

File No. 140401

Committee Item No. 2

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight Date April 24, 2014

Board of Supervisors Meeting Date \_\_\_\_\_

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Completed by: Alisa Miller Date April 18, 2014

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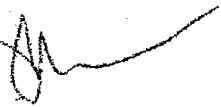


**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
Controller  
**Monique Zmuda**  
Deputy Controller

**MEMORANDUM**

**TO:** Government Audit and Oversight Committee  
San Francisco Board of Supervisors

**FROM:** Tonia Lediju, Director of City Audits  
City Services Auditor Division 

**DATE:** April 15, 2014

**SUBJECT:** City Services Auditor Summary of Recommendation Follow-Up Activity -  
Fiscal Year 2013-14, Second Quarter

The City Services Auditor Division (CSA) of the Office of the Controller (Controller) follows up on all recommendations it issues to city departments at six months, one year, and two years after original issuance. CSA reports on its follow-up activity to the Board of Supervisors' Government Audit and Oversight Committee (GAO). This process fulfills the requirement of San Francisco Charter Section F1.105 for the auditee to report on its efforts to address the Controller's findings, report any costs or savings attributable to recommendation implementation reflected in the department's proposed budget, and, if relevant, report the basis for deciding not to implement a recommendation.

The regular follow-up begins with sending a questionnaire to the responsible department requesting an update on the implementation status of each recommendation. CSA assigns a follow-up status to the report or memorandum for each responsible department according to whether or not the department responded to the questionnaire and the audit determination status of each recommendation. The follow-up statuses are described in the table below.

Status	Department Responsiveness	Audit Determination Status of Recommendations	Further Regular Follow-Up
<i>Closed</i>	Responded	All closed	No
<i>Open</i>	Responded	At least one open or contested	Yes
<i>Elapsed</i>	Responded	At least one open or contested	No, CSA's regular two-year cycle has elapsed. Open recommendations will be considered when planning future audits.
<i>Active</i>	No Response	At least one open or contested	Yes, even if CSA's regular two-year cycle has elapsed.

In some cases, CSA will continue to send requests to departments regarding elapsed follow-ups based on the recommendations being high risk or implementation being dependent on a time frame that extends beyond the usual two year cycle such as negotiation of specific terms in labor union agreements.

Based on its review of the department's response, CSA assigns an audit determination status to each recommendation. A status of:

- **Open** indicates that the recommendation has not yet been fully implemented.
- **Contested** indicates that the department has chosen not to implement the recommendation for some reason.
- **Closed** indicates that the response described sufficient action to fully implement the recommendation or an acceptable alternative, or that some change occurred to make the recommendation no longer applicable.

Additionally, CSA periodically selects reports or memorandums resulting in high-risk findings for a more in-depth field follow-up assessment in which CSA performs testing to verify the implementation status of the recommendations.

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## Department Abbreviations

Abbreviated Name	Full Name
Aging and Adult Services	Department of Aging and Adult Services
AIR	Airport Commission
Airport	Airport Commission
ART	Arts Commission
Arts	Arts Commission
CSA	City Services Auditor Division
DHR	Department of Human Resources
DPH	Department of Public Health
DPW	Department of Public Works
General Services	General Services Agency
GSA	General Services Agency
HSA	Human Services Agency
Human Resources	Department of Human Resources
Human Services	Human Services Agency
OCA	Office of Contract Administration
Port	Port Commission
Public Health	Department of Public Health
Public Works	Department of Public Works
REC	Department of Recreation and Parks
Recreation and Parks	Department of Recreation and Parks
SFMTA	San Francisco Municipal Transportation Agency
SFPUC	San Francisco Public Utilities Commission

### Overview of Regular Follow-Up Activity in Fiscal Year 2013-14, Second Quarter

During the second quarter of fiscal year 2013-14, CSA followed up on 109 open and contested recommendations from 22 reports or memorandums. In some cases, a report or memorandum may direct recommendations at multiple departments. Each department received a separate follow-up request and is accounted for in this report separately. Exhibit 1 summarizes the current status of those follow-ups.

Department	Total Follow-Ups	Active	Open	Elapsed	Closed
Aging and Adult Services <sup>1</sup>	1				1
Airport	2		1		1
Arts	1				1
General Services <sup>2</sup>	1				1
Human Resources	1				1
Human Services	2			1	1
Port	2		1		1
Public Health	3		1		2
Public Works	3			1	2
Recreation and Parks	1				1
SFMTA	2		1		1
SFPUC	5		2		3
<b>Total</b>	<b>24</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>16</b>

<sup>1</sup> CSA issued the memorandum *Department of Aging and Adult Services: Results of Follow-up of 2005 Audit of the Department* containing eight recommendations. The department reported having implemented all recommendations before CSA publicly issued the report. See the field follow-up section at the end of this report for more detail.

<sup>2</sup> Includes one follow-up request for the Office of Contract Administration.

Exhibit 2 shows the number of recommendations CSA followed up on and determined to be closed during the quarter. The table reflects whether CSA closed a recommendation after reviewing the department's 6-month, 12-month, or 24-month response. In some cases, the department has implemented few or none of CSA's recommendations. This does not necessarily indicate that the department is not making an effort to resolve the underlying issues. In some instances, the department has not yet had the opportunity because the recommendations relate to events that happen only periodically, such as labor agreement negotiations, or because the recommendations were issued too recently for the department to have achieved full implementation.

**Exhibit 2 - Summary of Recommendations CSA Followed Up On in the Second Quarter of Fiscal Year 2013-14**

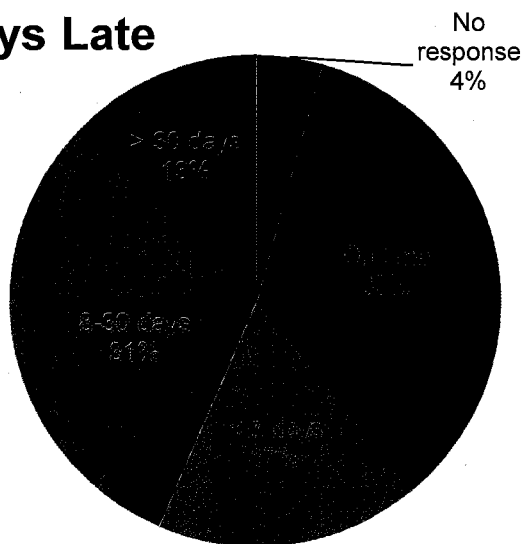
Department	Newly Closed	Open	Contested	Now Elapsed	Total Recommendations Followed Up On
Airport	3	2			5
Aging and Adult Services	8				8
Arts	3				3
General Services <sup>1</sup>	1				1
Human Resources	1				1
Human Services	4			1	5
Port	5	1			6
Public Health	9	9			18
Public Works	20			2	22
Recreation and Parks	6				6
SFMTA	7	1			8
SFPUC	15	9	2		26
<b>Total</b>	<b>82</b>	<b>22</b>	<b>2</b>	<b>3</b>	<b>109</b>

<sup>1</sup> Office of Contract Administration within General Services

Exhibit 3 shows departments' responsiveness to CSA's follow-up requests. CSA sent 23 follow-up requests during the quarter.

**Exhibit 3 - Timeliness of Departments' Responses to CSA's Follow-up Requests in the Second Quarter of FY2013-14**

## Days Late



The Airport and Port submitted all of their responses on time. SFMTA and Human Services submitted all of their responses within one week of the due date.

Although Public Works did not submit a response to one request, it submitted responses to the other two requests on time.

Public Health submitted one response 40 days late, but its other two responses on time.

SFPUC submitted all five responses 11-45 days late citing internal reviews to ensure accuracy of the responses as a contributing factor. Human Resources submitted its response 63 days late. Recreation and Parks, General Services and Arts submitted their responses 20-25 days late.

Exhibit 4 shows summaries of the follow-ups CSA closed in the quarter.

Quarterly Summary of Follow-Up Activity for Fiscal Year 2013-14, Second Quarter		
Dept.	Document Title and Total Number of Recommendations	
DPH	<b>Title:</b> Human Services Agency and Department of Public Health: The City's Efforts and Resources to House Homeless Individuals Have Increased, but New Strategies Could Lead to Improved Program Effectiveness	
	<b>Issue Date:</b> 10/13/11	<b>Total Recommendations:</b> 4
	<b>Summary:</b> Public Health initiated efforts to increase state revenues that can be claimed for mental health services it provides to its supportive housing residents. Despite these efforts, San Francisco's homeless population remains high, and demand for supportive housing is expected to increase. The audit's recommendations aim to improve program effectiveness by implementing a graduation program for residents to move out of supportive housing and improving outcome-oriented performance measures to better gauge program success. Public Health reports collaborating with national and local bodies to develop a successful graduation program and better connect residents to other support programs as well as developing improved performance measures.	
	This report included recommendations directed to Human Services and Public Health. This follow-up includes only the recommendations directed to Public Health.	
HSA	<b>Title:</b> Human Services Agency: The Department Needs to Improve Controls Over Some Types of Premium Pay	
	<b>Issue Date:</b> 10/19/11	<b>Total Recommendations:</b> 14
	<b>Summary:</b> Some Human Services employees who received four types of premium pay in 2010 (acting assignment pay, bilingual pay, emergency response pay, and longevity pay) should not have because they were ineligible or because Human Services lacks documentation to show that they were eligible. Human Services needs to improve its determination and monitoring of which employees are eligible for certain types of premium pay and for how long. The department reports implementing all recommendations.	
ART	<b>Title:</b> San Francisco Arts Commission: Results of the Financial Management Review	
	<b>Issue Date:</b> 11/15/11	<b>Total Recommendations:</b> 12
	<b>Summary:</b> Arts used some accounting policies that diverge from city policies and best practices. The audit recommended that department should better manage its human resources functions and ensure employees' duties aligned with their job classifications. Further, the department lacked adequate oversight of its Cultural Equity Grants program. The department reported fully implementing all recommendations including restructuring its employment classifications, documented policies and procedures, improved controls and transparency over financial management, and better administration of its Cultural Equity Grants.	
SFPUC	<b>Title:</b> San Francisco Public Utilities Commission: Expenditures of the Bay Division Pipeline Reliability Upgrade – Pipeline Project Appear Reasonable <i>CSA performed this audit under contract with SFPUC Revenue Bond Oversight Committee, which published the report here: <a href="http://sfwater.org/index.aspx?page=519">http://sfwater.org/index.aspx?page=519</a></i>	
	<b>Issue Date:</b> 11/22/11	<b>Total Recommendations:</b> 5



Quarterly Summary of Follow-Up Close-Up Fiscal Year 2013-14, Second Quarter		
Dept.	Document Title and Total Number of Recommendations	
	<p><b>Summary:</b> SFPUC recorded some expenditures under the incorrect project or in the correct time period. These errors were not material to the Water System Improvement Project as a whole, but did result in inaccurate interim reporting of the project's expenses. SFPUC reports having corrected the errors and improved controls to prevent further errors.</p>	
GSA - OCA	<p><b>Title:</b> The \$78 Million Citywide Western States Oil Company Contract Should Be Better Administered</p>	
	<p><b>Issue Date:</b> 9/6/12</p>	<p><b>Total Recommendations:</b> 1</p>
	<p><b>Summary:</b> The Office of Contract Administration must develop and implement overall contract monitoring procedures to ensure that the amounts and prices of fuel delivered for city vehicles are reasonable based on the contract's provisions and departmental requirements.</p> <p>This document contains 7 recommendations directed toward the Office of Contract Administration under General Services, the Central Shops Department under General Service, and SFMTA. This follow-up includes only the recommendation that the Office of Contract Administration is responsible for implementing.</p>	
DHR	<p><b>Title:</b> The Airport's Payroll Operations, Including Its Administration of Premium Pay, Are Adequate, but Should Be Improved</p>	
	<p><b>Issue Date:</b> 12/18/12</p>	<p><b>Total Recommendations:</b> 1</p>
	<p><b>Summary:</b> The payroll operations and administration of premium pay at the Airport are generally adequate, but need some improvement to reduce the risks associated with the payroll processes. The recommendation directed toward Human Resources asked the department to notify departments of requirements for maintaining proof of premium pay eligibility such as licenses and certifications. Human Resources presented the information to citywide human resources staff and sent follow-up reminders.</p> <p>This document contained 12 recommendations directed toward the Airport and Human Resources. This follow-up includes only the recommendation that Human Resources was responsible for implementing.</p>	
DPW	<p><b>Title:</b> Recreation and Park Department: Chinese Recreation Center and Mission Clubhouse and Playground Construction Management — The Change Management Process Requires Some Improvements</p>	
	<p><b>Issue Date:</b> 4/2/13</p>	<p><b>Total Recommendations:</b> 9</p>
	<p><b>Summary:</b> The contractual provisions for the Recreation and Park Department's Chinese Recreation Center and Mission Clubhouse and Playground contracts appeared to be sufficient; however, the change management procedures and processes, including those for evaluation of change orders and recording of supporting documentation, required some improvements. Public Works reports implementing all recommendations including changes to change order procedures to improve efficiency and better document change orders.</p> <p>This report included 12 recommendations directed to Public Works and Recreation and Parks. This follow-up includes only the recommendations directed to Public Works. CSA contracted this audit to sf Delaney Consulting.</p>	

Appendix 4 Summary of Follow-Up Closed in Fiscal Year 2013-14, Second Quarter		
Dept.	Document Title and Total Number of Recommendations	
REC	<b>Title:</b> Recreation and Park Department: Chinese Recreation Center and Mission Clubhouse and Playground Construction Management — The Change Management Process Requires Some Improvements	
	<b>Issue Date:</b> 4/2/13	<b>Total Recommendations:</b> 6
	<b>Summary:</b> The department reports fully implementing all recommendations including better complying with best practices and policies and procedures, better documenting change orders, and ensuring better compliance from the contractor with certain provisions.	
	This report included 12 recommendations directed to Public Works and Recreation and Parks. This follow-up includes only the recommendations directed to Recreation and Parks. CSA contracted this audit to sf Delaney Consulting.	
SFPUC	<b>Title:</b> San Francisco Public Utilities Commission: Alameda Siphon No. 4 Construction Management – The Change Management Process Generally Complied With Contract Provisions but Requires Some Improvements	
	<b>Issue Date:</b> 4/9/13	<b>Total Recommendations:</b> 7
	<b>Summary:</b> SFPUC generally complied with contract provisions and Water System Improvement Program change management procedures and executed changes in a manner that followed many industry best practices. However, some instances of noncompliance did exist. The department reports fully implementing all recommendations including requiring better and more timely documentation from the contractor and improving compliance with best practices.	
	CSA contracted this audit to Marsh Risk Consulting.	
PORT	<b>Title:</b> Port Commission: Bundox Underreported Its Gross Revenues and Owes \$8,532 in Rent and \$2,723 in Late Charges to the Port for January 1, 2009, Through December 31, 2011	
	<b>Issue Date:</b> 4/23/13	<b>Total Recommendations:</b> 1
	<b>Summary:</b> Bundox Restaurant Corporation dba The Waterfront Restaurant (Bundox) underreported its gross revenues to the Port by incorrectly deducting the cost of employee meals from gross receipts, resulting in an underpayment of \$8,532 in rent and \$2,723 in late charges. During the audit period Bundox reported \$15,971,764 in gross revenues and paid \$616,561 in rent. As a result of the audit, the Port recovered \$13,943 in additional rent from the vendor.	
	CSA contracted this audit to KPMG LLP.	
SFMTA	<b>Title:</b> San Francisco Municipal Transportation Agency: Overhead Rates of Five Central Subway Project Design Consultants Must Be Reduced	
	<b>Issue Date:</b> 5/1/13	<b>Total Recommendations:</b> 5
	<b>Summary:</b> The overhead rates of the five Central Subway Project Design consultants must be reduced. Although the consultants' overhead rate calculations mostly complied with the terms of the contract, some costs should have been excluded from those used as the basis of overhead rates.	
	CSA contracted this assessment to Sjoberg Evashenk Consulting, Inc.	
SFPUC	<b>Title:</b> San Francisco Public Utilities Commission Did Not Issue a Certificate of Completion for the Harry Tracy Water Treatment Plant Short-Term Improvement Project	

Quarterly Summary of Follow-Up Activity Closed in Fiscal Year 2013-14, Second Quarter		
Dept.	Document Title and Total Number of Recommendations	
	<b>Issue Date:</b> 5/13/13	<b>Total Recommendations:</b> 1
	<b>Summary:</b> SFPUC generally complied with all applicable closeout procedures in the contract for short-term improvements to the Harry Tracy Water Treatment Plant, part of phases 2 and 3 of the Water System Improvement Program. However, SFPUC did not issue an actual Certificate of Completion, as required by the contract closeout provisions.	
AIR	<b>Title:</b> Airport Commission: Air Sun Did Not Submit a Year-End Financial Report Certified by an Independent CPA and Owes \$226 in Late Charges to the Airport for March 8, 2010, Through March 31, 2012	
	<b>Issue Date:</b> 5/14/13	<b>Total Recommendations:</b> 2
	<b>Summary:</b> Air Sun, a joint venture between Sunglass Trading Corporation and Corliss Stones-Littles, LLC., correctly reported gross revenues of \$2,573,381 and correctly paid rent of \$526,390 to the Airport. However, Air Sun did not submit an unqualified year-end financial report certified by an independent certified public accountant. Also, Air Sun made multiple late payments resulting in late fee assessments of \$226. Because the Airport did not access late fees during the audit period, the department did not collect the late fees, but reported implementing the remaining recommendation to ensure Air Sun submits required financial reports.	
	CSA contracted this audit to MGO Certified Public Accountants.	
DPW	<b>Title:</b> Department of Public Works: Improvements Are Needed to Better Monitor Subcontractors' Insurance and Licenses and Strengthen Contract Terms for the San Francisco General Hospital Rebuild Project	
	<b>Issue Date:</b> 5/23/13	<b>Total Recommendations:</b> 11
	<b>Summary:</b> The contractor, Webcor Construction, LP, complied with contract terms regarding applying markups and billing overhead. However, Public Works did not actively monitor compliance with certain contract terms for all subcontractor tiers. Also, certain elements of the Rebuild contract and the related General Conditions Agreement inadequately defined some key requirements. Public Works, upon consultation with the City Attorney and Risk Manager, determined that it would not implement 8 recommendations. CSA agreed with this assessment. Public Works implemented the remaining recommendations.	
DPH	<b>Title:</b> Department of Public Health: The Department Adequately Monitors MedImpact's Prescription Claims but Needs Better Controls Over Its Use of MedImpact as a Fiscal Intermediary	
	<b>Issue Date:</b> 6/19/13	<b>Total Recommendations:</b> 8
	<b>Summary:</b> Public Health had sufficient controls to ensure formulary rates and claims charges were accurate and billed in accordance with terms under the MedImpact HealthCare Systems, Inc. (MedImpact) contract for pharmacy benefits management services. However, the department's internal controls over its use of MedImpact as a fiscal intermediary needed improvement. The department reports having fully implemented all recommendations including establishing proper segregation of duties, improving its monitoring of the contract, and setting limits on the types and amounts of services it may purchase from MedImpact as a fiscal intermediary.	

### Summary of Unimplemented Recommendations by Department

Below are summaries of the open and contested recommendations from all follow-ups CSA sent requests for that have a status of open, active, or elapsed organized by department and original issuance.

#### Department of Transportation

<b>Title:</b> The Airport Commission Should Require Increased Accountability of Airport and Aviation Professionals, Inc.		<b>Date Issued:</b> 5/30/13	<b>Summary Status:</b> Open
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	2	1, 3	
<i>Contested</i>	0		
<i>Closed</i>	1	2	
<b>Total</b>	<b>3</b>		

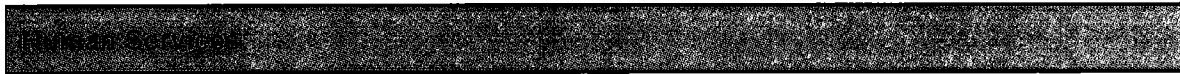
**Summary:** The Airport should better monitor its contract with Airport and Aviation Professionals, Inc. (AvAirPros) by requiring AvAirPros to provide documentation detailing tasks it performed to support the labor costs it charges. By requiring increased accountability, the Airport would be more assured that the services it receives are commensurate with the amounts charged. Finally, the Airport, contrary to the contract, did not approve in advance certain AvAirPros expenses and did not pay AvAirPros on time each month.

**Overall Risk of Open Recommendations:** Very low

The department reports having instructed the vendor to provide greater detail and will continue to work with the vendor to ensure the level of detail is appropriate. Also, the Airport is in the process of amending the contract.

**Open Recommendations:**

- **Recommendation 1** asks the Airport to ensure the contractor provides greater detail about labor costs in its monthly invoices.
- **Recommendation 3** asks the Airport to either comply with deadlines required by the contract, or if those deadlines are not practical, to amend the contract appropriately.



<b>Title:</b> Human Services Agency and Department of Public Health: The City's Efforts and Resources to House Homeless Individuals Have Increased, but New Strategies Could Lead to Improved Program Effectiveness		<b>Date Issued:</b> 10/13/11	<b>Summary Status:</b> Elapsed
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	1	6	
<i>Contested</i>	0		
<i>Closed</i>	5	All others	
<b>Total</b>	<b>6</b>		

**Summary:** To better manage costs, Human Services analyzed its costs for supportive housing to prioritize funding. Similarly, Public Health initiated efforts to increase state revenues that can be claimed for mental health services it provides to its supportive housing residents. Despite these efforts, San Francisco's homeless population remains high, and demand for supportive housing is expected to increase. Consequently, new strategies to improve program effectiveness are needed, such as implementing a graduation program for residents to move out of supportive housing and improving outcome-oriented performance measures to better gauge program success. Through the efforts of a cost analysis working group, Human Services achieved \$353,953 in budget savings in fiscal year 2009-10. The departments report actively pursuing alternative funding sources, such as state and federal grants and programs, and now fund 44 percent of the Behavioral Health Roving Team's \$900,000 budget through Medi-Cal revenue.

**Overall Risk of Open Recommendation:** Low

Human Services reported investigating outcome measures that would be appropriate and might support or explain different levels of funding, but is in the process of finalizing those measures.

**Open Recommendation:**

- **Recommendation 6** asks the departments to develop and report outcome performance measures to better gauge program success.

**Other Notes:** This document contains six recommendations directed toward Human Services and Public Health. This follow-up includes only the recommendations directed toward Human Services.



<b>Title:</b> Port Commission: Pier 39 Underpaid Its Rent by \$44 Because It Did Not Report Subtenant Rent Underpayments for December 29, 2008, Through December 25, 2011		<b>Date Issued:</b> 5/22/13	<b>Summary Status:</b> Open
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	1	3	
<i>Contested</i>	0		
<i>Closed</i>	4	All others	
<b>Total</b>	<b>5</b>		

**Summary:** Pier 39 Limited Partnership (Pier 39) underreported its gross revenues to the Port Commission (Port) by not reporting underpayments of rent by its subtenants, resulting in an underpayment of \$44 in rent. During the audit period Pier 39 reported \$81,441,301 in gross revenues and paid \$7,970,772 in rent due to the Port. The Port recovered \$96 in underpaid rent, and implemented other recommendations to improve controls to mitigate the risk of future underpayment.

**Overall Risk of Open Recommendation:** Low

The Port has obtained information from the Tenant for two out of four subtenants for implementing the recommendation, and is in the process of obtaining the information for the remaining two subtenants. The Port estimates the total underpaid rent to be around \$191.

**Open Recommendation:**

- Recommendation 3** asks the departments to investigate and quantify the impact of underreported gross receipts on percentage rent for periods ending December 28, 2008.

**Other Notes:** CSA contracted this audit to KPMG LLP.



<b>Title:</b> Department of Public Health: The Department's Siloed and Decentralized Purchasing Structure Results in Inefficiencies		<b>Date Issued:</b> 3/14/13	<b>Summary Status:</b> Open
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	9	All Recommendations	
<i>Contested</i>	0		
<i>Closed</i>	0		
<b>Total</b>	<b>9</b>		

**Summary:** The decentralized and siloed medical supplies purchasing system of Public Health has resulted in inconsistent practices and inefficiency. Specifically, Public Health:

- Cannot take full advantage of purchasing enhancements to achieve cost savings because invoice data cannot be compared for departmentwide analysis
- Lacks departmentwide purchasing policies and procedures
- Lacks established criteria to determine when to expend staff time seeking waivers from city requirements and when to pay a markup to use a city-approved vendor

**Overall Risk of Open Recommendations:** Medium

The systemic issues identified in the report inhibit the department in maximizing the efficiency of its purchasing function. However, Public Health reports being in the process of implementing all recommendations. However, due to the nature of the recommendations, complete implementation will take some time. Actions being taken include developing the infrastructure to expand purchasing technology to all divisions, developing systemwide policies and procedures, centralizing purchasing at SFGH, and analyzing systemwide purchasing data.

**Open Recommendations:**

- **Recommendation 1** asks the department to centralize its purchasing functions into a single location.
- **Recommendations 2, 3, 8, and 9** ask Public Health to expand the use of its purchasing technology so that data across divisions will be compatible for systemwide analysis, analyze the systemwide data, increase the timeframe for data retention, and ensure proper back up of data.
- **Recommendations 4 and 6** ask the department to create systemwide purchasing policies and procedures including guidance on when to seek sole source waivers.
- **Recommendation 5** asks Public Health to review, at least quarterly, the cost-effectiveness of group purchasing organization purchases considered exempt from the Office of Contract Administration's requirements.
- **Recommendation 7** asks the department to better inform smaller units within Public Health of vendors with which Public Health has negotiated discounts through its group purchasing organization.

## Public Works

<b>Title:</b> Recreation and Parks Department: Construction Audit of McCoppin Square Park Renovation		<b>Date Issued:</b> 12/21/11	<b>Summary Status:</b> Elapsed
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	2	3, 6	
<i>Contested</i>	0		
<i>Closed</i>	7	All others	
<b>Total</b>	<b>9</b>		

*Public Works did not respond to CSA's request for an update on the implementation status of unimplemented recommendations. CSA bases the current statuses for each recommendation based on the last response received from Recreation and Parks.*

**Summary:** Bauman Landscape and Construction, Inc., complied with most of its construction contract provisions for the renovation of McCoppin Square. Public Works and the Recreation and Park Department (Recreation and Park) properly managed the renovation except for change orders. Public Works did not effectively use IMPACT, its project management system, to manage the contract.

**Overall Risk of Open Recommendations:** Low

The audit found no evidence of a significant violation of contractual provisions. Implementing the remaining open recommendations will only improve upon controls already in place.

**Open Recommendations:**

- **Recommendation 3** asks the department to ensure contracts comply with advance notice requirements before commencing work.
- **Recommendation 6** asks Public Works to record contractor labor hours on a daily basis as stated in its policies and procedures or to change its policies and procedures as appropriate.

**Other Notes:** CSA addressed the audit report to Recreation and Park, but directed the report's recommendations to Public Works because it oversaw the construction work performed for Recreation and Park.





<b>Title:</b> San Francisco Municipal Transportation Agency: Overhead Rates of Two Central Subway Project Management Consultants Must Be Reduced		<b>Date Issued:</b> 6/25/13	<b>Summary Status:</b> Open
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	1	3	
<i>Contested</i>	0		
<i>Closed</i>	2	All others	
<b>Total</b>	<b>3</b>		

**Summary:** This desk review of the overhead rates charged by three central subway management consultants advised SFMTA to seek adjustments to the rates applied by two contractors and accept the rate applied by a third. SFMTA recovered \$3,336.88 and accepted the rate of the third.

**Overall Risk of Open Recommendation:** Low  
SFMTA has identified, but is still in the process of invoicing, \$23,506.21 to one contractor.

**Open Recommendation:**

- **Recommendation 3** asks SFMTA to make adjustments to the overhead rate applied by one of the contractors and recover overpayments.



Title: San Francisco Public Utilities Commission: The Power Enterprise Lacks Adequate Controls to Safeguard Its Inventory		Date Issued: 10/29/12	Summary Status: Open
Recommendation Status	Number of Recommendations With Each Status	Recommendation Number(s) in Report	
Open	9	All other recommendations	
Contested	0		
Closed	2	3, 11	
Total	11		

**Summary:** The warehouse and inventory processes and controls at the Power Enterprise of SFPUC need improvement to mitigate the risks associated with inventory. SFPUC does not regularly count the inventory in its two Power Enterprise warehouse locations and does not always indicate in its inventory system when items are checked out, which increases susceptibility to theft.

**Overall Risk of Open Recommendations:** Medium

The Power Enterprise has weaknesses in inventory controls that should be addressed to ensure the security of items in its warehouses. SFPUC reports that it is in the process of implementing the remaining recommendations and anticipates many to be fully implemented by August 2014.

**Open Recommendations:**

- **Recommendations 1, 2, 4, 6, 9, and 10** ask the department to ensure its inventory list is accurate, including tool cost, and remains accurate.
- **Recommendation 5** asks the department to determine optimal reorder points for relevant inventory items.
- **Recommendation 7** asks SFPUC to account for inventory correctly including expensing inventory when it is consumed.
- **Recommendation 8** asks the department to create policies and procedures to fit its unique conditions, similar to those of the WST warehouse.

<b>Title:</b> San Francisco Public Utilities Commission: The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness		<b>Date Issued:</b> 12/26/12	<b>Summary Status:</b> Open
<b>Recommendation Status</b>	<b>Number of Recommendations With Each Status</b>	<b>Recommendation Number(s) in Report</b>	
<i>Open</i>	0		
<i>Contested</i>	2	10, 11	
<i>Closed</i>	17	All others	
<b>Total</b>	<b>19</b>		

**Summary:** SFPUC's Job Order Contract (JOC) Program lacks sufficient oversight to ensure that it is effective and stays true to its original intent. Specifically, the program does not have a formal definition of its intent or guidelines to prevent its use for unintended purposes. Although one of the major advantages of JOC programs is that project costs are determined by the pre-negotiated prices, SFPUC's JOC program approved several projects that rely heavily on non-prepriced tasks. Also, the JOC program has not documented its process for choosing among JOC contractors when assigning projects and does not adequately monitor the quality of the work that contractors produce. SFPUC has implemented most recommendations including specifying its intent, clarifying criteria for eligible projects, and ensuring it does not fund JOC projects improperly.

**Overall Risk of Contested Recommendations:** Low

The JOC program was generally used appropriately. SFPUC reports that it disagrees with the recommendations because invoices are primarily reviewed within the JOC program. However, the recommendations ask SFPUC to ensure someone outside of the JOC program reviews invoices to implement better separation of duties reducing the risk of errors and fraud.

**Contested Recommendations:**

- **Recommendations 10 and 11** ask the department to require and enable SFPUC's Contract Administration Bureau to review invoices for work performed under JOCs.

### CSA's Field Follow-Up Activity

Any audit report or memorandum may be selected for a more in-depth field follow-up regardless of summary status. Field follow-ups result in memorandums that are also subject to CSA's two-year regular follow-up cycle.

#### Field Follow-Up Memorandums Issued

<b>Title:</b> San Francisco Public Utilities Commission: Department Has Fully or Partially Implemented 13 of 19 Recommendations of the 2010 Audit of Crystal Springs Golf Partners, L.P.	<b>Issue Date:</b> 10/9/13
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**Original Issuance:** San Francisco Public Utilities Commission: Audit of Crystal Springs Golf Partners, L.P. – 12/1/10

**Not Implemented Recommendations:** SFPUC has not implemented three recommendations related to issuing a water rate credit and intends to amend the relevant portion of the lease during lease negotiations. The other three recommendations not implemented ask the department to compute percentage rent due during the lease term to date and collect any rent, late charges, and interest owed. SFPUC has drafted a calculation methodology, but is awaiting further information before it can proceed.

**Partially Implemented Recommendations:** The department had not fully implemented five recommendations. Three recommendations asked SFPUC to require the vendor to comply with certain lease provisions, but the department could not provide documentation that it formally reminded the vendor of its obligations. In two of these recommendations, the vendor complied with the terms by submitting required documents, but half of them were one to two days late. One recommendation instructed SFPUC to collect \$72,320 in late charges. The department collected \$7,203, but the vendor disputes the remaining amount, stating that it would have complied more closely with deadlines if the department had been enforcing them. Another recommendation asked for annual true-up of rent due and paid after the end of each lease year. Although SFPUC performed a true-up, it could better document its process.

**Fully Implemented Recommendations:** SFPUC recovered \$23,683 in base rent due for 2008, reminded the vendor to comply with specific lease terms, obtained a determination from the City Attorney regarding the appropriateness of using Capital Improvement Fund money to construct a teaching station, ensured that its staff fully understands all lease terms, and improved some of its monitoring and billing procedures.

**Other Notes:** The three recommendations not tested were no longer applicable because they relate to events that occur only periodically and did not occur during the period reviewed as part of this field follow-up. This field follow-up also resulted in five new recommendations.

Original Issuance	Recommendations Evaluated in Field Follow-Up			
	Tested	Fully Implemented	Partially Implemented	Not Implemented
22	19	8	5	6

<b>Title:</b> Department of Aging and Adult Services: Results of Follow-up of 2005 Audit of the Department		<b>Issue Date:</b> 11/7/13		
<b>Original Issuance:</b> Department of Aging & Adult Services: The Department Needs to Improve its Needs Assessment and Contracting Processes to Better Serve Seniors and Adults With Disabilities - 5/2/05				
<b>Summary:</b> The 2005 report included 29 recommendations directed toward the Human Services Agency and its Department of Aging and Adult Services (DAAS). The original audit assessed whether DAAS effectively managed the process of providing services to seniors and adults with disabilities through granting public funds to community and nonprofit organizations. Recommendations centered around strategic planning, assessing needs for services, improving controls over the contracting process and contract monitoring,				
<b>Not Implemented Recommendations:</b> Recommendations not implemented included developing a training program for staff on contract monitoring, communicating funding guidelines to vendors bidding on contracts, awarding contracts based solely off evaluation criteria scoring procedures, and communicating changes in revenues streams to contractors.				
<b>Partially Implemented Recommendations:</b> The department only partially implemented recommendations that called for written policies and procedures for contract monitoring, better adherence to established procedures for contracting, and establishing guidelines for resolving conflicts between funding guidelines.				
<b>Fully Implemented Recommendations:</b> The department implemented a strategic plan, identified matching requirements for federal and state funds, filled a vacant program manager position to provide oversight, implemented contract monitoring tools, developed policies and procedures for contract monitoring, improved its RFP process, and improved controls over the integrity and reliability of its contract data.				
<b>Other Notes:</b> Two recommendations were no longer applicable. One recommended rotating assignments, but the program does not have sufficient staffing levels to make this feasible. The other related to a now expired contract. CSA could not determine if the department implemented a recommendation to document deviations from guidelines and ensure changes are transparent.				
<b>Original Issuance</b>	<b>Recommendations Evaluated in Field Follow-Up</b>			
Recommendations	Tested	Fully Implemented	Partially Implemented	Not Implemented
29	28*	19	3	4
*Two recommendations were tested and found to be no longer applicable.				
Aging and Adult Services reports having fully implemented all of the recommendations the field follow-up determined were not or partially implemented recommendations prior to CSA publicly issuing the field follow-up memorandum.				

Audits or Assessments With Field Follow-Ups in Progress as of 12/31/13		
Audit or Assessment	Issue Date	Recommendations
San Francisco Public Utilities Commission: Hanson Aggregates, Inc., Did Not Make All Required Lease Payments and the SFPUC Did Not Properly Manage Its Leases	11/23/10	49

# Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
Time stamp  
or meeting date  
2014 APR 17 PM 11:02

I hereby submit the following item for introduction (select only one):

- ☐ 1. For reference to Committee:
- An ordinance, resolution, motion, or charter amendment.
- ☐ 2. Request for next printed agenda without reference to Committee.
- ☒ 3. Request for hearing on a subject matter at Committee:
- ☐ 4. Request for letter beginning "Supervisor  inquires"
- ☐ 5. City Attorney request.
- ☐ 6. Call File No.  from Committee.
- ☐ 7. Budget Analyst request (attach written motion).
- ☐ 8. Substitute Legislation File No.
- ☐ 9. Request for Closed Session (attach written motion).
- ☐ 10. Board to Sit as A Committee of the Whole.
- ☐ 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

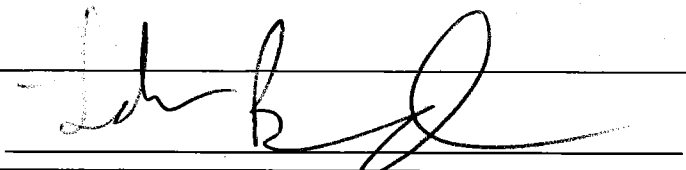
- ☐ Small Business Commission      ☐ Youth Commission      ☐ Ethics Commission
- ☐ Planning Commission      ☐ Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.**

**Sponsor(s):**

**Subject:**

**The text is listed below or attached:**

Signature of Sponsoring Supervisor: 

For Clerk's Use Only: