



Source: Auditor-generated from SIP Program Guidelines

# SFPUC SIP Program (continued)

- As of December 31, 2020, SFPUC had executed 84 contracts in which firms made a total of \$21,983,056 in financial commitments, \$937,574 in in-kind commitments, and had pledged 81,573 volunteer hours as part of the SIP Program.



Source: Auditor-generated from SFPUC SIP Performance Dashboard Data Extract

# Enforcement of Contractors' SIP Commitments

## Findings

SFPUC neither adequately nor consistently enforces contractors' commitments:

- From program inception in 2011 through 2020, 22 of the 84 contracts with SIP commitments had expired. Of these 22, 7 (shown below) had partially unfulfilled commitments.
- Unfulfilled commitments in the 7 expired contracts were worth \$685,000.
- As of December 2020, the 62 active contracts had benefits worth \$25 million owed.

Contract Number	Financial	In-Kind	Volunteer Hours <sup>A</sup>	Total Value
CS-167.A	\$1,000 <sup>B</sup>	(\$160,000)	(158)	(\$182,723)
CS-193.B	(4,000)	78 <sup>B</sup>	(135)	(24,172)
CS-203.C	40,014 <sup>B</sup>	0	(1150)	(132,486)
CS-386.A	1,000 <sup>B</sup>	(6,496)	(122)	(23,721)
CS-391.A	39,870 <sup>B</sup>	450 <sup>B</sup>	(816)	(82,080)
CS-391.C	(33,500)	754 <sup>B</sup>	54 <sup>B</sup>	(24,669)
CS-169	(81,029)	10,524 <sup>B</sup>	(965)	(215,254)
<b>Total</b>	<b>(\$36,645)</b>	<b>(\$154,690)</b>	<b>(3,292)</b>	<b>(\$685,103)</b>

Notes:

<sup>A</sup> In 2016 SFPUC provided guidance that contractors should value their volunteer hour commitments at \$150 per hour.

<sup>B</sup> Positive amounts indicate the value of SIP contributions provided exceed the value of the pledged amount for the commitment type.

Refer to Appendix A for contract details.

Source: Auditor-generated from Salesforce extract of pledged and delivered commitments provided by SFPUC

## Recommendations

- SFPUC should take steps to enforce contract requirements related to the SIP Program, including consideration of the following:
  - a. Institute procedures to proactively contact contractors that do not meet reporting requirements and notify contractors that have not demonstrated adequate progress in fulfilling their commitments.
  - b. Post on the program website information related to contractor performance for all contractors participating in the program, including commitments fulfilled and unfulfilled, nonprofit organization beneficiaries, and compliance with program requirements.
  - c. Incorporate contractors' past performance in fulfilling commitments into future solicitation criteria for participation in the program.
  - d. Apply liquidated damages or other penalties to contractors that fail to meet their commitments.

# Internal Controls on Solicitation and Monitoring

## Findings

The audit identified control weaknesses in each phase of the contract lifecycle:

- SFPUC did not always follow its informal policies for the program.
- Contractors' SIP proposals were not consistent, and some contained mathematical errors.
- SFPUC could not always provide substantiating documentation to show that established processes were consistently followed. (See the four below.)
- SFPUC did not hold contractors accountable to adhere to contract requirements related to SIP Program.

Contract Number	Award Start Date	Award End Date	Document Retention Period End Date <sup>12</sup>	Missing Documentation
CS-165	6/28/2011	9/25/2026	9/25/2031	One missing Conflict of Interest form
DB-126	3/14/2017	3/20/2032	3/20/2037	One missing summary scoring sheet
WW-628	5/24/2016	9/28/2022	9/28/2027	Two missing Conflict of Interest forms
WW-647	5/9/2017	10/6/2024	10/6/2029	Two missing Conflict of Interest forms

Note: Refer to Appendix A for contract details.

Source: Auditor testing results

## Recommendations

SFPUC should:

- Move forward with plans to obtain Board of Supervisors approval of a SIP Program policy that includes requirements to standardize processes and practices and provide clear, consistent guidance for the program's contractors.
- Develop formal, written SIP Program policies and procedures on:
  - a. The oversight and management of the program and guidance provided to external parties.
  - b. Roles and responsibilities of staff and management assigned to the program.
  - c. Standardized contract provisions and protocols for monitoring and reporting on contractor compliance.
  - d. Access and usage of information systems used for program management.

## Recommendations (continued)

- Formalize the Contract Administration Bureau's record retention policy. Ensure the bureau retains all documentation supporting the solicitation and contract award process, including SIP Program documentation. Consider developing a checklist and filing system to ensure all documentation is retained in one location and is easily accessible after program staff leave.
- Promptly review required SIP reports and underlying documentation. This will help ensure information contractors report is accurate, reliable, and supported. As discrepancies are identified, proactively and promptly contact contractors to address discrepancies and areas where additional support is necessary. Documentation supporting SFPUC's efforts should be retained in Salesforce or on a network drive so it is easily accessible after program staff leave.
  - a. Conduct periodic supervisory reviews of a sample of approved contractor submissions to ensure SIP Program staff follow established processes and that contractor-reported information is supported by the underlying documentation required by SFPUC.

## Findings

- SFPUC has not established a sustainable framework to oversee and manage the SIP Program, which has been subject to inconsistent and/or insufficient resources, guidance, and policies since its inception in 2011.
- SFPUC resources to oversee and manage the SIP Program have not kept up with the greater number of active solicitations and contracts with SIP commitments in recent years.
- SFPUC needs to enhance transparency into SIP Program performance and operations, including contractor delivery of SIP commitments. This is needed to gain public trust and ensure fair and equitable practices.

## Recommendations

- Assess SIP Program staffing levels to ensure sufficient resources are available to provide oversight and controls necessary to ensure the integrity of the program and accuracy of information reported.
- Increase transparency into the SIP Program by implementing a publicly available SIP Performance Dashboard, and implement internal controls to ensure the dashboard presents data that is accurate, reliable, and updated in a timely manner.

## Completed and Upcoming Public Integrity Reporting

The Controller's Public Integrity Review, performed in consultation with the City Attorney, will continue to assess selected city policies and procedures to evaluate their adequacy in preventing abuse and fraud.

- [San Francisco Public Works Contracting](#) (June 29, 2020)
- [Gifts to Departments Through Non-City Organizations Lack Transparency and Create "Pay-to-Play" Risk](#) (September 24, 2020)
- [San Francisco's Debarment Process](#) (November 5, 2020)
- [Ethical Standards for Contract Award Processes of the Airport Commission and Other Commissions and Boards](#) (January 11, 2021)
- [Refuse Rate-Setting Process Lacks Transparency and Timely Safeguards](#) (April 14, 2021)
- [12-month Status on Public Integrity Recommendations](#) (August 4, 2021)
- [Department of Building Inspection's Permitting and Inspections Processes](#) (September 16, 2021)
- [SFPUC Community Benefit / Social Impact Partnership Program Audit](#) (December 9, 2021)
- San Francisco Department of the Environment's relationship with Recology
- The San Francisco Public Utilities Commission contracting process
- Citywide ethics reporting
- Additional reviews and assessments will be determined and performed as the City Attorney's investigation proceeds.

# Any questions or comments?

## File a Whistleblower Report

Report the misuse of funds, waste, or mismanagement in City and County of San Francisco programs and operations by contacting the Whistleblower Program.

- [whistleblower@sfgov.org](mailto:whistleblower@sfgov.org)
- (415) 554-7856

## Report Public Integrity Tips

Investigators from the Controller's Office staff the tip line consider every allegation of wrongdoing raised by city employees and members of the public. To report suspected public integrity abuses, please contact the Public Integrity Tip Line.

- [publicintegrity@sfgov.org](mailto:publicintegrity@sfgov.org)
- (415) 554-7657